

# THE NEW TECHNOLOGIES EXTENSION IN BANKING: THE CASE OF E BANKING IN THE ROMANIAN PRACTICE

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*Abstract: The new technologies in the banking services are part of rapid changes in the way of life and thinking. The banks are aware these new changes are fundamental for their performance improvement. The banks of Romania have rapidly growing and developing e-banking services, especially the Internet information and home and mobile banking. The sites of banks provide specific information, particularly on credit. Moreover, there are some other sites, which are dedicated to credit information. The future of e-banking, services in the Romanian practice depends on how much the banks understand the part these services play in attracting and keeping customers and the easiness of Internet, home, office and mobile access.*

*Key words: e/banking; Internet banking; home/office banking; mobile banking; Romanian banking system.*

## 1. Drivers and reasons for e-banking

We see the change coming rapidly not only in technology, but also in society, in the economy in the way we live or we think. Banks should go on and meet all these changes, trying to make profits, but never forget the very essence of their existence: Their Customers. The banks presence in the on-line environment is a prerequisite for meeting the customers' expectations and adding value to the banking services.

The banks are aware that on-line activities are fundamental for their performance improvement. Therefore, for well-grounded reasons, they are set to use more and more the on-line banking. No bank wants to be left behind when it comes to the e-banking revolution (Sheshunoff, A., 2000, p. 51). With the development now moving at "the speed of the Internet", falling to far behind may make it effectively impossible, or at least very difficult, to catch up with the competitors. Most banks with websites are already providing or implementing full service e banking to their customers. These banks fully understand that the e banking is the corner stone of an effective customer relationship management. Bank customers are becoming increasingly more interested in having on-line access to their bank. The speed of on-line banking services is selecting the customers. If they are not willing to wait, the customers move their business to a competitor bank. Therefore, the banks could implement the on-line banking as an offensive tool, instead as a defensive one (Eliopoulos G., 2000, p. 125). At the beginning, the implementation of the Internet banking was driven by the desire to hold on the current customers. The objective of attracting new customers was a secondary concern. Banks are setting up websites because their competitors are doing the same. The passage to the relationship marketing philosophy, which has as basic principle the interactivity, forces the banks to consider the new opportunities on-line banking provide to reach customers and to avoid the limitations associated with a traditional strategy.

The translation from the traditional strategy to the new on line strategy is a progressive one. It is like a journey which begins with a strategy for driving traffic to the site, keeps on increasing actual utilization of on-line services, offering a broad array of e-commerce services and ultimately establishing a web based loyalty management program.

On line banking works best when is implemented as a part of a bank's overall customer relationship management strategy to retain the bank's more profitable customers, to sell them more services, and to attract profitable new customers.

The banks could offer Internet services in two ways (Ghencea S., 2007, p. 146). First, they could create sites and the Internet banking become a new channel. Second d, it could set up a Virtual Bank, Internet Only, without human presence. The virtual bank could completely play its revolutionary part if the banks are focusing on segregation the market into target groups, in order to hold the groups which are compatible with virtual services, change the infrastructure to support the new vision, identify and fulfill the value desired by customer and knowledge warehouse. From the standpoint of the customer, the virtual bank has to perform services anywhere, anytime and in any way, into a "one-touch" system.

## 2. On-line banking, a result of an improved architecture of the Romanian banking system

The architecture of the Romanian banking system has two levels. The National Bank of Romania (NBR) as a central bank is the core of the whole banking system. The commercial banks work according to the legislation, and under supervision of the NBR.

Romania commenced fairly late with the reforming up its banking system. Cleaning up the banking sector in the transition period of the country was a costly and time-consuming process. As NBR adopted a more decisive attitude with regard of supervising banks, enacting stricter legal requirements and taking more restrictive approach to monetary policy in the late 1990s, the Romanian banking sector began to restructure. After weathering the financial and banking crisis in the late 1990s, and subsequently initiating the process of bank restructuring, the sector began to consolidate. Supported by economic stability that has been firm since year 2000, the sector embarked to a steady growth path.

The Romania's banking market has as main characteristic an oligopolitic structure with respect of market share. The five largest banks commanded a market share of 62 % in 2006, as data in Table 1 show.

