

## THE IMPORTANCE OF MODERN E-BANKS FOR DEVELOPMENT OF NEW ECONOMY

Lecturer Ph.D. Camelia Catalina MIHALCIUC  
cameliam@seap.usv.ro

Lecturer Ph.D. Student Anisoara Niculina APETRI  
anisoarad@seap.usv.ro

"Stefan cel Mare" University, Suceava, Romania  
Assistant Ph.D. Student Muvuny BONAVENTURE  
Faculty of Economy, University of Kigaly, Rwanda  
muvbon2000@yahoo.fr

### **Abstract:**

*The new economy, also called e-economy, is the most frequently used term in economic and technical literature, discussions of scientists, businessmen and politicians beside globalization and information technology society. Three planes of understanding of the new economy can be distinguished: as a system of new principles explaining how economic subjects function on the market; as activities of economic subjects in the strongly changed conditions. Owing to the dynamic development of technical progress, especially in information technology economic subjects change completely strategy of their activities many times. Information and knowledge as main economic categories, which are the basis of the contemporary business, are the foundation of activity another term is assigned to this understanding, namely knowledge-based-economy. The third plane, new economy treated as a subject, namely determining activities of an enterprise in the IT sector.*

*Therefore, the new economy, also called cyber-economy, constitutes a new paradigm of business. On this virtual market E-business is a new form of an exchange of resources by means of information technology systems and internet technologies, conducted on-line through electronic connections and an information exchange by use of electronic multimedia such as Internet, cable and satellite television, telephony, electronic cards, Intra and Extranet at the national and international level.*

**Key words:** e-economy, e-business, e-banks, dynamic development, e-product, e-service.

### **1. INTRODUCTION**

Nowadays, the human society meets the most profound transformations from its entire existence, in which information technology plays a determinant part and has begun to transfer to the networks most of the common activities. Along with the entrance in the Internet and in the e-business age, of the new economy, in general, certain fundamental transformations of the social-economical structure are produced.

The new economy or the digital one resulting from the interaction between the personal computer, telecommunications, Internet and electronics, is characterized by a range of features completely different from the traditional economy and is subjected to the principle according to which the more people involved the bigger the benefit for everyone involved.

Along with the entrance in the Internet and in the e-business age, of the new economy, in general, certain fundamental transformations of the social-economical structure are produced. The development of the interconnectivity of computers in the internet, in all segments of society, has led to a more obvious tendency of companies to use these networks in order to carry out a new type of commerce, the electronic commerce, through the internet.

The Internet is still more present everywhere, its increasing presence changes also the way business is done. The banking is no exception. The euphoria witnessed towards the end of last decade surrounding the use of the Internet in service provision was based primarily on the notion of infinite scalability (the ability to serve increasing numbers of customers at low incremental costs). This notion justified high valuations of Internet firms from venture capitalists. E-banking within the information-based environment of financial services made infinite scalability appear even more promising compared to other types of e-commerce. The often unrealistically optimistic projections

regarding Internet use, however, led to the dot.com shakeout that came with the dawn of the new millennium. The Internet has become a part of everyday life with tens of millions online every day engaging in various Internet activities, 50% of which include e-commerce. Banking organisations have been delivering electronic services to consumers and businesses remotely for years. Electronic funds transfer, including small payments and corporate cash management systems, as well as publicly accessible automated machines for currency withdrawal and retail account management, are global fixtures. However, the increased world-wide acceptance of the Internet as a delivery channel for banking products and services provides new business opportunities for banks as well as service benefits for their customers.

Electronic banking (e-banking) is the newest delivery channel of banking services. The definition of e-banking varies amongst researchers partially because electronic banking refers to several types of services through which a bank's customers can request information and carry out most retail banking services via computer, television or mobile phone. Electronic banking can also be defined as a variety of the following platforms: internet banking (or online banking, telephone banking, TV-based banking, mobile phone banking, and PC banking (or offline banking).

In new economy conditions managing financial institutions is connected with the change of the ways of services selling, providing information to clients as well as with the change of their function and noticing the key competence. The standard of work in banking area has been related to the usage of solutions based on information, knowledge and new technologies which give the clients access to financial means collected on the bank accounts and the possibility to make different transaction there. It has led to distinguishing great variety of e-banking channels such as: cash dispensers, phone banking; banking based on separate network - home banking (Corporate banking), call Centre, voice-IVR, internet banking (with the type, limited to virtual sphere, virtual banking), mobile banking (SMS banking, make possible to manage the bank account by means of textual news SMS as well as WAP banking, allowing for interactive contact of the client with the bank by means of mobile phone using protocol WAP.

With the development of e-economy new payment instruments were introduced on the market. These new instruments made it possible to conduct transactions on the Internet and in the mobile environment.

The end of the 20th century is the period of impetuous changes ongoing in the way of functioning in Europe and in the world. This is a period of continuous challenges, economic co-operation and implementation new ways of management.

The changes include reducing time of carrying out business processes, their wider scope, more flexibility and reliability of operations, and increasing level of client service. In the near future, e-economy will revolutionize business activities in almost all sectors of economy. In fact, three channels of influence of those technologies on the economy can be distinguished:

- accelerating an increase in work productivity in sectors manufacturing equipment of new technologies and an increase of their share in the National Gross Product;
- fall in prices and an increase in demand for this type of equipment, what results in an increase in investment level and the National Gross Product;
- changes in a way enterprises function in new market conditions and accelerating work efficiency and capital productivity.

