

E-BANKING USAGES IN ALBANIA: CASE STUDY OF SHKODRA REGION

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Abstract

New technological developments have increased the number of banking products and services by creating multiple opportunities for their users. From various types of e-banking services, internet banking produces rapidly, saving time and reducing costs for bank customers. Long crowds of people in banking retail points and the signed documents, are being substituted at a mouse click – to benefit the necessary banking services (Bashi 2014). The purpose of this research paper is evidence of the use of internet banking service by Albanians, compared with other regional countries. The aim of this work is to promote the use of this service by adding the application of promotion by the banks themselves. Scientific work has conducted earlier about e-banking that have focused on a specific issue, while this research addresses all the problems that accompany it. During the reading of this paper, the reader may be familiar with, use, and operation of internet banking; the most recent statistics on the number of users in our country and region; commissions that apply to it; various risks associated; the level of security that banks offer.

Keywords: E-banking management, internet banking, safety, cybercrimes

INTRODUCTION

From E-commerce to E-banking

Electronic commerce (commonly known as "e-Bazaar") consists in purchases and sales of products and services through electronic systems such as the Internet. Electronic commerce has grown with the widespread use of internet nowadays. Consumers increasingly are moving away from direct experience with the vendor and more and more are giving computer commands.

E-commerce offers convenience because it means less action, more easily distribution versus physical stores, which can translate to more efficiency and lower operating costs. Electronic commerce appears in two forms: among businesses (known as B2B) or between businesses and consumers (known as B2C). Electronic commerce is carried out by companies such as Amazon, e-bay, Aliexpress, etc. There is no mediation service in this process (Teliti, E & Berdufi, N & Troci, Y, 2010).

In Albania, electronic commerce is still in its early stages. The number of operators offering these services is low but with great aspirations to grow. There are no official statistics for this service is new, even for electronic commerce law was changed in 2009. Some of them have about four years operating in the market. So, what are some of the reasons that prevent people from exploring such experiences?

According to experts, people are not afraid of buying products online, but they simply are not yet prepared to accept this new trend. This is due to the lack of information on the concepts of electronic commerce. Also, the high costs of transactions in relation to the values of small derived from sales, the legal framework of unstructured good, and the difficulty of withdrawal from the classic forms of bargaining, the difficulty in convincing banks, mobile operators and their customers on the advantages that this service provides are some of the problems of e-commerce.

Balkan countries in the region rank among the European countries with the lowest readiness doing electronic commerce, due to poor infrastructure of information and communication technology, (Bedalli, 2011). Despite this, Albania is best positioned compared to the region. The main element of the growth of online shopping is the increase use of credit and debit cards, number of transactions carried out with them, without neglecting the growth of ATMs and POS, in recent years.

Table 1: Statistics on electronic cards, ATM and POS

	December 2011	December 2012
Total number of cards	731,851	768,982
Debit cards	693,958	719,809
Credit card	37,893	49,173
Nr. ATM	805	823
Nr. POS	5,126	5,307
Nr. transactions with cards	1,153,165	1,205,475
Volume of transactions	11,797	12,449

