

# THE BULGARIAN BANKS' COMPETITIVENESS: THE CASE OF REMOTE BANKING

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## Summary

The new information technologies adoption and e-commerce emergence change the role of financial intermediaries in new E-economy. During the last years, the banks have started an expansion to the web – they offer broad range of traditional bank products and services via Internet. The remote banking becomes one of the main channels for bank services distribution.

This paper presents results from a research, which aims to describe actual picture of remote banking products and services offered by Bulgarian banks. They are estimated in accordance with the criteria as: web site availability; information for bank products and services available via Internet; online application forms; online banking application; other online/remote services.

In spite of the small number of Bulgarian banks, which offer their products and services via Internet, the research shows that Bulgarian banks as a whole are presented in Internet, as well as indicates that banks estimate the potential and competitive advantages of the new medium.

## Introduction

The roots of remote banking may be founded many years ago, before emergence of modern banking. The emergence of receipts, vouchers, checks, bills of exchange, drafts, etc. as cash substitutes, may be considerate (with some degree of conditional) as the first manifestation of remote banking. The wide penetration of the modern bank services, including remote banking, has been stimulated by rapid evolution of electronic and information technologies after 1950s. The new IT developments has been **modified the ways in which consumers have access to banks' services and products**, and the remote banking become one of the main channels for bank services distribution. According to ECB, the “remote banking” refers to the provision of banking services without face-to-face contact between the bank employee and the customer<sup>1</sup>.

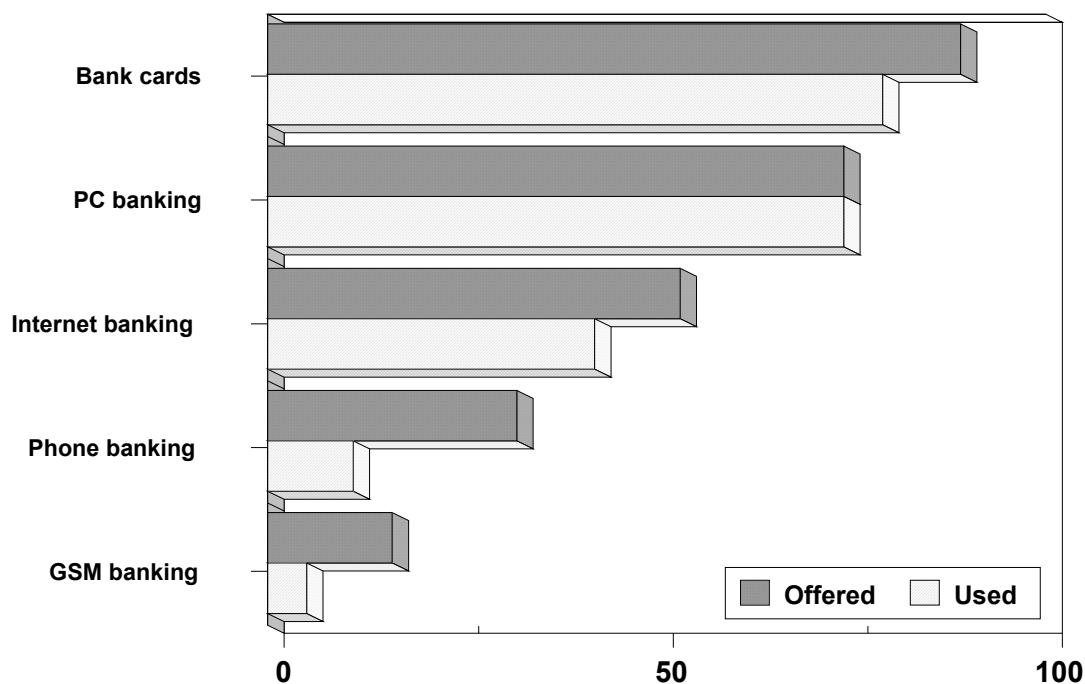
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<sup>1</sup> European Central Bank, The Effects of Technology on EU Banking Systems, ECB, July 1999, p. 11

