

E-banking as a profitable activity

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Abstract - E-banking, thanks to Internet and technologies, represents the method of making transactions or paying bills via Internet. Over the last few years European banks have spent billions of Euros on new electronic channels. Serbian banks have also invested in expanding and improving the IT systems and a number of new e-banking services have been developed. In this article the authors explore the implementation of IT techniques in the banking sector on the example of Banca Intesa, which operates in Serbia, and RBC Royal Bank. The article shows how it is possible to implement IT technologies in banking and proves empirically that electronic channels help reduce the costs of both banks and their clients. In addition, e-banking eliminates paper waste and the cost to the bank is minimal and in the same time the cost to the consumer, in many cases, is also minimal.

I. INTRODUCTION

During the last decades technological development has reshaped the banking industry, which has become the leading sector in using new technologies. Advantage of the Internet has contributed to the revolution in business and services of the financial industry. Financial institutions offer a new business models and new ways to provide services to its customers, providing 24/7 availability.

One of new business model is online banking, which is the practice of making bank transactions or paying bills via the Internet. Bank clients don't have to leave their house, anymore, thanks to technology and the Internet in particular. People can shop online, communicate and now, we can do our banking online. This way of banking allows clients to make deposits, withdrawals and pay bills via Internet. The necessity of writing checks belongs to past, since the bills are paid online. When client enter the amount and the payee is checked off, the funds are automatically deducted from the payer's choice of account. Moreover, one of the advantages of online banking are minimal costs to the bank and the cost to the consumer, in many cases. A fee for online banking can be extremely low. However, this new kind of technology can be hard to use for the clients who are used to do things the old traditional way. Thanks to aggressive advertising people are now motivated to use e-banking, because it eliminates the hassle encountered when using the old process of banking.

In our country, e-banking is the common trend, too. Almost all banks in Serbia have invested in expanding and improving the IT systems and a number of new e-banking

services have been developed. In Europe, all major banks have declared e-business as one of their core strategies for future developments. In addition, Forrester projects that the number of Europeans using online banking will double to reach almost 130 million users in five years — a total of 21 percent.

II. E-BANKING

E-banking is commonly known as the advancement of electronic banking, began with the use of automatic teller machines (ATMs) and has included telephone banking, direct bill payment, electronic fund transfer, online banking and other electronic transactions. Some people believe that the e-banking will go to the direction of mobile banking. However, others believe that online banking will be the most popular method in the future.

It is very important for the banking industry to always adapt to the new technology today and basically make the necessary adjustments to gain competitive advantage with other competing banks. If banks develop their business, customers are able to enjoy many conveniences and lower cost. On the other side, it can be seen that the poor and low-income segment is still underserved or do not fully enjoy the benefits of such innovations.

A. The possible risks

Without a hesitation, this technological growth has considerably affected the profile of bank risks and financial institution formation more generally. Due to this technological revolution, some risks are increased, while others on the contrary are possible to be decreased. Moreover, the degree of exposing to risks, which are related to the electronic banking, depends mainly on the degree of adopting new alternative electronic means of distribution of services and products. Therefore, the bank's strategy should be readjusted globally so that it meets the new challenges and opportunities, which will be shaped in the frames of new technological environment. According to this, final objective will be to acquire a leading place in the sector of electronic banking.

B. E-banking in Serbia

In Serbia is telling a lot about e-banking and e-commerce, it is organized numerous conferences based on this subject, and are frequent topics of newspaper research. Although e-banking is present in Serbia already sufficient number of years, bankers mostly agree in the fact that it was not popularized enough. The reasons for

this situation should be looked for in overall distrust of citizenship in business on the Internet, and lack of awareness of safety and security in this type of business. E-banking is present in Serbia since 2003. with the transition payments to banks. After the initial fear and distrust towards services, the situation is now such that more than half of the payment of legal entities goes electronically, while the percentage of use of electronic payments in the segment of individuals is slightly lower. Simultaneously, slowly is introducing other alternative channels which dramatically change the way people's lives: buying via the Internet and payments via mobile phones will soon become an everyday occurrence of a large number of Serbian citizens.