Source: Bank of Albania

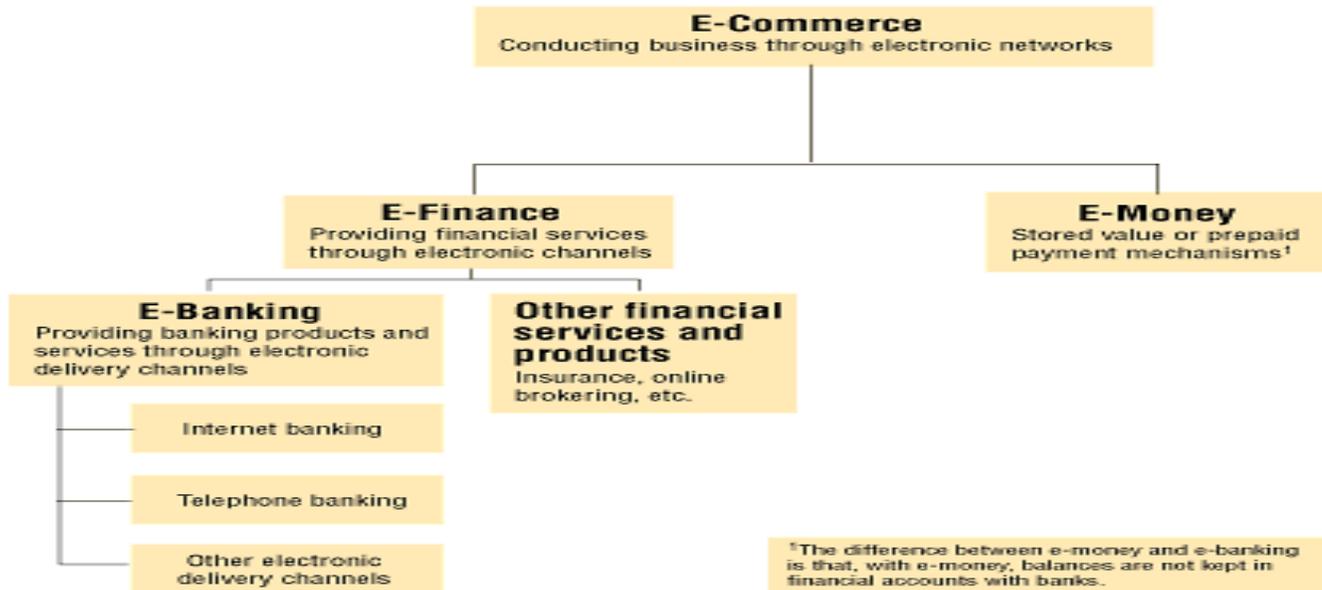
There are many countries in Europe that do not offer these services, or offer low levels. According to the Croatian Office of Statistics, only 14% of individuals purchased goods and services via the Internet during 2010 (an increase of 4% compared to 2009). The main categories of products purchased online are books, newspapers, educational materials, clothing and sports equipment. Another example is Bulgaria. Although listed among the first five countries with the best internet in the world, only 10% of payments are made electronically. According to official statistics the EU 2-3% of Bulgarians do online shopping, while in developed countries the figure is over 60% of consumers. According to official data for 2010, the total turnover of e-commerce is 50 million euro (Bedalli, 2011, p 21).

LITERATURE REVIEW

Online banking or "electronic banking" is a form of e-commerce that allows consumers through the use of electronic means to transfer funds directly from one account to another, instead of using a check or cash. E-banking came as a result of technological developments in information and communications have led to increased use of personal computers, their Internet connection, wide spread of mobile phones with the most modern functions (Georgescu, 2006). The term online became popular in the late '80s and referred to the use of a keyboard, a monitor and a terminal to access the banking system through a telephone line. Home banking (telephone / internet banking) refers to the use of a numeric keypad to send tones down a phone line with instructions to the bank.

According to Mishra and Kiranmai (2009), the services of E-banking divided into the following types: ATM (Automated Teller Machines), E-Payment by credit cards, debit cards, smart cards, Mobile Banking, Internet Banking, and Telephone Banking (Teliti 2012).

Figure 1: E-Commerce Structure



Source: E-Banking Management

Internet Banking Service provides two ways to perform the actions.

1. Actions are registered and approved by a person.
2. Actions by a person registered and approved by another person.

Indeed individual or business that conducts transactions from home or office saving long rarest and bureaucratic banking operations, but how feel safe trusting human lifeless like computer or internet? How open is our country to such a service, so innovative? How are the cost / benefit of using this service? Who are the main beneficiaries, banks or customers? What are the risks associated with e-banking?