## Remote Banking in Bulgaria

The remote banking in Bulgaria is still in the initial stage of its penetration. The first trials in this area are connected with the establishment of card payments infrastructures by 3 separated Bulgarian banks. After 1992, the First Private Bank, the TouristSportBank, and the BalkanBank had started their own networks; the first two based them on cards with a magnetic strip, while the BalkanBank used smart cards<sup>2</sup>. During 1995 have been started a new, commonly used national card network, with BORICA Ltd (Bank Organization for Payments Initiated by Cards) as national card operator and acquirer. After bankrupts of the First Private Bank, the TouristSportBank, and the BalkanBank during banking crisis (1996-97), the BORICA is the only working national card network in Bulgaria.

The early penetration of the bank cards as remote banking channel predetermined its broad usage – near 90% of the Bulgarian banks issued cards and acquire payments with them. The PC and Internet banking has significant share of the remote banking usage, while Phone and GSM banking has too small share (see Fig. 1)

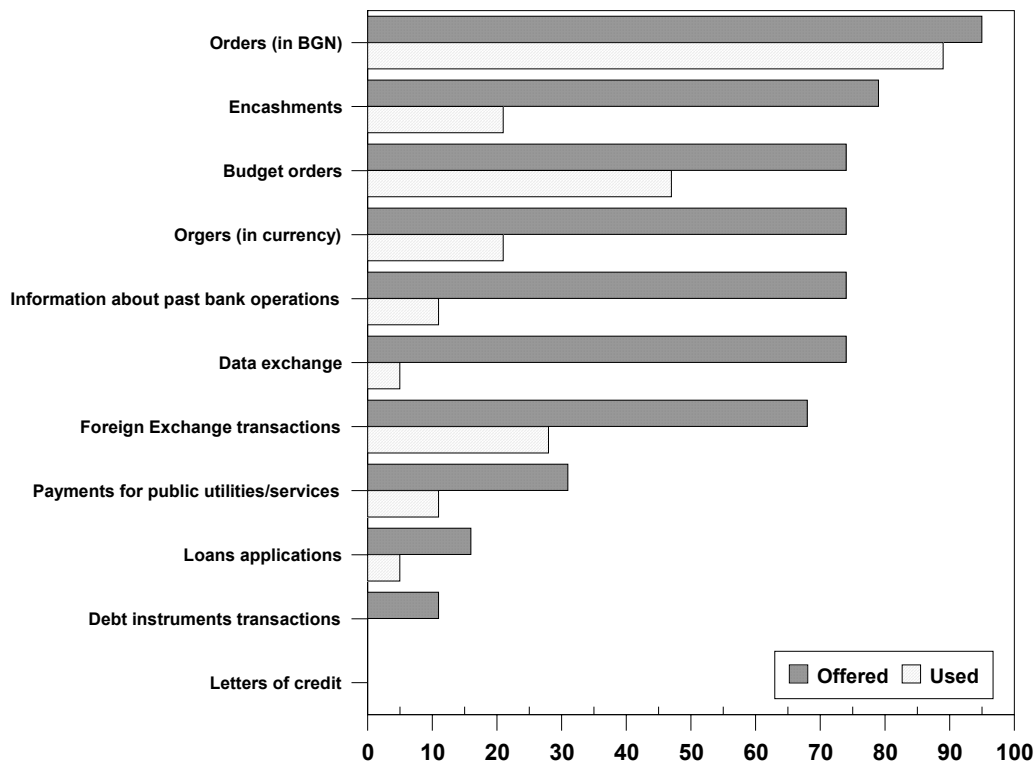


**Fig. 1. The present status of usages of remote banking channels in Bulgaria**

**Source:** Hinova, T. and N. Jolovska. E-banking services in Bulgaria: types, technologies, usages and return of the investments, 5<sup>th</sup> Discussion bank forum “The Banks in the service for the Customer”, 9-10 April 2003, Sheraton, Sofia, Bulgaria, 2003

Through remote banking channels Bulgarian bank offers services as payments, orders, foreign exchange operations, debt instrument transactions, loans applications, information, etc, but most used services are payment services – orders in domestic currency and budget orders. (see Fig. 2).