E-business in Serbia is not yet sufficiently developed. Some steps in this direction have already been made, such as adopting the Law on Electronic Signatures, the introduction of e-business in the National Strategy for Information Society and launching the project of electronic government and e-health.

C. Example 1: Banca Intesa

Banca Intesa is one of the first private banks in Serbia. Since 1991 until now the bank has a total of 1.5 million customers. From 2005 the group operates as a part of Banca Intesa, now called Intesa Saopaulo, Italy's most powerful banking group, the seventh bank in the euro zone by market capitalization and it is present in more than 40 countries worldwide.

Bank offers several solutions in the retail banking and the client chooses the one he is most functional. E-business service is activated by establishing a contractual relationship with the bank. E-banking system of Banca Intesa offers these services to its clients: Intesa On-line, e-mail, SMS services and Intesa Mobi. Intesa On-line service enables:

- Insight into account balances, account turnovers and printing of account statements
- Insight into card balances, card turnovers and printing of card statements
- Insight into loan balances and loan turnovers
- Transfer within your own accounts and settling of liabilities against the credit cards
- Exchange transactions within your own foreign currency and dinar accounts
- Dinar payments to contractually specified, the so-called predefined accounts
- Dinar payments that can be effected to any entered account (for this transaction you need a mini CD with a digital certificate which you can take over for free at any of the Bank's branches).¹

¹ <http://www.bancaintesa.rs/code/navigate.aspx?Id=574>

Način računa	Tip računa	Valuta	Stanje	Poslednja promena
Tekuci račun	Tekuci račun	CSD	1.822,55	97.252,45
Tekuci račun	Tekuci račun	CSD	252,25	4.522,83
Brokerska kuća	Namenski n. - kup akcija, domaća lica	CSD	0,00	0,00
Brokerska kuća	Namenski n. - kup akcija, domaća lica	CSD	0,00	0,00
Devizni	Devizni računi za domaća lica	CHF	25,50	25,50
		USD	258,62	258,62
		EUR	1.258,62	1.258,62
003050001234	Devizni računi za domaća lica - JEMSTVO	EUR	0,00	0,00
Prodaja obveznica	Namenska devizna štednja - prodaja obvez	EUR	0,00	0,00
Kupovina obveznica	Namenska devizna štednja - kupovina obve	EUR	0,01	0,01

Figure 1. An example of client's account.

On the other side, in this banks exist e-banking for legal entities. This way of banking offers a possibility to business people to organize their business more efficiently and far more comfortable. With the bank's help, business people can manage with their money quicker and cheaper by electronic way, without leaving to the bank, 24 hours, 7 days in a week, with 40% of discount on the bank compensation for all transactions. Banca Intesa offers the users these services: E-banking, Service center and HAL E-banc, with the note that the user can choose to use one or more solutions, at his desire and necessity.

- E-banking (in house), is a project which enables clients to have simple and quick insight into state and daily changes on the account, to take over statements (from the previous day or from the archives) as well as quick and safe foreign currency payments and all that through:
 - dealing via FX application (off-line application)
 - dealing via WEB application (on-line application)
- Service center (out source), this project solution that offers a service to the clients who already use FX Client application with some other bank.
- HAL E-bank (outsourced) is a kind of client's application that is suitable for dealing of small firms as well as big business systems. With this application clients can make payments quickly, simply and efficiently, without leaving the firm, all based on the installed software.

In addition, bank offers a broker-dealer mediators and e-commerce services. Their Brokers Assistance system is intended for brokers-dealers mediators as completely free of charge service. This Brokers Assistance enables you:

- at every moment to have an insight in the state on aimed account for trade with valuable papers of their client and
- printing of the certificate about state on the named account for trade with valuable papers of his client.²

² <http://www.bancaintesa.rs/code/navigate.aspx?Id=682>

Other service for legal entities, e-commerce enables client selling of products/services through accepting of payment with payment cards from the system VISA and Master Card on his Internet selling place. The connection to the world's trends is simple and safe and technical and safety aspects of the services are based on that. These are advantages of using the e-commerce service:

- Lower expenses of forming and maintaining internet selling place in reference with classical selling place
- Dealing according to the principle just in time
- Dealing according to the principle 24 x 7
- Availability of the product/service to the buyers from the whole world
- Cross-selling and better segmentation of the market
- The seller will be identified by the buyer as a leader in application of modern technology.³