E-banking in Albania

Provision of e-banking services in Albania emerged after 2000. The American Bank of Albania (ABA) was the first bank that has provided a complete package of internet banking services in 2002 (Banks in the internet era, 2007). Banks operating in our country have begun to apply the e-banking service in 2007-2009, with the exception of Intesa San Paulo, which provides this service since 2003 (Sevrani & Gorica, 2011).

Table 2: Year of commencement of delivery of e-banking

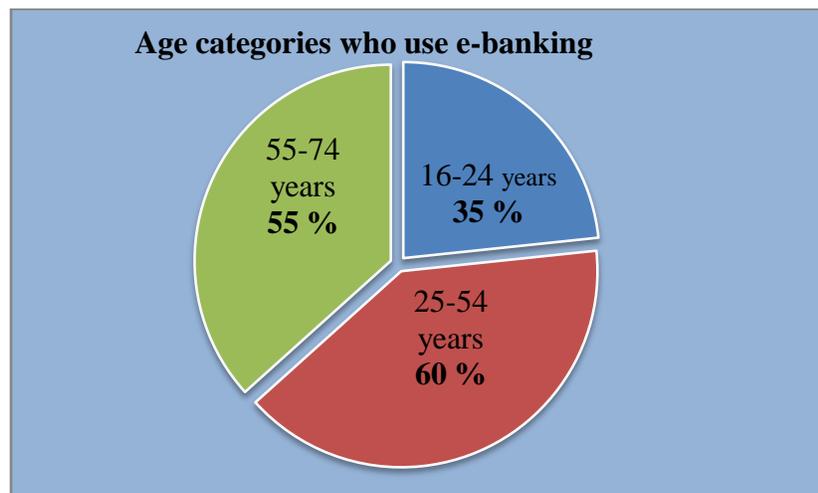
Name	UBA	Intesa San Paulo	Emporiki	NBG	Procredit	Banka Popullore	Credins	BKT	Raiffeisen
Year	2009	2003	2007	2008	2009	2009	2008	2008	2008

Source: Ministry of Finance

In 2012 Eurostat statistics speak for 54% of Internet users who use e-banking. In the chart below we can see that most users of e-banking are people within 25-54 years (60%) and 55-74 category represents 55% of users of this service, leaving 35% in the category 16-24 years. From the analysis consider two main concerns:

- 1) Lack of knowledge: They think it's really hard to learn about new technologies);
- 2) Fear of technology: They prefer to believe in human beings more than one car electronics, especially in money matters.

Figure 1: Users of online banking by age in 2012



Source: http://epp.eurostat.ec.europa.eu/cache/ity_offpub/ks-sf-12-050/en/ks-sf-12-050en.pdf

The biggest benefits of the use of e-banking as savings in time and convenience for the customer, quick transactions, decrease costs, efficiency and effectiveness, dignity for people with disabilities. Customers have a sufficient bank account number at the respective banks and can use e-banking 24 hours a day, 7 days a week, from anywhere in the world. The number of transactions carried out in the world with e-banking grows by the day, despite the increased risk of cheating or website (cybercrimes). While in our country, the use of this service is in the early stages, even after 10 years since its introduction. The primary reason is thought to be excessive loyalty of Albanians to traditional banking services and lack of information on the benefits / disadvantages of this service. The costs for using the service are the technological costs (failure of hardware or software), the cost of Internet connection, monthly subscription fees and commissions for banking operations performed varies from bank to bank. Common tariffs are 3 registration fee, annual fee and transactions it. But great risk that comes from the use of e-banking related to safety.

Safety is number one criteria we seek in every action we take in life, especially when it comes to financial matters. Electronic banking platforms have been introduced as a more efficient channel to conduct banking transactions. However, these applications are exposed to the Internet, making users their attractive target for cybercrimes, (Ndrenka, 2012). The risk of penetration through the network displayed in various ways, such as by acquiring secret code entry, by facilitating email communications, carrying out banking activities on behalf of others.

