ADOPTION OF E-BANKING IN ROMANIA – AN EXPLORATORY STUDY

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E-banking, or banking via the Internet, is revolutionising the business, having multiple benefits both for the financial institutions and for clients. E-bankers offer better customer service, creating opportunities for customers and providing added value. They treat customers as individuals, making mass customisation possible and creating customer loyalty. E-banking is an opportunity for banks to leverage their strengths and create a totally new banking experience. The present paper investigates and analyses the adoption and evolution of electronic banking in Romania, and the appropriate strategies for development of online banking services in the Romanian context.

Keywords: E-banking, customer adoption, banking channels, Romania

JEL Classification: G21, L86, M31

1. Introduction
Financial organizations rely on information and communication technology for information analysis, but also to differentiate their offers from competitors and to continuously innovate and update their marketing strategies, in order to meet customers’ demands. These institutions use the most cutting edge technologies in order to reach out to customers and provide them the opportunity of performing interactive retail banking (Calisir and Gumussoy 2008: 215). The end result is a relationship-oriented marketing strategy which prioritizes the customer, the climate of trust, and the existence of mechanisms designed to promote increased knowledge and customer loyalty. Besides satisfying the customer, who is central to the relationship, banks must attempt to develop true and winning partnerships (Lejeune et al. 2001: 45-51).

Globalization, competition and the invasion of technologies, determined banks to adopt online solutions to build a clear and differentiable identity, as the Internet is now seen as an additional channel for branding, transactions and customer relationship management (Hackney et al. 2006: 354-368).

The adoption of E-banking was a necessity because offers major opportunities in terms of competitive advantage and allows banks to improve efficiency and operational effectiveness and to develop stronger and more durable business relationships with customers.

2. The adoption of E-banking by financial institutions
The movement towards E-banking was a natural process for credit institutions in the electronic age. Banking online refers to several types of services through which bank customers can request information and carry out most retail banking services (Aladwani 2001: 214; Gikandi and Bloor 2010: 277). E-banking refers to the use of different types of medium communication, such as the personal computer (PC banking), Internet banking, virtual banking, TV banking, online banking, home banking, remote electronic banking, WAP banking and phone banking (Dixon and Nixon 2000: 244).

E-banking is defined as a distance banking that handles the flow of information between customers’ living spaces and the physical facilities of the bank, dealing with solicitation, sales, distribution and access to services, all without requiring the consumer and the financial institution representative to be in the same time physical place at the same time (Lemaitre 1997: 63-65; Vilattes 1997: 68-70).
From the point of view of stakeholders, E-banking is neither a technology, nor a purpose or an end on itself, but rather a business transaction, a strategy, a process, or an innovative business transaction (Munos 1999: 55-65).

The adoption of E-banking by financial institutions depended on: organizational factors (bank size, types of decision making, functional differentiation, the presence of technical staff, financial resources, technical infrastructure, decision makers’ international experience, the aversion to risk), factors related to the innovation and the structure of the market (international profile of the bank, type of presence abroad, projected foreign markets) and factors related to the strategy of the unit that adopts the innovation (technological environment, relative advantage and complexity of the innovation) (Dadhous 2002: 5), geographical position (Kalliannan and Awang 2010: 1-10), age, degrees, accessibility, time, cost, cultural factors, trust, security, previous experience in conducting online transactions (Moga 2011: 342-350).

The factors which affect the adoption of E-banking by customers are: Internet accessibility, strong resistance to change, perceived insecurity, inefficiency and inconvenience, learning requirements and increased responsibility, markedly negative attitudes and beliefs regarding the Internet, cost of computers and Internet access, trust in banks, security concerns, convenience and ease of use (Sohail and Shanmugham 2003: 214).

The benefits of the adoption of E-banking are enormous and include: reduction of total costs, increased execution of the operations in the market and an improvement of the customer relationship. These repercussions are not necessarily transformed into financial profits, but often passed to the customers in the form of reduction if the prices (Riddle 2001; Bernstein 2000).

E-banking ensures 24-hour-a-day, seven-day-a-week accessibility, through any type of advanced information system and for all types of financial transactions (Agarwal 2009: 341).

The key barriers to E-banking are the other equally convenient channels of distribution and the problems of using computers (Yiu et al. 2007: 348).