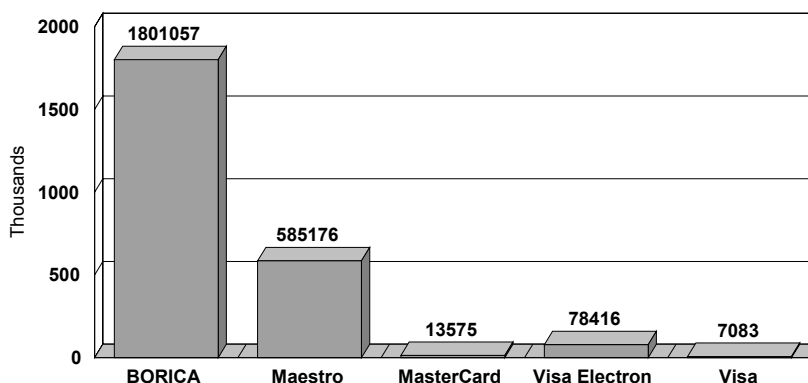
<sup>2</sup> Bojinov, B., Evolution and Present Status of Bulgarian Card Market, *Electronic Payment Systems Observatory Newspaper*, Issue 15, June 2002, p. 10-12, <<http://eps0.jrc.es/newsletter>>



**Fig. 2. The bank services offered by remote banking channels**

Source: Hinova, T. and N. Jolovska. E-banking services in Bulgaria: types, technologies, usages and return of the investments, 5<sup>th</sup> Discussion bank forum “The Banks in the service for the Customer”, 9-10 April 2003, Sheraton, Sofia, Bulgaria, 2003

**Bank cards** are issued by 26 Bulgarian banks. The most used cards are the domestic debit cards with BORICA’s logo – at 1 April 2003 in circulation are 1 724 602 of these cards, or 96% from total issued cards in Bulgaria. Except national debit cards, banks issued also international debit and credit cards like Eurocard/Mastercard, Visa, American Express, Diners Club, etc.(See Appendix 1)<sup>3</sup>

