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## ***THE USE OF MOBILE BANKING IN ALBANIA***

### ***Abstract***

Developments that have occurred in the banking environment as a result of developments in technology and internet growth are reflected and in the Albanian banking sector. To respond to these changing market trends and consumer preferences, banks in Albania are struggling to modernize their services and be in constant search of new channels of communication with the client. It is powered and enables from communication and information technology. Most banks are oriented through the use of internet banking to communicate with the client and in response to the enhanced of mobile technology most banks are trying to provide mobile banking services. The aim of this study is to investigate how much the mobile banking service is used in the banking sector in Albania and what are the challenges facing banks.

**Key words :** internet banking, banking services, information and communication technology, phone banking, , mobile banking

### **1. Introduction**

The banks are constantly refocus their marketing strategies taking into account new developments in technology (Hall et al., 1999), so it is important to understand how can increase the process of adoption of technological innovations. The observed trends in the banking industry, have dictated the use of internet banking and have influenced the use of mobile banking (Laukkanen, 2007). Most people in developed countries already have a mobile phone and an increasing number of these people also have the Internet on their mobile phone, which has made it easier for individuals to use mobile banking. There are also a growing number of products and services available to banks through electronic distribution, which has led to a growing

acceptance by consumers and businesses of e-commerce activities (Ratten, 2008). Banking products and services offered electronically can take different forms (Seitz & Stickel, 1998). Consumers and businesses use electronic communication of information in e-mail form. Also information presented electronically to provide information about products and services. Moreover, businesses and banks are interacting with each other in carrying out banking transactions. M-commerce industry is largely dependent on the internet, because the internet has changed management practices and enable consumers and businesses greater access to various products and services (Wymbs, 2000). In the banking industry, m-commerce allows an individual to exploit e-commerce such as the Internet to do their banking through a mobile device such as their mobile phone (Ratten & Ratten, 2007). Banks are increasingly using m-commerce, since it has a low cost technological development (Holland, 2008). The more global banking services automated (Takac, 1997), technological innovations such as mobile banking are influenced by how quickly an individual adopts these services. This paper examines these new channels of banking service delivery and the use of mobile banking in Albania.

## **2. Internet Banking**

The Internet Banking is a system that allows the (consumer or business) to conduct various banking transactions via the Internet without requiring physical presence at a bank branch. In other words, an electronic banking platform is a simulation of a bank branch on the computer screen to replace the role of the employee.

Depending on the channel used to provide the service e-banking, it is divided into:

- Internet Banking, where the Internet is used as a medium of exchange banking transactions.
- Mobile Banking, where transactions are made via mobile phone.
- Phone Banking, where transactions are carried out through a fixed phone.

New products and increased use of the Internet are creating a new field of competition between banks. It is estimated that it will survive those banks to restructure their activities in order to provide service-oriented client adapting increasingly their offerings to customers, in order to be carried comfortably transactions and carried out successfully overall management of

their assets. According to these, now the challenge is for them to be able to integrate and exploit all the possibilities of new technologies to their advantage, to improve performance.

(Μυρτίδης, Δ. 2000).

An important factor in the international context is the tendency guarantee of bank products (securitization). The reason that pushes banks in this regard is the increasing flexibility that is given / asset management (asset / liability management) and their equivalents. ( Μυρτίδης, Δ .2000).

The electronic banking systems offer users almost complete range of transactions they can do in the store. Obviously, taking notes or deposit is not possible, but the possible use of "electronic purse" in the future, and even substitute this transaction. In general, the number and functionality of the services offered vary from bank to bank, but their range is constantly expanding as rising and banking products. The internet banking is the ability to perform banking transactions through a secure internet use. It is addressed to individuals and businesses. The necessary tools for the internet banking is a computer and Internet connection. However, due to increased security requirements governing electronic banking in some cases required additional supply and security devices, which banks offer to their customers. Through internet Banking, the bank customer has a nearly full range of banking and information needed (transfers, government payments, third Organizations payments, credit card payments and Loans, move accounts, brokerage). The banks currently have the expertise and capacity to personalize their electronic services, depending on the customer group represents the user and thus are for example additional possibilities for businesses in relation to individuals (Μυρτίδης, Δ. 2000).

The banks make large investments in security matters, which is the main factor preventing use of internet Banking.