The organizational consequences of the adoption of E-banking are: reformulation of management processes (Deise et al. 2000: 272), reorganization of the management network, reformulation of the company’s purposes and business portfolio, developing new activities and approaching, conquering, managing and retaining new markets (Badoc et al 1994), integration in the existing offer of new services (Munos 1998), expenses reduction, increase in market share, establish new methods of relationships between company and its customers (Hernandez et al. 2010).

3. Romanian banking sector – background

Romanian E-banking services market is in the early adoption stage; although it developed rapidly over the last few years there are still considerable development opportunities. Increase use of these services is due to increase Internet penetration among the population. According to a study published by Eurostat at the end of last year, Romania is among the countries with the lowest degree of public access to Internet.

The financial crisis had an enhancing effect on these services, pushing banks towards a thoughtful promotion and customers to understand the advantages of online banking. The need to reduce costs has led banks to move a larger part of their operations towards alternative channels, which provide lower costs. On the other hand, customers are more aware of the price paid for bank services, the time spent, the speed and safety of operations.
Table no. 1: Global values of main indicators of electronic banking instruments 2006-2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Type of instrument</th>
<th>Total number of users per year / instrument</th>
<th>Total number of transactions per year / instrument</th>
<th>Total value of transactions in Euro per year / instrument</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>Total instruments</td>
<td>18,259</td>
<td>5,498.742</td>
<td>20.308.987.478</td>
</tr>
<tr>
<td>2004</td>
<td>Total instruments</td>
<td>44,538</td>
<td>7,818.435</td>
<td>35.604.679.462</td>
</tr>
<tr>
<td>2005</td>
<td>Total instruments</td>
<td>100,799</td>
<td>11,144.494</td>
<td>65.427.304.401</td>
</tr>
<tr>
<td>2006</td>
<td>Internet Banking</td>
<td>440.562</td>
<td>7,957.659</td>
<td>65.278.270.813.84</td>
</tr>
<tr>
<td></td>
<td>Home Banking</td>
<td>71.887</td>
<td>8,499.339</td>
<td>59.938.699.698.84</td>
</tr>
<tr>
<td></td>
<td>Mobile Banking</td>
<td>108.826</td>
<td>144.211</td>
<td>13.785.710.18</td>
</tr>
<tr>
<td></td>
<td>Total instruments</td>
<td>621.275</td>
<td>16.601.209</td>
<td>125.230.756.222.87</td>
</tr>
<tr>
<td>2007</td>
<td>Internet Banking</td>
<td>1,061.190</td>
<td>10,624.529</td>
<td>47.451.161.213.27</td>
</tr>
<tr>
<td></td>
<td>Home Banking</td>
<td>141.453</td>
<td>11,725.477</td>
<td>92.259.831.327.73</td>
</tr>
<tr>
<td></td>
<td>Mobile Banking</td>
<td>337.979</td>
<td>178.784</td>
<td>29.741.471.03</td>
</tr>
<tr>
<td></td>
<td>Total instruments</td>
<td>1,540.622</td>
<td>22,528.790</td>
<td>139.740.734.012.03</td>
</tr>
<tr>
<td>2008</td>
<td>Internet Banking</td>
<td>2,517.808</td>
<td>20,042.688</td>
<td>85.597.200.084.47</td>
</tr>
<tr>
<td></td>
<td>Home Banking</td>
<td>329.940</td>
<td>15,068.159</td>
<td>143.440.859.725.43</td>
</tr>
<tr>
<td></td>
<td>Mobile Banking</td>
<td>231.618</td>
<td>144.980</td>
<td>25.723.846.70</td>
</tr>
<tr>
<td></td>
<td>Total instruments</td>
<td>3,079.366</td>
<td>35,255.827</td>
<td>229,063,783,656,60</td>
</tr>
<tr>
<td>2009</td>
<td>Internet Banking</td>
<td>3,018.307</td>
<td>17,062.081</td>
<td>10,131,822,484,37</td>
</tr>
<tr>
<td></td>
<td>Home Banking</td>
<td>33,697*</td>
<td>3,722.461*</td>
<td>6,944,091,067,75*</td>
</tr>
<tr>
<td></td>
<td>Mobile Banking</td>
<td>414,866*</td>
<td>137,866*</td>
<td>869,422,890,00*</td>
</tr>
<tr>
<td></td>
<td>Total instruments</td>
<td>3,466,870*</td>
<td>20,922,408*</td>
<td>17,945,336,442,12*</td>
</tr>
<tr>
<td>2010</td>
<td>Internet Banking</td>
<td>8,199,629</td>
<td>36,212,052</td>
<td>31,534,413,586,99</td>
</tr>
<tr>
<td></td>
<td>Home Banking</td>
<td>138,282</td>
<td>9,885,974</td>
<td>28,851,242,649,28</td>
</tr>
<tr>
<td></td>
<td>Mobile Banking</td>
<td>690,616</td>
<td>188,806</td>
<td>5,924,437,69</td>
</tr>
<tr>
<td></td>
<td>Total instruments</td>
<td>9,028,527</td>
<td>46,286,832</td>
<td>60,391,580,673,97</td>
</tr>
</tbody>
</table>