**Table 1. Top 10 of Romanian banks after, market share (%)**

Nr. crt.	Bank	2006	2004
1	Blanca Comercială Română (BCR)	26,2	26,1
2	Banca Română pentru Dezvoltare – Group Société Générale (BRD-GSG)	16,3	13,0
3	Raiffeisen Bank	8,0	9,2
4	Unicredit Tiriac	6,8	4,63
5	Banca Transilvania	4,7	2,9
6	Banc Post	4,5	4,6
7	ING Bank	4,2	5,62
8	Alpha Bank	4,1	3,18
9	Casa de Economii si Consemnatiumi (C.E.C.)	4,1	5,9
10	ABN Amro Bank Romania	3,1	4,97

Sources: Chircu (2006), p. 23; Biz, nr. 147/2007, pp. 48-49; Banking in South-Eastern Europe on

The Move, Bank Austria Creditanstalt AG, September 2005.

The on-line operations are growing in the Romanian banking system, even if both the banks and the customers are modestly using the e-banking services. Since about tree quarters of the bills are cash paid, the main distribution channel of the Romanian banks is the branch, (Toma A., 2007, Biz, nr. 137, 1-15 martie, 2007, p.50.

The Internet banking services are requested only by 7% of Romanians, comparing with 84% in Finland, the country in first place in EU by the end of year 2007 (7 Plus, February, 11, p.8).

The multiplication of the distribution channels and an increase of promotion and information importance are becoming stronger trends. They are confirmed by dynamic of e banking. In February 2007, 27 of 37 banks of Romania have implemented a e-banking system. Among them, 26 or 63,4% provide Internet banking, 13 banks had home banking and only 3 banks offered mobile banking (Table 2).

**Table 2. e banking in the banks of Romanian Top 10 (February 2007)**

Nr. Crt.	Bank	Internet Banking	Home Banking	Mobile Banking
1	BCR	Multicash BCR	Multicash BCR	-
2	BRD	BRD-NET;BRD@Office	Multix	Mobilis
3	Raiffeisen	Raiffeisen Online	Multicash	my Banking
4	Unicredit	Unicred Internet Banking	Multicash	-
5	Banca Transilvania	BT 24	BT-Ultra	-
6	Bank Post	Internet e-Bank	Internet e-Bank	-
7	ING Bank	ING Online; Home Bank	Multicash	-
8	Alpha Bank	Alpha Click	Alpha Line	-
9	ABN Amro Bank Romania	ABN Amro Net Banking Access On-line Romania	Office Net Romania	-

Source: [http://www.banking.ro/e\\_banking.php](http://www.banking.ro/e_banking.php)

BRD-SCG only offers two Internet banking services. Some smaller banks such as ABN Amro and ING have two Internet banking services, too. All the Top 10 banks, but CEC, provide home banking services. CEC is the only state owned bank, and it provided not e-banking services at that time. Only two Top 10 banks, BRD and Raiffeisen and one smaller, Romexterra respectively provide mobile banking.

### **1. e-banking in the practice of Romanian banking system**

The banking institutions of Romania are using the Internet from the year 2000. They are directed toward e banking, mainly at the beginning levels. The most offered service is Internet banking providing information.

At this first level, the banks present their products and services, and use Internet as a promotional channel. The transactional level of e banking is supposed to perform the complete range of banking operations, and it is a little less present into the practiced of Romanian banks. These banking operations have some risks, since they imply a connexion between the external user and the informatics system of the bank. Therefore, the data protection by such operations is needed. Internet banking and home banking are mainly involved in payment operations.

There are some present and future drivers, which are motivating the banks of Romania to emphasize e-banking services. A greater pressure for most of the banks seems to have the stronger competition and the struggle for attracting customers, mainly individuals. Under these circumstances, the banks have to stress more the promotion and marketing their products and services using e banking.

Beyond the competitive reasons, the rise of the number of Internet users in Romania is a strong driver for a greater use of e banking. There are about 6 million Internet users in Romania, and it could become good space for banking operations, which could support the materialization of many banking transactions (R. Bărbuceanu, 2008, p. ). As a result, the banks are following their customers even here, offering them information, which they could obtain from the personnel of the bank, face to face or at call centers. (A. Drăgan, V. Toma, Biz, nr. 139,2 / 15 April, 2007, p. 40).

The banks are also strongly motivated by the advantages of e banking. The concept of e banking was only recently a main concern of the bank of Romania. The main reasons of such an attitude are the lack of a proper banking culture and the limited number of target customers for on-line services. At present, the banking customer has greater expectations, is more careful with the cost and conditions of banking offers, and has less time to go to the banking premises. More over, the stronger competition urge advantages for the customer's benefits. The Internet provides many and various advantages for the banking customers.

