

E-BANKING: THE SITUATION IN ALBANIA

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Abstract

Many businesses accept various forms of electronic payments for their products and services. Financial institutions play an important role in electronic payment systems, creating and distributing a variety of electronic payment instruments, accepting a similar variety of instruments, processing these payments, and taking part in clearing systems. However, increasingly, financial institutions are competing with third parties to provide support services for payment systems e-commerce. In electronic payment mechanisms that financial institutions offer e-commerce are the automated clearing houses (ACH) debit and credit of the Internet, electronic bill payments, electronic checks, money - mail, electronic payments and credit card.

I decided to choose E-banking as the topic of my paper for the importance that is taking lately banking system in the world and in our country. Banking has never been so important to our society, as it is in today. Progress in the field of communication technology and computer wide spread of internet has made it possible to conduct more transactions from our homes or offices without having to go to the banking institution to achieve these services, seen as a revolutionary progress in the banking industry. E-banking includes those processes which allow the customer to perform banking transactions electronically without having his physical presence in the banking institution.

The purpose of this paper will be that of describing the phenomenon " E-banking " and the identification of key issues specifications and brought its use inside and outside the country. The objectives of this study will be: to give a precise definition of the phenomenon of " E-Banking " and how it has evolved to today, the description of key species which appears E-Banking, and descriptions of the main advantages and disadvantages for each of them, to conduct a study on some of the country's leading banks on the use of e-banking in our country and prospects for the future.

Also a main focus is the industry "online- banking" in the future. Which are the risks posed by cybercrime users, and how to protect against them. The research is based in conducting a search to show the impact of the Internet in the improvement of the quality of services in the banking industry, and finally in this paper the purpose is to make a comparison between a traditional bank and a bank that uses the internet. Also this paper will aim to show how the Internet has affected the quality of services. The show has had positive effects on improving the

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client-service and also has faced risks in the banking system when the client applies e-banking. At the end of the study will draw some conclusions and recommendations regarding this issue.

Keywords: e-banking, electronic payments, customer safety, internet transactions

1. INTRODUCTION

I decided to choose E-banking as my topic for the importance that is taking lately banking system in the world and in our country. Banking wasn't so necessary to our society, as it is in today. Progress in the field of communication technology and computer wide spread of internet has made it possible to conduct more transactions from our homes or offices without having to go to the banking institution to achieve them. "The launch of electronic commerce is accelerating the exchange; strengthen countries competitive position in the region, providing security and confidence to business partners, reduces costs, increasing exports and other economic functionality.¹ So we can see that nowadays is commonly used. Generally, the term 'electronic' in the E-Payment refers to the mode of payment which does not involve physical cash or money. In other words, any forms of cashless method which include amongst, bill payment using the automated teller machines (ATM), credit and debit cards, payments via the Internet and so forth".²

The most common definition I found out during the research of this paper was that e-banking varies between research in part because different banks word 'electronics' refers some types of services through which bank customers can request information and perform banking services via computer or mobile phone, for example, the describes it as an electronic connection between bank and customer in order to prepare, management and control of financial transaction. E-banking is seen as a revolutionary process in the banking sector. Banks believe that by adopting the latest technologies, they will improve customer services and to keep those closest to them. Not infrequently happen to us in the top navigational pages of foreign banks, to encounter this term which gives out very little information on what it actually offers. Often when people mention this term they immediately imply official websites of banks on the Internet. But what we must understand is that this term includes more than that. Banking Internet or otherwise called as online banking is just a part of electronic banking.

It will examine this topic will not be limited to the presentation and explanation of the concept, but will show the advantages and limitations of e-banking. Further will be presented a picture of the banks in our country, in connection with the application of this concept, which is still in first.

But the most important part of this paper will be the realization of a study, referred to four banks in our country about the current state and prospects of electronic banking in the

¹ Saeidipour, Vatandost, & Akbari, 2012

² (Noor Raihan Ab Hamid, 2013)

future. Also indicate how the Internet has affected the quality of services. Show the positive effects it has had on improving service to clients and risks faced by the banking system and the client when applying e-banking. At the end of the study, draw some conclusions regarding this issue.