## **2.1 Advantages - Disadvantages of using Internet Banking**

The benefits from the use of electronic banking services can summarized as follows:

- Ease of use and availability of services 24 hours a day, 7 days week, 365 days a year.

- Ability to access the bank's online services regardless of the location where the user is located and generally anywhere there is Internet access, even if the user is moving and using his mobile phone.
- Speed in performing and completing transactions in relation to the traditional ways but also in relation to other service delivery channels.
- High transaction security level, better than any level now provide traditional and alternative ways to execute transactions.
- More efficient management of all types of user transactions (information, investment, loan, etc.). Bank customers have an overview of the accounts and transactions through their computer screen, and access to historical data from previous movements and transactions.
- Access to a wide range of information covering the diverse needs of bank customers, both private individuals and the self-employed and businesses, regardless of size and sector in which they operate.
- Reduce transaction costs and therefore economical integration of transactional business activities and private clients with financial institutions.

From the perspective of the banks, a more thorough examination of the individual services, which are offered under the e-banking, showing that their use helps reduce the cost of the work associated with minor procedures and support any business, regardless of size. The cost reduction is made possible because of the possibility offered by electronic banking services to centralize and automate various tasks. Therefore, we are led to their standardization, their effective integration control, faster performance and the simultaneous elimination of costly and time-consuming operations, which usually employ human and material resources. In this way it is possible to redefine the human resources necessary to complete the work and saving material resources. To address the whole problem, banks are investing heavily in technological infrastructure in order to decongest the queues at the branch funds. In this way, they benefit from the consequent reduction of costs, since the traditional trade the funds are expensive relative to alternative networks. Of course, even with the Internet Banking customer can make any transaction other than those requiring the use of notes, the usefulness of the fund may not be

fully substituted. The electronic banking platforms is as mentioned an extension of ATMs, offering a more friendly environment to the user.

On the other hand, of course, the use of electronic banking poses several risks - drawbacks, both for customers and for the banks themselves. The main disadvantage is that despite the advanced and constantly evolving methods of securing electronic transactions, the frequency and intensity of electronic attacks is constantly increasing. This increase is reasonable cause for concern, because at stake huge amounts, and the reputation of banks.

## **2.2 The internet banking in Albania**

Most of the products offered by commercial banks in Albania are part of the traditional services: deposits, account, product transfers. Deposits were best known by the public, but in recent years, efforts to minimization of cash transactions (channeling employees' salaries through banks) led to a rapid development for other products (can mention loans, overdrafts, cards, etc.). Some users initially seen such products with disbelief and tried to stay away from them, but gradually, with increasing amount of information about the advantages of these products, their use is becoming routine. In this process, banks have a major role in educating the public about the new products. In view of this goal, they have tightened regulatory requirements for transparency of bank operations with the public (publication of the working conditions in a clear and easily understandable to enable their comparison between banks).

The first bank that has offered this product is American Bank of Albania in 2000 ABAlflex presentation. Even today, it remains the only bank that offers a substantial package of services via the Internet. There have been efforts by other banks to service delivery, such as Raiffeisen Bank, via MultiCash offers transfer service. But it is reserved only to a limited number of selected clients after addresses mainly Companies "neglecting" individuals. In the first steps of this service are the National Bank and Credins Bank, which currently only provide information on the account. The above facts speak for an Internet banking in its infancy in Albania. Although in Albanian market there are banks that have the support of powerful groups of foreign bank, this service is not yet developed. The main reason is the ratio cost - benefit. If there isn't a significant

number of clients who will be using this service, high costs associated with its provision, will bring losses to banks. On the other hand, if you do not provide a certain service it is difficult to determine the number of its potential users. It seems to be a vicious circle, however, the key point in this circle remains telecommunications infrastructure. It seems that the development of this infrastructure has prompted some banks to take over the challenges to providing these services. Given the performance of products and credit cards, internet banking possibly in Albania will have a rapid development in the future. However, this will depend first and foremost, the security that will offer banks associated with this service and secondly, transparency with customers on its costs.

### **3. Other forms of banking**

#### **3.1 PC Banking**

PC banking is similar to online banking, with the only difference that the Internet is used to connect to the personal account. In his place, from your personal computer, you can connect directly with your bank's intranet, using a special software, a modem and existing phone line. In general, banking PC offers the same level of action as online banking, but is potentially faster and offers more security.