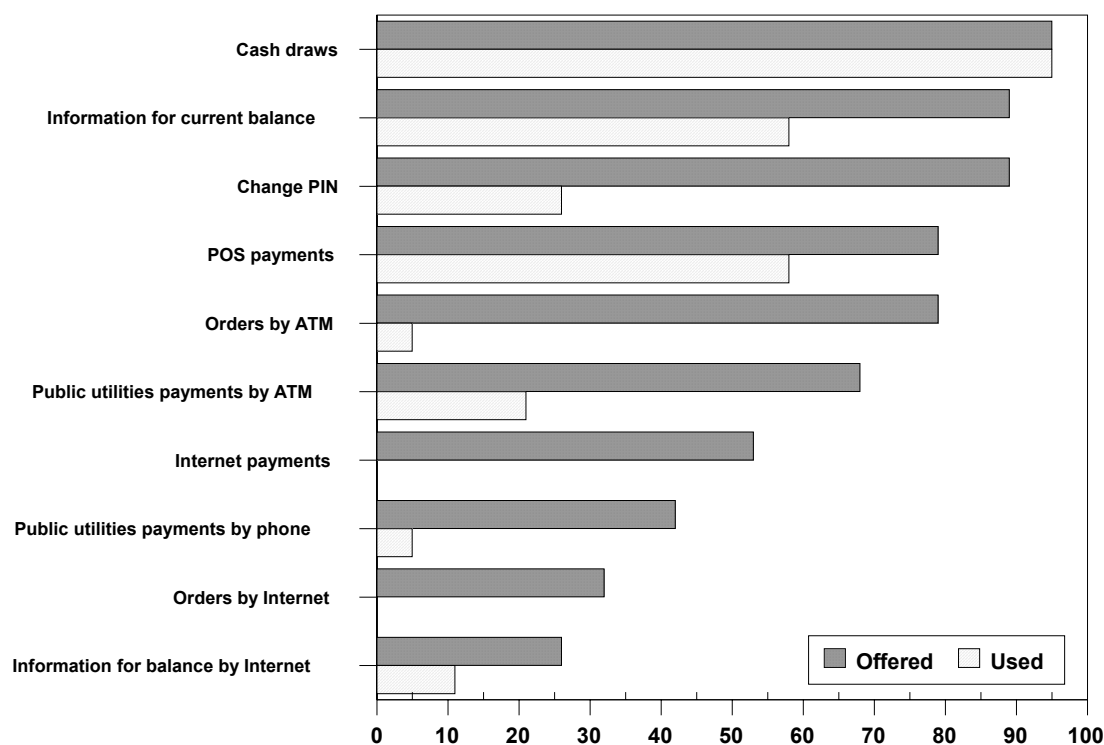


**Fig. 3. Domestic and international debit and credit cards, issued by Bulgarian banks**

Source: BORICA Ltd. <[www.borica.bg](http://www.borica.bg)>

<sup>3</sup> Bojinov, B., Op. cit, p. 10-12, <<http://epso.jrc.es/newsletter>>

The customers use cards primary for cash draws (95 %), POS payments (58 %) and information about past bank operations and balance status (58 %).



**Fig. 4. Available operations by bank cards**

**Source:** Hinova, T. and N. Jolovska. E-banking services in Bulgaria: types, technologies, usages and return of the investments, 5<sup>th</sup> Discussion bank forum “The Banks in the service for the Customer”, 9-10 April 2003, Sheraton, Sofia, Bulgaria, 2003

The **phone banking** is a relevantly new service for Bulgarian banks – only 20 % of them offered it to its customers. From phone banking realization dominant usage IRV (**Interactive Voice Response**) systems (85 %), while **call center** is established only at **ING Bank Sofia Branch** ([www.ing.bg](http://www.ing.bg)). Via that center, ING bank offers orders in domestic currency (to 1000 BGN), FX operations (to 10 000 USD), deposits (to 20 000 USD). Customers identify themselves through special communication password. For finalizing of the operation, the customer fills in a special blank, and sends it to bank for conformation – in other case the operation is canceled.

The systems for phone banking through IVR, used by Bulgarian banks are too diversified. The **Bulbank** ([www.bulbank.bg](http://www.bulbank.bg)) uses the “**PhoneBANK**” – an electronic banking system, which allows remote banking via web, wap, voice, fax, e-mail and sms. The **United Bulgarian Bank** ([www.ubb.bg](http://www.ubb.bg)) offer information about accounts, balances, finalized operations, FX rates, as well as orders, payments for public utilities/services. The system allows communication via phone, fax, sms and e-mail via “**Telephone banking**”. The phone banking system of the **Economic and Investment Bank** ([www.eibank.bg](http://www.eibank.bg)) offers detailed reference information, analogical to last one, but it is available via telex, fax and e-mail, too. The system requires customer identification by password and customer ID.

The system for phone banking “**ePayVoice**”, developed by “DataMax” Ltd. ([www.datamax.bg](http://www.datamax.bg)), has preferred by **First Investment Bank** ([www.fibank.bg](http://www.fibank.bg)) and **Hebros Bank** ([www.hebros.bg](http://www.hebros.bg)). The system requires usage of phone with “Caller

ID” function (like GSM or digital phones), as well as the number of the phone must be specified in application form before activation of the service. Other specific feature of this system is means of which payments are made – the system use the card account of the customer, i.e. the payments via “**ePayVoice**” are analogical to POS payments. It makes the system a hybrid, which combines phone banking system and card payments in one.

**GSM banking** is offered by three Bulgarian banks - **Bulbank** ([www.bulbank.bg](http://www.bulbank.bg)), **Eurobank** ([www.eurobank.bg](http://www.eurobank.bg)) and **United Bulgarian Bank** ([www.ubb.bg](http://www.ubb.bg)). As described before, the e-banking system “**PhoneBANK**” of **Bulbank** offers several channels for remote banking, as GSM banking is one of them. The system of **Eurobank** is offering only information (by SMS) about the changes in account’s balance, FX rates and other general information – through it is not possible to be made payments and other active bank operations.

