

E-Banking – The Main Perspective in Developing the Financial System in Albania

© **Eriona VADINAJ**

National Commercial Bank, Shkoder, Albania
evadinaj@bkt.com.al, eriona_v85@yahoo.com

The banking sector is and would be the most important and essential part of the entire financial system, in terms of support and contribution to economic growth. Political, educational and economical factors constitute the foundations of banking culture. In our country this banking culture is increased slowly as a result of the interaction of several factors such as low level of banking culture inherited, slow economic development, slow banking system development and not further awareness on the importance of banking system. It is precisely this public banking culture that serves as the main banking policy in investing in technology. This study is based first in evaluating the history of banking system as an important factor E-Banking development, and secondly in evaluating the banking initiatives and public behavior towards this new potential instrument.

Overview

It is necessary to explain the financial changes in Albania in order to explain the impact of the new technology called “E-Banking” as a very strong instrument in developing the financial system.

Political changes in Albania in the early 1990s made it necessary establishing the adequate reforms in the Albanian economy, which transformed the state-owned economy into a free market economy.

In this transforming process from a centralized economy to a market economy country, despite the problems such as facing and confronting with inflation and ensuring sustainable economic growth, a key point was the transformation and reform of the financial system and especially in banking sector.

An important element in the area of structural reforms for all countries that joined into a free market economy was the reform of the financial system in the banking sector. Reforms in this area took a great importance in achieving macroeconomic stabilization.

The years 1991-1992 marked the establishment of the new banking system based on the organizational model of the Western countries. The legal framework in this period enabled the banking system over one-tier into two-tier banking system.

The Bank of Albania is the central bank of Albania. The economical- political and social developments since the establishment and so far, have enriched the functions carried out by the bank . At the beginnings there were three banks as two-tier banks all with state owned capital.

The Banking reform, which goal was increasing efficiency in the banking market, along with the realization, was based in restructuring and sustaining their privatization.

In 2000, the situation in the banking system was considered relatively safe and healthy. In the middle of 2001, 13 banks operated in Albania, where the Savings Bank

was the only bank with state-owned capital, while the others were with common equity and private.

The presence of private foreign capital in the banking system, the improvement of financial situation, the adequate capitalization of banks, the increasing and fair competition and the prospects for sustainable economic situation had created all the necessary conditions that in 2001, banks contributed to the development of Albanian economy.

Our banking system is now already two-tier bank: the central bank, Bank of Albania, and about 17 commercial banks, which have private capital.

At the beginning, most of the products offered by these banks were all part of the traditional services such as: deposits, account, transfers and credit. Today banking institutions are increasingly competing with each other in various ways, such as providing products, type products, services, etc., which bring profits or not.

Deposits have been the most popular product by the public, but recently, banks in order to minimize cash transactions have sustained a rapid development for other product services.

Most of the products offered by commercial banks in Albania were part of the traditional services: deposits, accounts, transfers. Deposits have been the most famous product of the public, but recently in order to minimize cash transactions, there were sustained a rapid development for other product services such as loans, overdrafts, cards, cash collateral, credit cars, credit letters etc.

At the beginning, a major part of the users didn't believe in these products and tried to stay away from them, but gradually, achieving more information about the advantages of these new products, their use is becoming routine. The banking sector is and would be the most important and essential part of the entire financial system, in terms of support and contribution to economic growth.

Political, educational and economical factors constitute the foundations of banking culture. In our country this banking culture is increased slowly as a result of the interaction of several factors such as low level of banking culture inherited, slow economic development, slow banking system development and not further awareness on the importance of banking system. It is precisely this public banking culture that serves as the main banking policy in investing in technology.

Banks have played a key role in educating the public about new products and the implementation of a new culture of the working: EBANKING. After familiarization with this product, it is time to introduce o internet banking in Albania: the first bank to offer this product has been American Bank in 2002, with the introduction of ABA flex. Although in the Albanian market there are many banks that have the support of powerful foreign banking groups, this service in early development didn't have the adequate impact, where the main reason was the report cost - benefit.

Investing in E-BANKING technology is an important step for the banking system. Despite the cost it offers significant competitive advantage in the banking market which takes special importance.

On the other side, investment in technology should achieve the main goal: providing services at the right time and place.

So we can define Internet banking as a range of services, offered through electronic channels of distribution and communication products and traditional and new services. Despite the formulation of initiatives or programs, facts are stubborn and talk about concrete alternative banking system is developed day by day by offering public services more competitive and increasing its trust level

The aim of this study is not only to manifest a potential instrument in developing a fragile banking system as it is operating in Albania, but at the same time to give

concrete examples and facts how this is possible. This study is based first in evaluating the history of banking system as an important factor E-Banking development, and secondly in evaluating the banking initiatives and public behavior towards this new potential instrument. The methodology of this study is based on giving real examples of Albanian banks in how they use E-Banking as a potential instrument in their growing and competitiveness, therefore as a real perspective in whole financial system.

It is time for investing in E-BANKING technology, as an important step for Albanian Banking System, despite the cost disadvantage it offers significant competitive banking market which takes special importance.

Adaptive factor in E-Banking in Albania

- *Entrance facility.* Online service is an instrument consisting of seven dimensions: taking in consideration the use of technology, such as ATM, phone, and Internet and other six identified dimensions such as : ease / accuracy, feedback / complaints management, efficiency, order management, access and adaptability.
- *Privacy.* Privacy is an important dimension that can affect users' intention to adopt systems based on online transactions. Faith has a great impact on the willingness of users to access online exchanges of money and personal and sensitive information.
- *Safety.* Security Obedience is related the extent of the website that guarantees customers' financial security and personal information. Albanian are skeptical people in general, and much more for online services.
- *Design.* It has a positive effect on customer satisfaction. Financial institutions should test the accessibility of customers' websites with automated tools and access user trials.
- *Speed.* There is a significant relation between the speed of the discharge and satisfaction of users.