



GREAT POTENTIAL OF E-BANKING IN SERBIA

Miroljub Hadžić¹,
Vladimir Mladenović²,
Milica Krulj Mladenović²

¹Singidunum University,
32 Danijelova Street, Belgrade, Serbia

²Business School for Applied Studies,
Blace, Serbia

Abstract:

E-banking and its use have improved the whole banking industry, banking management and induced quick transformation of the society. E-banking use gives several important advantages to banks and their clients, which prevail in comparison to its drawbacks and resistance to its use. In the past, e-banking use gave to a bank the characteristic of innovative one, while today it is a precondition for its survival.

In Serbia, e-banking use got momentum during the last decade, mainly due to foreign banks, newcomers to the market. Today, each single bank offers e-banking services. However, in spite of quick development, domestic supply is still below the offer in the advanced transitory economies. At the same time, there are still signals of resistance to its use among entrepreneurs and citizens.

The aim of the paper is to envisage the contemporary stage of development of e-banking in Serbia and to prepare comparative analysis of development of the main distribution channels between Serbia and countries within the region. The results of the analysis and assessment of its development would be used in an attempt to suggest measures on both levels: the level of national economy and level of each single bank, by which e-banking use can be improved.

Key words:

advantages, drawback, resistance, development.

1. INTRODUCTION

There are plenty of articles in news, conferences organized and comments on e-banking in Serbia. Although we are the witnesses of its fast development during the last decade, there are still lots of prejudices among citizens and entrepreneurs in relation to its use, lack of information, fears, especially about its security and doubtful advantages.

E-Banking has rapidly grown over the last decade, with legal and institutional infrastructure being established. It started in 2003, practically with the transfer of payment operations into the national banking system. Today, more than one half of payment operations are made electronically. Law on electronic sign was passed and the national IT strategy was adopted. Along with that, the development of e-government has also started.

Nevertheless, one cannot be satisfied with the level of its use in comparison to developed and advanced transitory economies and with the low share of citizens and entrepreneurs use of e-banking and e-trade. One can note that supply side is also poor as there are only few e-traders. Also, it seems that there are regulations that ask for improvement, like those

Correspondence:

Miroljub Hadžić

e-mail:

mhadzic@singidunuum.ac.rs



which mandatory obliged clients for personal contact with bank's officials and plenty of paper forms to fulfill. Clients of banks are not well and fully informed about the advantages and security of e-banking and e-trade, which points that banks and the Government have to be involved more.

2. ADVANTAGES AND DISADVANTAGES OF E-BANKING

IT and its use have revolutionarily changed bank supply, banking management and everyday life of consumers and entrepreneurs. Among others, it increased the quality of banking services offered, bank's efficiency, cut operational costs and cut prices of services (Kovačević, Đurović, 2014). „It is clear that e-banking is here to stay and will be main channel to acquire and service customer“ (Agarwal, Rastogi, & Mehrota, 2009). Almost all companies use computers, but most advanced users are banks, insurance companies, logistic and transportation companies (Ignjatijević, Matijević, & Carić, 2011). E-Banking improved quality of services, which is in line with CRM approach (client relation management), today very important for banks, as consumers became very dynamic and less loyal than before (Marinković and Senić, 2012). As a results of fast development of Information Communication Technologies (ICT) and their implementation, economy and society were transformed into informatics economy and society. Almost all industries were transformed in qualitative and quantitative term, with new products and services, which gives platform for information society (Đorđević, 2012).

If we are talking about e-banking services, we have to differentiate several distribution channels, by which banks are offering their services: home banking, Internet banking, Mobile banking, POS (Point of Sales) terminals, payment cards, ATM (Automated Teller Machine), E-money. The main characteristics of e-banking are: individuality, mobility, independence of place and time, flexibility and interactive relation with customer (Seity, 2003). Advantages are as follows: decreasing operational costs per transaction (branch 1,07\$, post 0,73\$, telephone 0,54\$, ATM 0,27\$ and Internet 0,01\$), covering services 24 hours per day and 365 days per year, covering whole world, dispersion and creation of new products and services. For a customer, e-banking is less time consuming, provides easier access, higher quality of services, it is more flexible for personal demand and more secure in comparison with transaction with cash (Ljubić, 2015). All internet consumers are potential clients of banks.

For a bank it means less employees and less costly operations, higher quality of services, less organizational units, while covering larger territory, more clients, instant data processing, lower fees, higher accessibility, innovative image of a bank, higher competitive strength and higher profitability (Hadžić and Mladenović, 2014; Kovačević and Đurović, 2014).