#### **3.2 Phone banking**

Telephone banking is a service provided by banking institutions to conduct banking operations by telephone. Most banks that offer this service, using interactive voice response (IVR), however, the phone may also respond to a call-center operator from the bank. To ensure security, you first log in via a numeric or verbal password or through some security questions, made directly by an operator. With the exception of cash withdrawal and deposits, it offers almost all the features of an ATM, account balance information and a list of recent transactions, electronic bill payments, transfer funds etc ..

Through Phone Banking are offered services which are divided into two categories:

- Those that are handled by agents (agents) call center , and

- Those that are handled automatically through voice recognition systems (IVRs)

For the first category by the user requires the use of a simple phone. The customer contacts the bank's telephone center and transmits its requirements. It is understood that identify the customer to ensure the integrity and confidentiality of transactions and its requirements.

In the second case the customer carries out transactions without the intermediation of the agent. The process is automated and the consumer responds to hear voice messages on the phone. IVR systems (Interactive Voice Response) followed identification and authentication procedures to the customer, to ensure the security of transactions.

Through Phone banking, a bank customer has access to all financial transactions or information as that and through internet banking.

### **3.3 Challenges and AND Opportunities of Mobile Banking**

Mobile banking has started earlier and has passed through several stages, each with its own distinct characteristics. In the early stages were used the simple applications were used to communicate customers with banking institutions primarily through text messaging. Due to the lack of technology, customers were focused more on the use of that communication channels such as telephone or online banking. In later stages were introduced the applications such as WAP (wireless application protocol) browsing that were simple to use, but expensive fees of connection for which the user was not very clear.

Later spread Smart phones which allowed Internet connections and the installation of applications by enabling users to enter in content and new services. They were simple to use and because of their wide screen. Although before these had phones like primitive smart phones, was in 2007 when Apple launched the iPhone marking a turning point in the development of this device. Soon after, Google launched Android operating system, in direct competition with the iPhone. The spread of mobile to the consumers opened a new horizon for financial institutions, coupled with the challenges and opportunities in that new devices reach their potential to the full as a tool in two main lines of action: mobile as a new channel banking and mobile payments.

### 3.3.1 Mobile Banking

Mobile banking refers to the provision of banking and financial services with the help of mobile telecommunication equipment. According to (Petrova, K., 2002) mobile banking can be defined as the ability to conduct bank transaction via mobile devices, or more broadly to conduct financial transactions via a mobile terminal. In a broader sense with mobile banking enabling the execution of banking services in the course of which - within an electronic procedure- the customer uses mobile communication techniques in conjunction with mobile devices (Pousttchi and Schuring, 2007). The Mobile Banking allows managing bank accounts from your phone. With this service may take place banking and stock trading via mobile phone from wherever the customer is located. Banks that offer this service work with specific telecommunications service providers.

SMS Banking

- WAP Banking

#### **SMS Banking**

Sms Banking is a technology that offers the possibility of providing services by banks to their customers, allowing them to operate selected banking services from their mobile phones using SMS messages.

#### **Push and Pull Messages**

SMS Banking operates using two PUSH and PULL messages.

The Push messages are what the bank chooses to send to the mobile phone of the customer, without the customer having to move to an information demand. Typically Push messages could be either Mobile Marketing messages or alarm signals an event that happens to a bank account of the client, such as a large withdrawal of funds from an ATM or a large payment by the customer's credit card etc.

Another type of message is Push One-time password (OTP). Onetime

password is the last tool used by the financial and banking service for the fight against cyber fraud. Instead of relying on traditional memorize passwords, the One-password value requested

by consumers each time they want to transact through Mobile Banking. When the request is received the password is sent to the consumer's phone via SMS. The password expires once used or expired programmed life cycle.

The Pull messages are those initiated by the customer using a mobile phone, to obtain information or perform a banking transaction. Example Pull messaging information includes an investigation of the account balance or requests for information such as current exchange rates and deposit rates, as published and updated by the bank. The bank customer is empowered with the ability to select the list of activities that he wants to be informed. This function is to choose activities can be done either with integrating internet banking or through the bank's telephone customer service center.

### **3.3.2 Typically PUSH PULL and services offered within SMS BANKING**

Depending on the selected area of banking transactions via SMS messages offered by the bank, the customer may be authorized to conduct non-financial transactions, or both, financial and non-financial transactions. The SMS Banking offers to its customers a range of functions, classified by push and pull services as described below.