2. STRANDS OF E-BANKING

Pre cursor to online services in remote banking are the services over electronic media in the 80's. The term became popular referring to the use of a terminal, keyboard and a TV (or monitor) to access the banking system using a phone line. 'Home banking ' can also refer to the use of a numerical keyboard to send signals to the bank instructions through telephone calls. "Online services started in 1981 in New York, when four major banks in the city (Chase Manhattan ,Citibank, Chemical and Manufacturers Hanover) offered home banking services using VIDEOTEX system. For commercial failure, the banking services were not popular except in France, where the use of VIDEOTEX (Mini tel) was replaced by the telecom provider and the UK, where the Prestel system was use. In the UK, online banking services in the home was used by the Bank of Scotland for customers of the Nottingham Building Society (NBS) in 1983. The system used was based on the Prestel system of Great Britain and was using a computer, such as the BBC Micro, or keyboard connected to the phone system and TV. Stanford Federal Credit Union was the first financial institution to offer online internet banking services to all its members in October 1994. Today, many banks are internet only banks. They usually differentiate themselves by offering better rates of interest and characteristics of online banking."

2.1 E-banking, perspective of banking

"In the beginning, banks had been used for simple services such as small time deposits and saving accounts and also short-maturity credit facilities. Future showed a splendid expansion into a larger line of deposits and lending products".³ For many clients, electronic banking allows 24 -hour access to cash withdrawals made through a cash machine (ATM) or direct deposit the checks into accounts or savings accounts. But nowadays electronic banking includes various types of transactions. E-banking includes those processes which allow the customer to perform banking transactions electronically without having his physical presence in the banking institution. E-banking is also defined as distributor of products and services to new and traditional, direct to consumers through interactive channels and electronic communications or automated provider. What should be noted is that the risks and controls are similar for different channels using electronic banking.

This issue begins with a discussion of two major brands that offer internet banking services: information, let alone when you check balance or statement of movements, and

³ Arnaboldi & Peter, 2008

transactional or operational, when you do allow transfers or pay bills, or typical interface all actions of a bank teller. All these are made possible without moving from home, saving time and removing the ranks of boring through the windows.

Online banking solutions have many capabilities and features in common, but generally there are a few special applications.

Common characteristics are broadly divided into several categories :

* *Transactional* (for example, when carrying out a financial transaction such as a transfer from one account to another, pay a bill, a credit applications, new account, etc.)

- transfer of funds between a current account and savings account of a customer, or an account of another customer

- Investment in the purchase or sale.

- The application, approval and credit transfer.

* *Non - transactional* (online statements, balance control, information, etc.)

- Bank statements online

- * Management of Financial Institution

- * Support multiple users, based on different levels of authority

- * Approval processes transactions

- * Transfer wire

Unique features of internet banking usually include personal financial management support,. The challenge for the industry is the design of this new channel for providing banking services in a simple and reliable.

2.2 Electronic transfers of funds

Electronic banking, or how is often called the transferor electronic funds (EFT), uses electronic technology or a computer for the use of cash and checks in transactions.

EFT offers many services that may be more practical for consumers :

- ❖ Automated Teller Machines (ATM) or ATM, are electronic terminals that let you do some banking almost anytime.

- ❖ Direct deposit allows customers to authorize specific deposits, such as payments on account of their checks on a regular basis.
- ❖ Acquisitions transactions through debit cards, which can also be your cards ATM. This can happen in a store or business, online or by phone
- ❖ Electronic payments, also known as money – mails, a customer I allowed by this service to electronically transfer funds in favor of another individual or business.
- ❖ Bill payment services allows the consumers to transfer their funds to the account of a business at a specified future date.
- ❖ Electronic conversion of checks. In a store, your allowance passes through an electronic system that reads your bank details and the amount of the allowance.

2.3 Risks

“The success of e-banking and e-commerce is likely to come with an increasing cost to personal privacy. All online interactions leave detailed audit trails that continually depict a larger portion of our lives”.⁴ Within the first dimension the factor “security” is predominantly related to the quality of the online system, “trustworthiness” is mainly dependent on the reliability and credibility of the provider. A particularly strong feeling of security can apparently be conveyed through guaranteeing higher reliability during electronic money transactions (e.g. payment, transfers, and debits).”⁵

Internet Fraud

There is plenty of personal information held in an online bank account beyond j your address and phone number. When you get banking online in a public place, you should not forget to erase the history of your visit the computer server. If not, your banking information g can be used by a stranger to fraud you by accessing your account and possibly even stealing your identity.

Delays

“Sometimes there can be as much as a two day delay between deposits, credits, and debits in your online statement. In many cases online maintenance can make what you see as a balance in your online account less than accurate. While out shopping, you could get caught with an overdraft thinking you have funds that you do not. Often, online banking can still require a call to an 800 number to get actual balances and information regarding available funds”.

⁴ Luis V. Casaló, 2001

⁵ Bauer, Hammerschmidt, & Falk, 2005

“Online banking has many offers that are convenient yet often come with hidden fees and costs you didn't bargain or budget for. Banking online is a convenience that can lure you into some costly traps”.