In order to protect the client from electronic crime, banks use advanced security systems, which encode all the information that circulates between the bank and the client. In this way, through different procedures of cryptography, banks guarantee their clients the security, integrity and availability of the products and services they offer. But the customer must take strong security measures to prevent the risk of losing money. Initially, the client must take into consideration the confidentiality of your password or PIN.

E-banking and its risks

Two types of e-banking risks: general risks or the risks of application. General risks may include physical hardware access, logical access to systems, information and communication technology. Application risks could be the result of an error situation, for example, the recorded data are not accurate due to system errors; data is not stored properly during the period of validity; calculations are not correct; Application information is not available at the time because of the failure of systems (Georgescu, 2006). Other categories of risk that accompany e-banking are:

Credit risk – is a typical of a financial institution lending to arise at the time of loan approval not only at the bank but also electronically. This is the risk of loss of income or capital from the customer's failure to meet its financial obligations. To significantly reduce credit risk of banks should consider the following aspects as: verify the identity of the client, monitoring and control price standards, assessment of the collateral, electronic monitoring of the use of loans by purpose.

Market risks (liquidity, interest rate and price) - includes risks that increase with price volatility or interest earned from deposits. Internet banking can entice customers with the highest rates of deposits that banks in the physical counters. A client can control this potential volatility of interest rates through its contract and deposit account opening practices. Liquidity risk is the risk of loss from the inability of the bank to meet its.

Strategic Risk - Board and management of a financial institution should understand the risks associated with e-banking evaluating costs versus return on investment before offering this service. Poor planning of e-banking may increase the strategic risk of a financial institution.

Early adopters of e-banking services can have high costs due to the increasing complexity of their operations. On the other hand, late adopters can avoid the high costs, but the risk of failure to meet customer demand for additional products and services. Financial institutions should pay attention to points following: the costs involved in monitoring or supervision of e-banking; the price of the design and delivery of services sufficient to generate customer demand; competition from other providers of e-banking; costs and availability of staff to provide technical, operational or marketing support.

Legal risk – is concerned with the loss of income or capital as a result of violations of laws, regulations and ethical standards. E-banking is a new channel of delivery of banking services, where laws and regulations governing the electronic delivery of certain products may be unclear or still in development. Consumers who have not been informed about their rights and obligations may bring suit against a bank. Failure to provide protection may subject the bank to undergo regulatory sanctions. A hacker can use the website to a client and the bank could face litigation from the customer (BCBS, 1998).

Reputation risk – is concerned with the current and future loss of earnings and capital arising from negative public opinion for the bank. Some of the ways in which this risk occurs in e-banking service are: unauthorized activity in customer accounts, disclosure to unauthorized parties or theft of confidential customer information (ex, hackers), customer complaints about difficulties in using e-banking, confusion between the services provided by financial institution and those from the website. Reputational risk cannot be just a single bank, but also for the banking system as a whole. If a bank experiencing significant damage to its electronic banking reputation, security systems of other banks could also be called into question (BCBS, 1998).

Operational risk – means the risk of direct or indirect loss resulting from inadequate or failure processes to people and systems or from external events. This type of risk is classified in

1. Security Risk - In the absence of appropriate controls, not just the hackers could damage the bank by vomiting personal customer data, but also third parties can enter into the computer system by injecting harmful viruses. Besides external attacks, banks are exposed to fraud, workers who cast customer accounts (BCBS, 1998).
2. Systems of design, implementation and maintenance - rapid technological changes may cause a fail to staff in fully understand the nature of new technology. The Bank is exposed to the risk of an outage or slowdown of existing systems (BCBS, 1998).
3. Misuse of products and services from the client - In the absence of appropriate measures to verify transactions, customers may be able to deny transactions previously authorized or perform transactions unauthorized electronic systems unreliable, causing financial loss bank and victory for "cybercrimes" (BCBS, 1998).