At the same time, there is a fear of using e-banking products and services among citizens and entrepreneurs, especially in less developed countries, including transitory economies. It is the wide spread feeling in spite of printable evidence of transaction, every day improvement of security of services, using smart cards, PIN codes, prepared forms, personal identification prior to using those services (Sanchez-Franco, 2009). Although there are strong arguments in line with e-banking advantages to customers whatever they are, citizens or entrepreneurs, recent investigations suggest rather that this kind of services are still new, with just few serious researches about the relationship between trusts of clients and their loyalty, which suggests that differentiated approach to different segments of users is more useful for banks (Sanchez-Franco, 2009).

Banks are facing several kinds of risk when practicing e-banking operations: operational (related to mistake of human resources), reputation (possibility that good image of bank can be put under question mark), systemic risk, legal risk, crime, international risk (Kovačević and Đurović, 2014). Nonetheless, we have to be aware that although banks are improving security of operations of e-banking, there are hundreds of hackers every day who are trying to find ways to avoid security mechanism within banks. Also, the Internet is the global network without national or global supervision, which is a very important fact for users facing their security. Some of services, like e-wallet and e-money, ask for high investments into infrastructure, so they cannot be cheap for small national market, but for huge only. In countries and economies with high importance of so-called shadow economy (informal economy), there will be resistance to the use of e-banking, because of tax evasion in sight.

Among those who argue in favor of e-banking future, there is often idea that the classical bank with shelters and branches will disappear, while e-bank will survive. However, strong counter argument could be that credit lines, especially heavy in volume, like for corporate clients, ask for trust and personal relationship with the client. Those credit lines cannot be finalized virtually, but rather in an old-fashioned way - personally. It is a very important issue for small corporate clients, small and medium scale companies and entrepreneurs (SMEs) (Marinković and Senić, 2012).



3. DEVELOPMENT OF E-BANKING IN SERBIA

Fast growth of e-banking in Serbia started in 2003 with the transfer of payment operations into the national banking system. This trend was in line with inflow of foreign banks, newcomers to the market. From this point on a huge step forward was made. Generally speaking, Serbian position is good regarding ICT development and its use. It is important as a prerequisite (platform) for e-banking use.

In Serbia, 64% of all households possessed PCs in 2015 (63% and 60% in 2014 and 2013, respectively)(RSO, 2015). At the same time, 39% of households possessed a laptop (39% and 32%, respectively). Mobile phones could be found in 90% of households (90 and 87%, respectively). Use of ICT is also respectable, as Internet connections had 64% of households in 2015 (63% and 56% in 2014 and 2013). DLS connection is still the main type for connection to Internet (51%, 55% and 51%, respectively), cable connection (38, 35 and 33%), and by mobile phone (19, 24 and 17%)(RSO, 2015).

Serbian companies are even in a better position regarding ICT access and use. PCs are used by all companies in Serbia (100% in 2015, 2014 and 2013). In 27% of all companies, ¼ of employees used PCs at least once per week, while in 36% of companies, ¾ of all employees used PCs once a week. Internet connection had 99% of all companies in 2015 (100% in 2014 and 2013), of which 98% of

companies had broadband internet connection (98% in 2014 and 2013, respectively), 75% of all companies had their own website (74% in 2014 and 2013, respectively). The less favorable situation is regarding e-trade. Only 40% of all companies in Serbia bought/sold products and services via the Internet in 2014, the same as during the previous two years (RSO, 2015).

As can be seen in Table 1, the number of e-cards issued by banks in Serbia is respectable (in comparison to whole population, 7,1 million). However, if we analyze their use, only ½ of debit cards were used. At the same time, ½ of credit cards were used, but with the decreasing trend. The use of business cards is somewhat higher.

Table 2 can provide a better insight into e-card use. As can be seen, value of transaction with debit cards is dominant in total value, more important was increasing, and reached almost 4 billion € in 2015. At the same time, the value of average transaction with debit card is still low (59 €), which can be explained with low average wage (400 € per month).

The infrastructure for e-card use and electronic payment and e-trade is not well developed. Table 3 shows that the number of ATM is low and stagnant, and the number of POS terminals is modestly increasing. It is rather encouraging that the number of transactions and their value is increasing.