Multiple systems-banking financial institutions usually setting its face with a high risk transactions, when these commercial transactions involving large amounts of money. That's why transactional services electronically, have been reviewed by considering the following issues:

- Provide necessary to maintain control of customer information
- Authenticity of the processes,
- Liability for unauthorized transactions
- Losses from fraud
- Possible regulations violations or of laws or regarding customer privacy

3. MAIN TИPES OF E-BANKING

E-banking systems depend on a number of factors and that's why they are represented in different forms. Financial institutions choose their system configurations e-banking, including foreign relations, depending on four factors:

- Strategic objectives
- The scale, scope, and complexity of the systems, equipment and the activities
- The technological expertise
- Control requirements and internal security.⁶

3.1 TV banking

This is another way to enter the house of bank customers. Through an interactive option telecommandes the TV, you can access your bank site and view a range of information on services offered. To connect with personal accounts, the TV camera must be connected to the telephone line, but if this relationship is damaged, then you will not be able to access your account. After registering for this service, you can view account balance, transfer money, pay bills, make changes as cancellation of current orders / direct debiting / checks.

Advantages:

⁶ McGriff, 2013

1. Access 24 hours a day, 7 days a week
2. It is not necessary to hold on, as the bank

Disadvantages :

1. Limited use of the account, compared with other methods
2. Costs necessary access to the account
3. Attendance and lack of communication between the client and the bank employees.
4. Client can't deposit cash as cash or checks. This necessarily requires his physical presence at the bank.
5. If this option or interactive system fails to function, the client may not have access to banking TV and can't obtain the services mentioned above.

3.2 Internet Banking

Internet banking, or online banking as is often called, is considered a product of PC banking . An online banking customer has access to his accounts through software which operates online banking programs resident on the bank server. Net banker is defined as a true Internet bank. Such banks are also named as virtual , net, cyber, interactive or web Banks. It is worth mentioning that there are Internet Banks as banks that offer online services only, without their physical existence. Such example we mention Tele bank net Virginia or in UK. It is worth mentioning that besides these Internet Banks lower transaction costs, are not limited to national transactions, but still these transactions may include large amounts of assets at the same time.

Most banks today have a website of their own, where the customer can get information about the services it provides. However, internet banking goes a step further, allowing customers to access on-line in their personal account, perform transactions and many other services. It is safe, easy , and quick to use. Safety consists of a number of unique password bank and a 6-10 digit password designated by the customer. Safety procedures and rates vary from one bank to another. "Because an automated website can be accessed 24 hours a day, E-Banking provides cost savings for banks because they don't need human operators to keep the bank services functioning". ⁷

Advantages:

- **Convenience:** unlike bank counters, bank websites not shut, they are open 24 hours a day, 7 days a week.

⁷ Aboulola, 2013

- **Everywhere:** if you are away from your city, or even abroad, you can connect instantly with the bank and your account and take care of personal finances. The client can have access to his account just by having a computer connected to the Internet.
- **Security and efficiently:** a large part of the banks offer on their web sites to sophisticated instruments, alarms or management programs to help customers manage all their assets efficiently.
- **Efficiency:** the customer can manage all accounts, including deposits, pension funds, securities, ect. Conduct a series of key services may already be on-line such as: applying for a loan.
- **The speed of transactions,** often, online accounts and carry out banking transactions quickly confirm that the slot machines.
- **Control and reduce costs:** thousands of clients can use the service simultaneously, without the tellers and bank officers. In this way, reduced administrative work and with the costs for paper, different forms or paperwork, which brings a significant increase in the bank's profit margin and consequently the reduction of fees that banks apply to clients.
- **Priority for persons with disabilities,** who may enter their own accounts online and perform the desired operations directly from their home, without having to physically go to the bank, or to charge a third person personal finance management.

Disadvantages :

- **Fixed costs** that customers are initially should cover them with hardware and software equipment, technology costs, costs for connecting to the Internet, and depending on the specific conditions of each bank, monthly subscription fee and commissions for banking operations performed. As the technology moves very fast pace and to follow its rhythm, and to maintain and improve the quality of service delivery, there is a need for continuous improvement technology. Also take into account the costs of maintaining the systems, for various defects repairs, technical support and Internet connection.
- **Technical issues :** whether the various problems, the client fails to establish a connection to the Internet, he can't enter into his online account to perform actions that are needed.
- **Learning curve:** first, banks websites may seem complicated to orient you. Customer will have to spend some time to read the various instructions and learn how it works and what the bank offers online service of his.
- **Lack of personal interaction:** the selection of this channel to interact with the bank, the client does not have personal contact with employees of the bank and not his advice to his well-managed finances.