The BCBS requires that risks be recognized, addressed and managed by banking institutions in a prudent manner according to the characteristics and challenges of e-banking service. These features include unprecedented speed difference with respect to technological innovation, the nature of the ubiquitous and global electronic networks, integration of e-banking applications of computer systems and the increasing dependence of banks on third parties that provide the technology needed information. The Committee recognizes that banks will need to develop the processes of risk management appropriate to their profile individual operational risk, structure and culture of corporate governance, and in accordance with the specific requirements of risk management and policies set forth by banking supervisors in their jurisdiction.

METHODOLOGY

This study is descriptive in nature. Data collection method used are: questionnaires (which were distributed to 11 commercial banks operating in the city of Shkoder), and economic literature. Distributing questionnaires in banks has proved difficult in some cases, but there was also correct that the bank does not only fill in the questionnaire but give suggestions of additional information. An analysis of total survey was done through descriptive statistics.

EMPIRICAL RESULTS

- 30% of customers of banks operating in Shkoder recognize e-banking.
- 34% of them are familiar with this service from consultations with bank employees and 30% of them from the bank official.
- 5-10% of those, use this service. The highest users of e-banking are businesses and ages 41-50 years old.

Figure 2: Users of e-banking

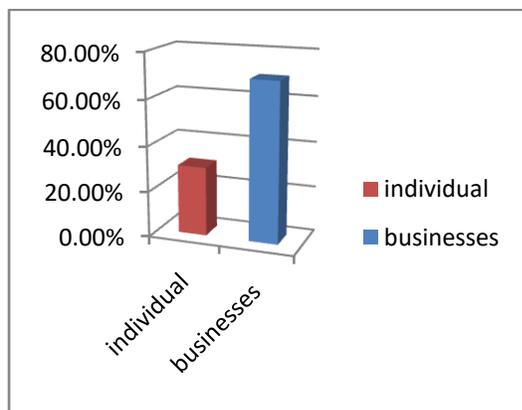
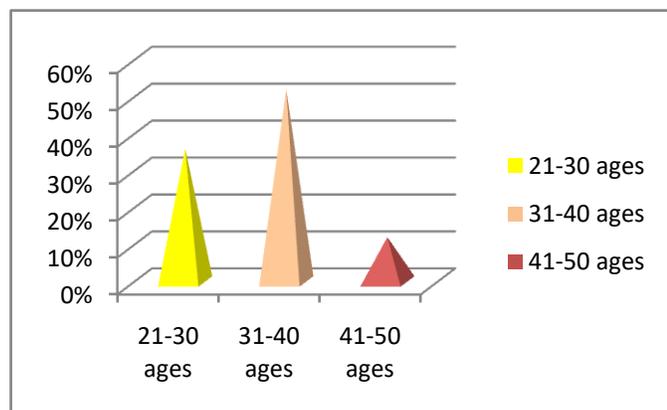


Figure 3: Use of e-banking by age



DISCUSSIONS

- The growth of Internet users with 43.5% and the number of plastic cards in 1.1 million resulted in an increase in the volume of e-banking transactions by 26% during 2012 compared with a year ago.
- Advantages of e-banking related to saving time, quick transactions, reduction in cost, efficiency and effectiveness.
- Presenting the bank to fill out an application form, to receive the password of e-banking, websites of banks with complicated instructions, technical problems and lack of personal contact with bank employees and with Cash constitute major disadvantages.
- Categories with the highest use of e-banking in our country are businesses. Ages with high percent of use in the world are 25-55 years old and 31-40 years in our country.
- Albania has the highest commissions in the region. About 55% said that they had held constant commissions, despite the financial crisis.
- Banks guarantee the safety of their customers banking services through cryptography. About 76% of them claim that invest more in security.

RECOMMENDATIONS

- Banks should promote e-banking service in the most popular Albanian media or social networks most used.
- They should reduce to zero maintenance fees for the service e-banking and carry only the device's security committee.
- We should put more emphasis on their offer to the development of electronic banking in the mobile network, because the number of mobile phones users is significantly higher.
- They should try to facilitate the procedures in the use of online banking.
- In order to increase security it should be added a biometric element, such as fingerprints.

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