Serbia is still looking for better infrastructure as a prerequisite for higher use of e-banking services. Compared

	Issued			Active			%		
	Debit	Credit	Business	Debit	Credit	Business	Debit	Credit	Business
2015	5,350	958	147	2,655	517	91	50	54	62
2014	5,176	964	127	2,478	515	81	48	53	64
2013	5,133	955	120	2,317	530	76	45	55	63
2012	4,876	952	107	2,125	544	68	44	57	63
2011	5,270	970	111	2,367	630	76	45	65	68
2010	5,109	936	103	2,200	674	71	43	72	69

Table 1. Serbia - E-cards (source: NBS)

	Transaction value, mil RSD			Average value RSD		
	Debit	Credit	Business	Debit	Credit	Business
2015	490,413	12,399	32,641	7,296	4,611	16,720
2014	451,259	12,932	24,910	7,101	4,513	15,286
2013	413,632	14,019	20,963	6,823	4,444	14,661
2012	366,033	14,613	15,312	6,594	4,453	13,357
2011	319,073	12,997	11,189	9,259	4,307	6,249
2010	266,047	14,067	7,927	5,846	4,114	10,988

Table 2. Serbia - E-card transaction (source: NBS)



	ATM	Transaction number*	Transaction value**	POS	Transaction number*	Transaction value**
2015	2,705	19,845	158,089	65,428	34,876	71,304
2014	2,632	18,596	141,756	64,142	30,500	62,597
2013	2,673	17,820	131,266	59,822	27,036	59,765
2012	2,785	16,584	115,763	62,656	23,607	54,147
2011	2,830	15,035	101,003	58,012	19,908	44,408
2010	2,857	13,757	85,933	57,459	17,405	39,619

* - thousand, ** - million RSD

Table 3. Serbia - ATM and POS terminal (source: NBS)

to the countries in the region, such as Croatia and Montenegro, which is given in Figure 1 and 2, number of ATM and POS in Serbia is lower, especially measuring per 100 thousand of citizens. So, it is clear that banks in Serbia have to invest more in ATM and POS network in order to get more revenues from e-banking services.

Considering e-transfers in total transfers by number and by value, as can be seen in Figure 3, there are no crucial differences between countries within the region. By the share of e-transactions in total transactions, measuring the

number of transactions, Serbia falls well behind Croatia and Montenegro (36%, 58% and 48% respectively). By value Montenegro had less, 40 % of e-transaction in total, while Serbia and Croatia had ½.

Figure 4 provides a rough picture of potential of the national market of ICT, including the Serbian one. It is clear that Serbian ICT market is similar by revenue with Croatian, which speaks about its high potential, rather than high level of development.

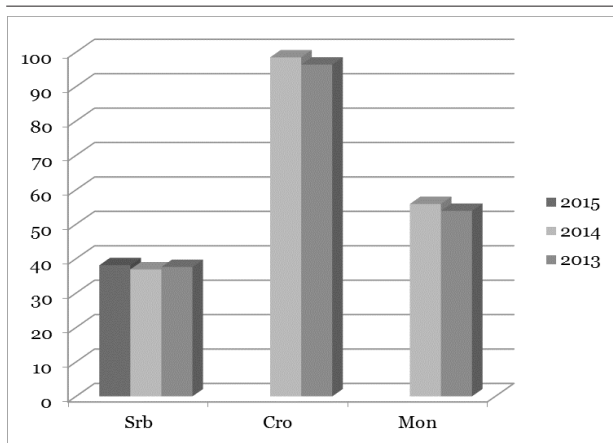


Figure 1. ATM number per 100 thousand of citizens (source: CBs)

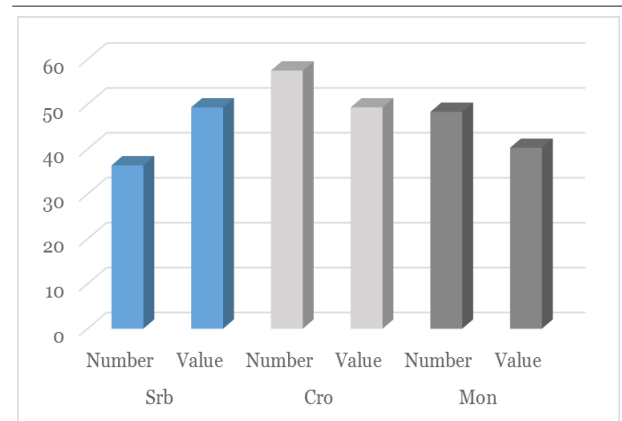


Figure 3. E-Transfer in Total transfers % - 2013 (Surce: CBs)