- Client may deposit or withdraw cash or checks. This necessitates its physical presence in the bank. However the client will have to go to the bank to conduct a retreat even using ATMs.

3.3 PC Banking

PC banking is a form of online banking that allows the customer to perform transactions banking PC via a modem. In this case the bank offers to the customer a professional financial software that enables execution of these transactions.

The client connects to the bank via modem, download -on and uses data bank program.

Recently, banks offer customers Banking PC systems that provides a client to provide account information, transfer funds between accounts or just to pay bills. PC banking is similar to online banking. The main difference is that the Internet is not used to connect to the client's personal account. In his place, from your personal computer, you can connect directly to your bank's intranet, using a special software, a modem and existing phone line. Overall PC banking offers the same level of action as internet banking, but is potentially faster and offers more security, allowing the realization of many banking services.

Advantages :

1. Access 24 hours a day, 7 days a week
2. It is not obligatory to hold on, as the bank
3. A higher level of security compared to internet banking
4. Potentially, more services can be realized considering increasing security.

Disadvantages :

1. Attendance and lack of communication between the client and the bank employees.
2. Client can't deposit cash as cash or checks. This necessarily requires his physical presence at the bank.
3. The client can have access to his personal account via computer only if he has previously installed software -in the special.

3.4 Telephone Banking

Is a service offered by banking institutions to conduct banking operations via telephone. Most banks offer this service, using interactive voice response (IVR), however the phone can respond

to a call center operator from the bank. “With the exception of cash withdrawals and deposits, it offers almost all the features of an ATM, the account balance information and list of recent transactions, electronic bill payments, transfer funds, etc”.⁸

3.5 Mobile banking or SMS banking

Another form of e-banking, ultimately used is sms banking. “SMS banking uses short text messages sent through the client’s mobile phone”.⁹ With widespread use of mobile phones, banks have thought to approach their customers even through SMS. Thus, by means of short messages in plain text, banks inform customers about account balance, recent transactions, entrance / exits on behalf larger than a set, etc.

4. E- BANKING, THE SITUATION IN ALBANIA

Banking culture goes back to the emergence of the first elements of the banking system and we can say that it takes place and evolves in parallel with the system. Political factor, an educational and economic development are the bedrock of banking culture that our country has grown by leaps slowly as a result of the interaction of several factors such as low level of banking culture inherited, slow steps of development of the banking system, the high informality etc. This culture of public bank serves as the main guiding policy on technology investment. Namely, investment -banking technology represents a significant that should not be limited to the expansion of ATMs to withdraw cash, but still investing in software that allow the client to perform transactions with the bank at any time and in any place. The following are the banks that currently offer this service to their respective peculiarities.

4.1 Intesa San paolo Bank and its service ABA-flex

Intesa Sanpaolo Bank through its website provides the latest service ABOflex, available to individuals and companies, enables the customer to have access to his account and provide other information direct banking. ABOflex gives to the customer the possibility to: control the account (s), transfer funds, pay bills, see the details of the transaction and obtain information about loans, deposits, checks issued, the exchange rate and many other things. This service is very simple to use. The main advantage of this service is the time, because the client doesn’t need the physical appearance at the bank, because these actions can perform directly from the computer.

A very useful application of this service is that it gives to the customers the opportunity to pay in favor of Water Supply JSC Tirana, this service was offered from 4 December 2006. In addition, deployment of POS terminals at two central points in the capital Vodafone Mobile Company, enables clients to perform bill payment or purchase different card Visa or

⁸ Salami, 2009

⁹ Chovanová, 2006

MasterCard. Following the expansion of opportunities for card payments Intesa Sanpaolo Bank has also an agreement with the Municipality of Tirana through which any individual or business that wants can also pay local taxes Visa or MasterCard card. The Bank has installed a POS cash register at the Municipality of Tirana. So each holder has the option to make payment of all obligations and penalties include: property tax for business category, the hotel accommodation tax, tax on occupation of public space, the vehicle registration tax, property transfer tax, registration fees, cleaning fees, advertising fees, fines and interest on delays, building rent, lease land, land sales, selling tender documents, fee hunting etc.

4.2 Raiffeisen Bank and its Multiservice Option

Multiservice is an international application produced by the German company OMIKRON, through which it can communicate with over 500 financial institutions that offer this product worldwide. It is basically on your central processing of payment transactions and liquidity. Multiservice of communication allows you to electronically connect with the bank, directly send orders via internet servers from your computer and withdraw bank account statement from there.