The **United Bulgarian Bank**’s service “**GSM Banking**” is analogical to “Phone banking”. Fully GSM banking is available only for set of certificated GSMs, which have WAP. If customers’ GSM do not support WAP, the system offers voice information (i.e. phone banking) plus information by SMS about the changes in accounts’ balances and other general information.

13 Bulgarian banks offer **PC banking**. The most used PC banking systems are: **MultiCash**, **Remote Banking**, **TeleBANK** и **HomeBanking**. The “**MultiCash**” (used by **CB Biochim** ([www.biochim.com](http://www.biochim.com)), **Raiffeisenbank (BG)** ([www.rbb.bg](http://www.rbb.bg)), **ING Bank Sofia Branch** ([www.ing.bg](http://www.ing.bg)) and **Encouragement Bank** ([www.nasbank.bg](http://www.nasbank.bg))) offer: payment orders; foreign exchange operations; currency deposits; encashment; balances’ checks; excerpt’s bank operations; controls over in and out cash flows; other general information, as well as possibility for connection and data exchange with firms’ accounting system. The “**Remote Banking**” (used by **Bulgaria Invest Commercial Bank** ([www.allianz.bg](http://www.allianz.bg)), **Corporate Commercial Bank** ([www.corpbank.bg](http://www.corpbank.bg)) and **Economic and Investment Bank** ([www.eibank.bg](http://www.eibank.bg))) offers detailed information about the balance and cash movements in customer accounts, ordered and executed operations, as well as general information like FX rates, loans and deposits rates, etc. The system allows orders in domestic and foreign currency and data exchange with customers’ accounting systems. The security is guaranteed by usage of cryptographic techniques and digital certificates.

The “**TeleBank**” (used by **Bulbank** ([www.bulbank.bg](http://www.bulbank.bg)), **Central Cooperative Bank** ([www.ccbank.bg](http://www.ccbank.bg))) is integrated system for completely electronic payments, accessible via dial-up or Internet. The system allows active management of bank accounts and several kings payment orders, as well as offers information about balances, cash movements, general information (branch network, ATM and POS network, etc. The customers identify him/her selves by digital certificates and user name and password. The customers of “**HomeBanking**” (used by **Municipality Bank**, **Unionbank** ([www.unionbank.bg](http://www.unionbank.bg))) can make several operations like orders in domestic currency, requests for cash draws, encashment, foreign exchange operations, as well as information for cash movements, balance’s accounts, FX rates, deposits and loans rates and other market information.

**Table 1. Usage of Internet banking in Bulgaria (may 2003)**

<b>Banks</b>	<b>Accounts</b>	<b>Customers</b>	<b>Transactions per day</b>
United Bulgarian Bank	n.a.	7 000	1800
ING Bank Sofia Branch	3 000	1 700	n.a.
Bulgaria Invest Commercial Bank	n.a.	170	200
Encouragement Bank	n.a.	40	n.a.
First Investment Bank	6 000	2 350	700-800

**Source:** Mihalev, I. and A. Bojchev, The Internet banking – success in shadow, Capital Newsletter, 24-30 May 2003, Sofia, Bulgaria, Autor’s calculations.

At the present, five banks offer **Internet banking** in Bulgaria<sup>4</sup>: **United Bulgarian Bank** ([www.ubb.bg](http://www.ubb.bg)), **ING Bank Sofia Branch** ([www.ing.bg](http://www.ing.bg)), **Bulgaria Invest Commercial Bank** ([www.allianz.bg](http://www.allianz.bg)), **Encouragement Bank** ([www.nasbank.bg](http://www.nasbank.bg)) and **First Investment Bank** ([www.fibank.bg](http://www.fibank.bg)). The first four offers Internet banking via its web sites, while the last one is realized the only completely functional virtual bank branch. The all systems required customer’s identification through user name and password, combined with digital certificate usage. The security of the exchanged data is guaranteed by SSL usage. Through Internet banking systems are available active bank operations (payment orders in country and abroad, budget orders, foreign exchange operations, deposits, loans application, etc.), as well as detailed information (accounts’ status, cash movements, executed operations, FX and interest rates, etc).