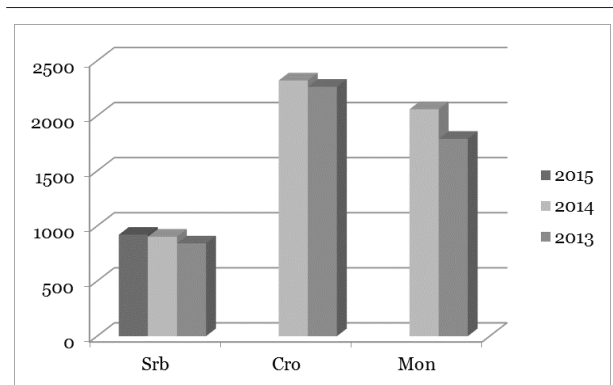


Figure 2. POS number per 100 thousands of citizens (source: CBs)

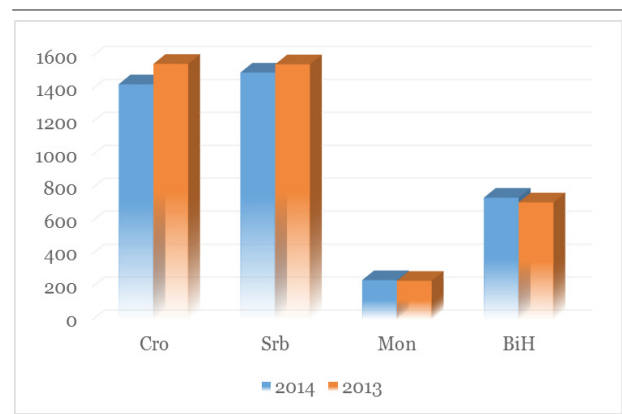


Figure 4. Total Revenue of ICT market - million € (source: national RATEL)



4. E-BANKING – HOW TO USE ITS POTENTIAL BETTER

Based on the assessment of e-banking and e-trade in Serbia, one can conclude that there is high potential for e-banking development. In other words: a) necessary infrastructure is developed well and use of ICT is on respectable level; b) e-banking use is on modest level of development, facing the widespread fears, especially related to its misuse and legal obstacles; c) e-trade is on the low level of development.

In order to speed up ICT use in banking and trade industries, it is necessary to introduce three lines of activities: firstly, there are several prerequisites to overcome prejudices and make ICT use much easier; secondly, banks have to introduce measures and activities in order to motivate clients and to get more from e-banking; thirdly, there are also possibilities for the Government to make the environment more favorable for e-banking and e-trade use.

Legal framework in Serbia has been improved, but there are still some obstacles. Serbia is among the countries which enacted Law on electronic sign late, so it takes some time for it to be fully adopted and ready for use. Also, legal framework asks for further improvement, regarding complex relationship between banks – traders – users. Late use and problems of Pay Pall is an example of such situation (Radojević and Čelarović, 2009). We are still waiting for the Law on e-money. IT education is necessary among the young generation within school system, seeing it as a part of wholesale reading and writing abilities, but also among the older generation. In school IT use abilities development have to be hand in hand with entrepreneurial spirit strengthening. It would be useful to think even on free wireless access, as a possibility which can give a lot in long run.

The main line of activities has to be initiated on the level of each bank. Those are the companies which would be better off with wider use of e-banking. They have to be aware that e-banking development is not a matter of innovative image any more, but rather condition for survival on the market. So, they have to develop and realize e-banking strategy appropriate to specific needs of each bank, in which client oriented needs have to be fulfilled. Transaction security issues have to be treated with special attention in it. Experience in the emerging market pointed that customer perception and attitude toward and satisfaction with e-banking are the most important. The security of IT use and trust are essentially relevant

if want to cover more clients, while banks have to prepare adequate market segmentation (Agarwal, Rastogi, & Mehrota, 2009). Interactions with customers is necessary, as those who are already user and potential users are high income persons with higher knowledge and very sensitive on the feed-back from banks, their professionalism and innovative image (Sanchez-Franco, 2009). Client relation management (CRM) is important especially for loyalty development of corporate client, as competition among banks increases, as well as the volume of information and their quality available for (potential) clients.

Government together with Central bank has to pay special attention and make conditions for ICT use favorable and user friendly. It is not relevant for e-banking and e-trade only, but rather for development of information society. There are lots of countries which already started with realization of e-society, among other introduction of e-government, in which digital communication with citizens and entrepreneurs make life and business much easier and more efficient. E-Government is a priority on the EU 2020 Agenda. E-Education is a part of a program by which education would be adjusted to future knowledge-based economy (Đorđević, 2012). ICT National Strategy was adopted and several important laws related to its realizations have been recently enacted, but it takes some time for their implementation.

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