D. Example 2: Online banking for Business RBC bank

Royal Bank of Canada, or simply RBC Bank, is an example of modern World Bank, which goes far beyond traditional banking services to offer its clients true financial solutions that make a difference in their lives. This bank gives its clients all the resources that they need to meet personal and business financial goals. RBC Bank is well known in the world because of its wide range of financial services and advice to individuals, businesses and public institutions throughout the Southeast. Its network includes more than 420 full-service banking centers in six states (Alabama, Florida, Georgia, North Carolina, South Carolina and Virginia), an extensive ATM network and telephone and online banking.

With its online-banking clients have the ability to manage their business finances and cash flow through functionalities that include reviewing account activity, pay bills, transfer funds and file government remittances such as GST, in one place. RBC Bank has online banking which allows clients to access their accounts from any Internet-enabled computer, 24 hours a day, 7 days a week. Its clients can manage their business finance, which includes control cash flow in an easy way and immediate access to all of their accounts:

- View Canadian and US business accounts on one page to check balances and transactions for Canadian and/or US dollar accounts and Visa[®] accounts
- Access one function for payments and transfers
- Transfer funds between accounts, including foreign exchange between Canadian and US dollar accounts
- Send funds to anyone holding an account with a Canadian financial institution through an Interac e-Transfer (for example, pay staff wages).

- Pay bills including telephone, utility, and property taxes
- Make electronic payments to employees, vendors and others at any financial institution in Canada using the Pay Employees and Vendors service.
- Online Tax Filing Service allows you to file taxes and make GST payments and payroll source deduction remittances 24 hours a day, 7 days a week
- Order cheques and deposit slips
- Download account information to the most popular financial management software programs.⁴

In addition, clients can manage investments and loans:

- Expanding your location or adding a new line of inventory? Regardless of your goals, we make it easy for you to manage your financing:
- Manage credit facilities including Royal Business Operating Line[™] and CreditLine for small business Visa[®]
- View loan balances including operating loans, term loans and Credit Line for small business, Visa[®] and Visa Expense Cards
- Research interest rate information from within Online Banking
- Access RBC Dominion Securities and RBC Direct Investing accounts that are attached to your business accounts.⁵

The essential thing for client's business is time and RBC Bank offers a help. Therefore, its clients can communicate through secure email with RBC Royal Bank professionals, speak to an RBC Royal Bank Online Banking representative 24 hours a day, 7 days a week and they can easily access the Help option within Online Banking to answer questions as they arise. Security is important part of online banking and RBC Bank offers state-of-the-art encryption to deliver complete privacy and security.

³ <http://www.bancaintesa.rs/code/navigate.aspx?Id=683>

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⁵ <http://www.rbcroyalbank.com/business/online/online-banking.html>

<http://www.rbcroyalbank.com/business/online/online-banking.html>

<http://www.rbcroyalbank.com/business/online/online-banking.html>

Checking Savings		USD	CAD
Checking 0000-00000000			1,066.75
Checking 0000-00000000	6,541.37		
Savings 0000-00000000	25,373.15		
Total:		32,014.52	1,066.75

Credit Cards		USD	CAD
VISA 0000-0000-0000-0000			0.00
Total:			0.00

Figure 2. An example of business account.

III. CONCLUSION

We can conclude that e-banking has its own advantages and disadvantages. The first one and the main advantage of implementing e-banking is an increase in customer satisfaction. The reason for this fact is customers do not have to go to the branches in order to access their accounts, make withdrawals and deposits. Customers can check it anytime of the day, a feature that physical branches don't offer thus creating a good relationship with the bank and the customer.

Nevertheless, this kind of banking doesn't have advantages only for customer, but also for the bank because it reduces costs in setting up a branch and the resources to process transactions. Banks can service more people that ever before, too. All mentioned benefits are the reasons why many banks worldwide are already investing in e-banking.

However, everything has its bad sides and disadvantage. E-banking is facing the security problems. Bank are trying to develop its security services and to protect the client's interest, but it's a fact that making transactions online poses a much bigger risk compared to making transactions in a physical branch. The main problems are the hacking and identify theft. Beside these risks, technical difficulties could also arise.

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