Note: (*) Dates available from July to December 2009
Source: Own calculations based on the Status summaries of the use of payment instruments with remote access 2008 - 2010 of The Ministry of Communications, Technology and Information

The number of E-banking services users increased by 66% in 2009 compared to previous year, showing a constant interest and increased public awareness of such services, although according to a study of Deutsche Bank, less than half of Romanian small enterprises use E-banking and automated payment instructions.

The development is based primarily on the adoption and use of online banking applications by individuals. This expansion is not proportionally reflected in the increase of transaction numbers and their value, which indicates a lower use of these services compared with their extension.
An online survey conducted by Bursa de Reclama in 2010 shows that 31.1% of Internet users use E-banking. In general, banks with high market shares in offline have high market shares in online; the top four ranked in terms of number of users were BCR, ING Bank, BRD and Raiffeisen.

Of those who adopted E-banking, the major services used are account transfer, bill settlement, account balance inquiry, and interest rate/exchange rate inquiry. The main reasons for bank customers adopting E-banking were seen to be ability to perform banking transactions anywhere, anytime and quickly.
The potential of E-banking services has been identified by banks, which have as a challenge to provide online banking services easy to access and use, but also very safe. Not only do banks have realized the potential of these services, but also customers that have found an effective, economical and reliable way to manage their accounts and payments.

E-banking services represent a challenge for banks’ customers. In Romania, many will be persuaded to enter the race, and share with the bank the benefits of each online transaction.

Conclusions
E-banking is becoming one of the most important delivery channels of banking products. In response to global trends brought about by using the Internet, banks have to better understand their clients and respond quickly and strategically to market developments in customer centric ways.

The introduction of E-banking turned operations upside down and profoundly changed the overall logistics of the support system to the extent that customers and competitors began to think differently about the banks’ know how and mission.

Evidence indicates that there are a great promotional efforts on the part of banks to create greater awareness of E-banking and its benefits. It is crucial for a bank to think about the future of service.

E-banking future challenges are: customers’ trust, the speed of service delivery, customers’ information privacy, customers’ awareness, continuity of the service, spread of computer and Internet use, pricing of Internet service, Internet infrastructure, lack of legal regulations. Beyond security issues, banks must focus on simplifying on-line banking and targeting value driven consumers (Silk 2006), in effect adopting a much more customer, rather than technology or product centric approach (Shan and Hua 2006).

The adoption of E-banking provides added value for the customers and opportunities for banks to bolster income streams and secure longer term customer loyalty through relationship management. Although E-banking offers new frontiers of opportunities, there are several critical psychological and behavioral issues that need to be addressed in trust, security, reluctance to change and a preference for human interface.

The development E-banking in Romania depends on: strategic factors (new products and services, appropriate promotion, business integration, integrating different channels, expanding existing markets, building trust, costs), operational factors (good customer services, simplifying and integrating basic services, more convenient than the competitors, understanding customer purchase behavior) and technical factors (systems security, user-friendly web interface, personalization and customization capabilities, upgrading existing infrastructure).

In order to survive, banks will need to move away from traditional bases of retail bank competition (fees, interest, customer loyalty), to a new Internet based form of competition based on cost reduction, customer retention, responsivness, credibility, security, ease of use, and wider scope of products and services.

To exploit the high value end of the banking supply chain, banks will need to familiarise the consumer with the processes and benefits of the service and encourage usage.
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