At random, the first of them is the interactive on-line relationship. The customers could interact with the bank, could get information in real time, could apply for certain products and services and update the information without going to the bank. In their turn, the banks could quickly at low cost for production and spreading inform their customers and capture the public attention. The banks get a better visibility, could update more rapid the information, and could obtain a quick feedback from the customers. Moreover, the banks could more clearly segmenting the market, get better targeted products and services, the required investment for such an approach being smaller. The promotion campaigns on Internet are easier to evaluate and more effective. Last but not least, the Internet makes easier the distribution, and in this way the bank is getting an alternative channel. This new channel is an important support for the negotiations, transactions and delivery process.

As an important plus, the Internet allows many banks to have the same chances. The web site of a bank reflects and even become its public image. The difference between a good, stately site and a poor and ineffective site means a sum of thousand dollars. Therefore, the smaller banks could afford an equal or superior Internet site, comparing to one of a large bank.

## 2. Internet as an information channel in the Romanian banking system

Who wish specific information has at disposal the sites of banks and some other sites, which are specialized in delivering information about credit. Most of banks display detailed information about credits types, interest and commission included, on their sites.

The interested people could also make applications for credit, which afterwards arrive at the call-centers.

The Romanian economic magazines Capital performed an analysis in 13 banks of Romania. Among them, there are the five of Top 10 banks in the banking market hierarchy, BCR, BRD, Raiffeisen, Unicredit Tiriac, Banca Transilvania respectively, and some other smaller banks such as Alpha Bank, Ing, Volksbank, OTP (R. Barbuceanu, 2008, p. 33). Table 3 shows a relative hierarchy of the studied banks after the range of information, which is available on their sites at the end of year 2007. The data of the Table 3 show that all large banks are in the frontline of the use of Internet. The most advanced banks seem to be BRD and Banca Transilvania, and they are followed by some smaller banks such as Volksbank, Banc Post, OTP.

*Table 3. Information available on the sites of banks of Romania*

Banks	Interest	Commission	Rates	Applications on line
BRD	Yes	Yes	Yes	Yes
Banca Transilvania	Yes	Yes	Yes	Yes
Volksbank	Yes	Yes	Yes	Yes
Banc Post	Yes	Yes	Yes	Yes
OTP	Yes	Yes	Yes	Yes
Credite Europe Bank	Yes	Yes	Yes	Yes
Banca Romaneasca	Yes	Yes	Yes	Yes
Raiffeisen	Yes	Yes	Yes	No
ING Bank	Yes	Yes	No	Yes
BCR	Yes	No	Yes	Yes, no real estate
Alpha Bank	Yes	No	No	Yes
Unicredit	Yes	Yes	-	No
CEC	Yes	No	Yes	No

*Source: Capital, 17 January 2008, p. 33.*

The sites of the banks have also information about shareholders, and some banks are including chapters such as the section about professional career, too. BRD is a bank, which emphasize the section human resources. This section has more chapters, human resources policy, areas of bank practices, respectively and a chapter for young people who have evolution potential for management positions. The Banca Transilvania's site makes with an other site connection, which is dedicated to the members of B.T. Club.

This site has three chapters, training, consulting and networking respectively (Banks sites and A. Dragan, V. Toma, 2007, pp. 48-49).

### 3. Sites dedicated to credit information

The sites dedicated to credit information have been launched in the year 2005. Despite they are niche sites, they have rapidly advanced, having even about 30.000 visitors a week. The market share and the notoriety are the drivers, which stimulate the internet users searching the bank's name, so that the actual banks hierarchy in the Romanian banking market is observed.

These web sites, among them being Conso.ro, Finzoom.ro and Vreau Credit.ro, allow the visitors getting information about the cheapest credit, no matter its type or currency.

By filling a blank with the requested amount and the number of partial payments, one could see the list of credits and the banks, which could offer it. The detailed conditions of the bank's offer are also available, so one could estimate the total cost of every offer by bank.

In a large measure, the initiatives of the Romanian banks for increasing their presence in the virtual space by means of a good web site are due to the global trends in the banking industry. Romania is following these trends and local banks should know the customer profile, and comply with their marketing strategies. Thus, strategic objective of the bank is focusing on the way its site is organized.

Within the countries where there are well-developed banking services and a proper customer culture, the banks have more diversified information on banking operations range. On the sites of some banks are available comparisons between their products, on-line consulting services about financial planning and direct contacts between the bank personnel and the on-line users. All these facilities are progressively added to the on-line information of the banks of Romania.

In order to join these international practices, the Romanian banks should fully understand the part Internet play in attracting customers and, especially, in loyalty of the customers. At the same time, the on-line services evolution and presence of the banks of Romania in e-banking will depend on the easiness of the Internet, home and mobile banking access, on the shorter time of the banking customers, and on the facilities these customers will receive.

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