Typical push services will include:

- o Periodic account balance reports (i.e at the end of the month).
- o Reporting of pay and other credit to the Bank account.
- o Successful or unsuccessful execution of non-direct debit.
- o Successful payment check issued for the account.
- o Insufficient funds
- o Large withdrawals for account
- o Large withdrawals on ATM .
- o One-time password and validation

Typical pull services will include:

- o Question account balance
- o Mini statement request

- o Electronic Bill Payment
- o Transfers between their own customer accounts, such as transferring money from a savings account to a current account to finance a check
- o Interruption payment order on a check
- o Applicant for ATM card or credit card to be suspended
- o Turn off credit or debit card when lost or PIN is known to be compromised.
- o Survey of foreign currency exchange rates.
- o Survey of fixed deposit rates.

*Customer benefits from the use of SMS-Banking:*

- o Notice in real time via SMS for transactions made;
- o Immediate likelihood of any unauthorized action;
- o Control over banking transactions;
- o Reliability on banks;

*The bank benefits from the use of SMS-Banking:*

- o Increase the efficiency of services;
- o Increase customer satisfaction;
- o Reduction of theft;
- o Reducing the cost of call center operator;
- o Keeping customers by providing reliability in the bank;
- o Attracting new customers;
- o Reduction of customer communication costs;

### **3.4 Mobile Banking in Albania**

By the end of 2015 according to the Bank of Albania among the 16 banks operating in our country only seven of them offer Mobile-Banking service, 43% offer 57% do not offer.

The users are mainly people aged between 25-40 years, who also use the on line banking. They belong to the category of high incomes, are technologically up to date and use the internet daily. 55% of Mobile Banking service users usually prefer simple applications and the most

common is the control of the bank account. Equally popular are SMS notifications while a percentage of around 28% of users take control of their banking transactions via their mobile phone. More complex transactions such as money transfers or bank code change is less common through the Mobile Banking.

But the question that concerns the banking market and analysts of the technological industry is why Mobile Banking has such low penetration rates to the public. According to the study consumers do not understand the benefits of Mobile Banking service, therefore do not use them. They prefer the use of an ATM or traditional methods of transaction with the bank. This is one of the main causes of the low penetration of Mobile Banking in the Albanian market. The majority also knows that there are certain services, while feeling insecure in their use. Also a significant proportion wondering about the cost of these services and supports that are not held by the technologically advanced mobile device for such applications.

According to the survey, the Mobile Banking services are a "hot" promising market for retail banking and telecommunication networks. Many banks have invested in this area considering that will be another self-service consumers channel. As emphasized by analysts, banks that offering Mobile Banking services should make it clear to customers the simplicity and reliability of these services and to make consumers aware that these services are available anywhere and anytime.

Points out here that the heads of the banks' IT departments can do much to change the data. Working together with the marketing departments of bank can persuade customers to use and simple operation of Mobile Banking services. They demonstrate with concrete examples of the excess value of these services. They can also focus on specific customer groups such as young age and technologically literate users and offer them a variety of Mobile Banking services, promoting reliable and without time and local limitations services.

#### **4. Conclusions**

The Mobile Banking, as a service with the help of which we can make our banking transactions via our mobile phone, is a modern and yet effective way of our service. This is a

service that relieves us from the lengthy waiting in bank queues, accessible only via our mobile phone and most importantly always available regardless of banking hours, 24 hours a day, 365 days a year. So many are the advantages of Mobile Banking service and difficult one to overlook. But in Albania today there is a general suspicion as to the mobile phone as an instrument used for the processing of our banking.

This general distrust of the Albanians, which as a percentage is justified, we could say, is closely linked with the fear that if they make their mobile phone distribution and storage of sensitive personal data and in particular data that having to do with their bank transactions, there is a risk of interception of their data and maybe further use against them. How then to promote the use of Mobile Banking service when the main instrument of this, the mobile phone receives such a response? It is therefore obvious that the attitude of Albanian towards mobile phone affects inevitably and the progress of the Mobile Banking service in Albania. So to enable this service of Mobile Banking to demonstrate the effectiveness and the very large and significant potential servicing and facilitation, it is appropriate and necessary to make the mobile phone a safe personal data handling space and then it can get and the consciousness of the average Albanian. Promising are messages in that direction by the new and more familiar with the technology generation that showing appeal and interest in on-line transactions.

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