Multiservice offers :• Payment within the bank• National Payment by SWIFT 's standards• Payment by international standards SWIFT 's• Information on movements in the accounts according to SWIFT 's standards

Multiservice's advantages :• The basis for international management in order to concentrate cash.• Graphic View guarantees uniform adjustment quick and easy with the system.• Use of rights can be defined for each user individually, available to have two types of limits for each user.• Limit on transactions, which verifies the amount of all payments sent to a single file• Daily limit verifying that the sum of all payments sent within one day does not exceed the relevant limit.• Data stored in standard formats and can be downloaded into other programs for further processing.• High security through 1024 bit encryption, passwords, routine checks, etc.• Communication via the Internet.• Technical support by phone during business hours of the bank.

4.3 The BKT online service

Online service is the new service that BKT (National Commercial Bank) provides for its customers. This service enables customers to perform their actions account from any city where NCB are branches, irrespective of location. This means that if a customer has opened accounts, in a city, he can perform any action on his account enough to be in one of the cities where there NCB branch.

• Online service is an advantage for all those who are on the move, as it will need to think more cash problems.• Online service shortens the time of the transactions. You can get a deal or

try your security to a partner being together within the premises of a branch of the NCB. • For on-line service is not paid any extra cost. He is free from any commission.

Online service requires no special application or request. Sufficient is to possess or to open a checking account at a branch of NCB and you automatically get on-line service. This service is offered to every client that has an account. For example, if a depositor wants to transfer a deposit from one branch to another, what is need to do is just open a checking account and through it to perform appropriate actions. On-line service is a secure service that maintains client confidentiality. Through the online branch individual customers could conduct transactions 24 hours a day 7. Transactions that can be made via the internet branch are:

- Opening account /deposit in the desired currency
- Details of account /deposit /credit /debit card /credit card
- The history of account transactions
- Transfers of money
- Links to other accounts with debit card
- Credit card payment
- Currency exchange
- Payment of utility bills: account phone, mobile phone, electricity, water, free of charge.
- Agreement with Albtelecom, Eagle Mobile and AMC bills direct debit (automatic free account), service is provided free of charge
- Opportunities periodic payments as rent, subscriptions, savings, etc, free of charge

4.4 Bank and NBG online services

NBG Bank enables management of accounts and transactions with the bank from office or home, safely and effectively through the internet thus saving valuable time. The following are services that are made available via internet banking to the bank accounts :

- Presentation of the account balance
- Submission of daily or monthly movements through specific statements
- Transfer of funds between accounts
- Updating of transactions for certain periods Especially for legal entities
- Presentation of the activity via POS credit cards issued by NBG BANK
- Union or withdrawal accounts electronically connected via NBG INTERNET BANKING
- VAT payments, contributions to employee insurance contributions, and phone bills.
- Payments through credit cards issued by NBG BANK or other domestic banks.
- Payment of life insurance premium to Ethniki Hellenic General Insurance Co.
- Payments to other companies.
- Deliveries to the NBG BANK accounts.
- Transfer funds from your account to another person's account at NBG BANK.
- Transfer to other domestic banks to banks or other EU countries. Also through internet banking NBG provides information about mutual fund shares of NBG and can be done in ASE application for participation in public offerings.

Advantages:

- Saving time through the transaction effectively without having to appear in one of the branches of the bank.
- Convenience and security in transactions.
- The benefit of immediate and quality services.

5. CONCLUSIONS

The Internet has developed the mode of operation for a lot of businesses, and has become a very important channel for communication and advertising business. The banking industry in the recent years has been adapted with this trend, with all the banking transactions carried out electronically. Providing a competitive advantage in the market is the key to success of a bank. It is this advantage can be obtained in various ways, ranging from the various services it offers to its customers, to which she realizes technological investments to improve these services.

Electronic banking is the most effective tool that provides users with services in the desired time and often at no additional cost, thus constituting a step towards further consolidation of the banking system towards achieving European standards. In our country the service is on track, however, has yet to be done. E-banking product which is receiving a wide spread in our country is internet banking, ATM-s while used by most major banks of the country and a large part of the public. We can say to the Albanian public is aware to some extent for the elimination of the cash economy, however, the steps should be accelerated. Banking Culture is a very important element in eliminating the cash economy and its development can only be achieved by a communication and information on the range of client banking regulation.

Currently, the Internet banking is becoming an important tool for presentation and use of new banking services, not only in Albania bit worldwide. It also helps in informing the public about them. Bank institution establishes communication with the public is a key factor that determines the performance of mutual relationship and affects the degree of confidence that the customer perceives the bank.

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