Therefore, *the new economy*, also called *cyber-economy*, constitutes a new paradigm of business. On this virtual market E-business is a new form of an exchange of resources by means of information technology systems and internet technologies, conducted *on-line* through electronic connections and an information exchange by use of electronic multimedia such as Internet, cable and satellite television, telephony, electronic cards, Intra and Extranet at the national and international level. It consists of electronic trading, business intelligence and technological capacities to self-service business processes conducted. For that reason e-business is a new source of speed, innovation initiatives, efficiency and new ways to create values in the organization.



The main aim of the Lisbon Strategy, within the e-Europe initiative accepted in Seville in July 2002, is to transform the European economy to 2010 into the most competitive world's knowledge-based economy.

The main goal of any company is to maximize profits for its owners, and banks are no exception. Automated e-banking services offer a perfect opportunity for minimizing costs.

To protect banks against business, legal and reputation risk, e-banking services must be delivered on a consistent and timely basis in accordance with high customer expectations for constant and rapid availability and potentially high transaction demand. The bank must have the ability to deliver e-banking services to all end-users and be able to maintain such availability in all circumstances. To meet customers' expectations, banks should therefore have effective capacity, business continuity and contingency planning. Banks should also develop appropriate incident response plans, including communication strategies that ensure business continuity, control reputation risk and limit liability associated with disruptions in their e-banking services.

In many ways, e-banking is not unlike traditional payment, inquiry, and information processing systems, differing only in that it uses a different delivery channel. Any decision to adopt e-banking is normally influenced by a number of factors. These include customer service enhancement and competitive costs, all of which motivate banks to assess their electronic commerce strategies. The benefits of e-banking are widely known and will only be summarised briefly in this document.

## CONCLUSIONS

E-banking can improve a bank's efficiency and competitiveness, so that existing and potential customers can benefit from a greater degree of convenience in effecting transactions. This increased level of convenience offered by the bank, when combined with new services, can expand the bank's target customers beyond those in traditional markets. A bank may be faced with different levels of risks and expectations arising from electronic banking as opposed to traditional banking. Furthermore, customers who rely on e-banking services may have greater intolerance for a system that is unreliable or one that does not provide accurate and current information. Clearly, the longevity of e-banking depends on its accuracy, reliability and accountability. The challenge for many banks is to ensure that savings from the electronic banking technology more than offset the costs and risks involved in such changes to their systems. While financial institutions have faced difficulties over the years for a multitude of reasons, the major cause of serious banking problems continues to be directly related to lax credit standards for borrowers and counterparties, poor portfolio risk management or a lack of attention to changes in economic or other circumstances that can lead to a deterioration in the credit standing of a bank's counterparties.

An increase in social expectations in relation to subjects rendering financial services, dissemination of new technologies, more developing technical culture of society, an increase in importance on information technology in economy, business globalization, consolidation of banks and an increase in competitiveness are only a few reasons which had an influence on a type and quality of services rendered by banks.

It leads to a necessity of bank strategies modification imposed by costs reduction, change of clients, consumption patterns, dynamic development of new technologies, and polarization of clients because of their ability to use the Internet and positive attitude towards electronic media. As a result, clients will gradually change their perception of bank sector institutions. A new quality of bank services is being provided, where a client becomes a subject and not an object as it used to be in traditional banking.

## REFERENCES:

- [1] Berheci, I., *Contabilitatea societăților bancare*, Sedcom Libris, Iași, 2003.

- [2] Binda, Jacek, Selected problems of e-economy in banking, *session Banking Services and Payment Systems*, Conference "Future of the banking after de year 2000 in the world and in the Czech Republic X Finance and Banking", 2005, Karvina, Cehia.
- [3] Booz, A., Allen, S., Hamilton, C., *Internet Banking: A Survey of Current and Future Development*, 1996. Access from: [www.khang.com/banking/online-bank b751361.php](http://www.khang.com/banking/online-bank b751361.php)
- [4] Butiri, A., Ni chi, ., *Mobile Banking*, in Vol. International Symposium Works, *Specialization, Development and Integration*, S.C. Roprint S.R.L., Cluj Napoca.
- [5] Haag, S., Cummings, M., Mccubbrey, D., *Management Information Systems for the Information Age*, 4th Edition, McGraw Hill Irwin, 2004.
- [6] Hof, R., *Noua putere în tehnologie*, article Business Week, taken in .Biz, no 108, 8 - 20 July 2005.
- [7] Manolescu, G., Sârbea, A., *Management bancar*, Publishing house Editura Funda iei România de Mâine, Bucharest, 2001.
- [8] Mallat, N., Rossi, M., Tuunainen, V. K., *Mobile Banking Services*, in the magazine Communications of the ACM., May 2004, Volume 47, Number 5 .
- [9] Vasilache, D., *Plati electronice. O introduce*, Rosetti Educational Publishing House, Bucharest, 2004.
- [10] Stoica, M., Risk management foe E-banking, International Workshop IE&SI, Timisoara, 2003.