## **Conclusion**

Although remote banking development in Bulgaria is still in the beginning, the competition in the industry grows rapidly. The new IT developments offer to the banks great number of business opportunities, connected with cost reductions, usage of new marketing and transactional instruments for market share expansion; usage of new, more effectively means for data collection and processing, as well as possibility for introduction of new instruments for information management and control on the risks in banks.

Competition in the industry faces banks before the choice – “to be innovative or not”. And the answer is only one – the first will win. The rest will play the role of the present-day dinosaurs. The evolution continues.

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<sup>4</sup> Bojinov, B., What Bulgarian Banks Offer via Internet: an overview, 50th Anniversary Financial Conference, 11-12 April 2002, Svishtov, Bulgaria. published in *Finance (proceedings)*. ABAGAR, V. Tarnovo, 2002. <<http://www.uni-svishtov.bg/finance/conf.asp?val=anniv&lang=en>>, Mihalev, I. and A. Bojchev, The Internet banking – success in shadow, Capital Newsletter, 24-30 May 2003, Sofia, Bulgaria, p. 42

## Appendix 1. Domestic and international cards issued by Bulgarian banks<sup>5</sup>

Bank	Cards' brand name					
	BORICA (domestic)	Maestro	MasterCard	Visa Electron	VISA	American Express
Alpha Bank, Sofia Branch	No	No	No	No	No	No
BNP – Paribas (Bulgaria)	Yes	No	No	Yes	Yes	No
Bulbank	Yes	Yes	Yes	Yes	Yes	No
Bulgaria Invest Commercial Bank	Yes	Yes	No	Yes	No	No
Bulgarian Post Bank	Yes	No	No	No	No	Yes
Bulgarian-American Credit Bank	No	No	No	No	No	No
CB Biochim	Yes	Yes	Yes	No	No	No
Central Cooperative Bank	Yes	Yes	Yes	No	No	No
Citibank N. A. Sofia Branch	No	No	No	No	No	No
Commercial Bank of Greece (Bulgaria)	No	No	No	No	No	No
Corporate Commercial Bank	Yes	No	No	No	No	No
Demirbank (Bulgaria)	Yes	No	No	No	No	No
DSK Bank	Yes	Yes	Yes	No	No	No
Economic and Investment Bank	Yes	Yes	Yes	No	No	No
Encouragement Bank	No	No	No	No	No	No
Eurobank	Yes	No	No	No	No	No
First East International Bank	Yes	Yes	Yes	No	No	No
First Investment Bank	Yes	Yes	Yes	Yes	Yes	Yes
Hebros Bank	Yes	Yes	Yes	No	No	Yes
HypoVereinsbank Bulgaria, Sofia Branch	No	No	No	No	No	No
ING Bank Sofia Branch	Yes	No	No	No	No	No
International Bank for Trade and Development	Yes	No	No	No	No	No
Municipal Bank	Yes	Yes	Yes	No	No	No
National Bank of Greece, Sofia Branch	No	No	No	No	No	No
Investbank	Yes	No	No	No	No	No
Piraeus Bank, Sofia Branch	Yes	No	No	No	No	No
ProCredit Bank	Yes	No	No	No	No	No
Raiffeisenbank (Bulgaria)	Yes	No	No	Yes	Yes	No
Roseximbank	Yes	Yes	No	Yes	Yes	No
SG Expressbank	Yes	No	No	No	No	Yes
T. C. Ziraat Bank Sofia Branch	No	No	No	No	No	No
Texim Private Entrepreneurial Bank	No	No	No	No	No	No
Tokuda Credit Express Bank	Yes	No	No	No	No	No
Unionbank	Yes	No	No	No	No	Yes
United Bulgarian Bank	Yes	No	Yes	Yes	Yes	No

<sup>5</sup> Source: BORICA Ltd, <http://www.borica.bg/index.php?p=cards> , <http://www.borica.bg/index.php?p=stat> (1 may 2003)

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