

## **CHARACTERISTICS OF ONLINE BANKING PRODUCTS AND SERVICES**

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### ***Abstract***

*Online banking is the newest and least understood delivery channel for retail banking services. This article show how customers perceive Online Banking Services. Focuses on the issues associated with internet banking service quality. For customer service quality, focus is on access, credibility, communication, understanding the costumer and collaboration. For online banking services focus is on: ease of use, accuracy, timelines, aesthetics and security. For banking service product quality focus is on product variety.*

***Keywords:*** *online banking services, customer services, online banking benefits, customer satisfaction*

***JEL classification:*** *M30; M31*

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### **1. Introduction**

In the context of a digital economy, the internet has a dominant role in all activities. Next to this, the Internet Banking is a main sector of Bank services of the most recent channels of distribution to be used in the financial services organizations is electronic banking; this method was established in the mid 1990s, thereafter steadily becoming more important. In the same publication the term electronic banking refers to "*the provision of information or services by a bank to its customers, via a computer or television*"(Allen, McAndrews, Strahan, 2001).

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Recently, a lot of banks have created advertisement - at the beginning under the form of web-sites with information, and then they've created interactive web-sites and transactional websites. However there are some banks that haven't offered their banking services through internet, but they announced their clients on websites that they will offer this kind of banking activities in the future.

General, e- banking covers the whole process through which a client can realize electronic banking transactions without the need of visiting the bank. Banking services through internet have, generally, cheaper costs than usual banking services. These banking services aren't limited at only one physical location sometimes there are Internet banks without them having in a physical way a branch, office .In some cases, the bank's web-sites aren't limited to realize their transactions within national unexplored areas and have the ability of performing transactions that involves large sums of money.

Against traditional channels through which banking services are offered through the service business of branch offices, electronic banking uses the Internet to deliver their clients traditional banking services, like: checking the accounts balances and transactions history, creating banking accounts, electronic payments of the bills and money move.

## **2. Evolution of banking services in Romania**

The banking reform in Romania was, in the first phase, the specialization and division, conducted between 1991-1996. Focusing in specialization - in terms of savers, is limiting production of certain products or in other words, producing a limited range of products.

Between 1997-2000, ran the second phase of banking reform was to: Improving and completing the banking law by approving laws: bank privatization law (Law no. 83/1997) Banking Law (Law no. 83/1998) Statute Law (Law no. 101/1998);

- Creating new legal operation of credit cooperatives: Emergency Government Rule no. 97/2000, as amended by GEO. 272/2000 amended and approved by Law no. 200/2002;

- *“Defining the fundamental objective of the NBR national currency stability is to contribute to price stability”* (Pîrvu, 2005).

Between 2001 and 2004, held the third phase of banking reform was to:

-Complete matching up in a straight line with the legal framework in credit institutions in the EU orders and basic rules of the Basel Committee on Effective Banking Supervision (between 2001 and 2002);

-It occurred amending Law no. 101/1998, Law no. 58/1998 and Law no. 83/1998;

-The approval of the directors and major shareholders of a bank;

-Investing NBR with some powers which gives more chasing after move ownership of banks;

-NBR's ability to identify groups acting together, to a bank;

-Increased legal protection for those involved in banking supervision and establishing the legal

Framework enabling partnership with other central bank supervisory people in charge in the country and in other countries;

-Application of L. no. 83/1998, when bankruptcy and credit cooperative FGDSB full of power to act as a liquidator for banks and credit co- operative networks, ran out of money to pay bills;

-Adopt the basic truths, licensing and wise supervision of credit cooperatives.

In this stage have been developed rules for: minimum capital, licensing, own money, solvency, large exposures, loans to people in special relations, classification of loans. These rules refer specifically to: improve access rules for banks in the banking, wise rules and accounting rules on derivatives, rules on customer very careful accounting review standards.

With the combination of Romanian banks in the European banking system in 2007, in the big picture of participation in the European single market, and other operational changes be made to increase development and diversification of modern banking products and services at European standards. *“Moreover, even in the medium term development strategy of the banking system, developed under the National Strategy for Romania's economic development over the medium term, one of the objectives pursued diversification and increase quality banking and financial services”*(Iordache, Şeitan, 2001).

At first, the introduction of banking services with remote access in Romania has active bank's image reasons on Romanian land area, even if they are domestic banking institutions or abroad unites. This way, banks were wanted to be creating new things and weren't necessarily addressing to a bank clients' needs. Once the diversification of instruments of payment with remote

access and of the benefits of this type of services, the diversification of supply, were made, electronic banking services partnership with new technologies, seduces the patronage with the fact that they offer some unexpected benefits – convenience, promptness, inexpensive costs etc (Cechin, Crista, 2004).

As other choice to the classic system of payment, the fees attached to the virtual access are usually cheaper than the ones of the classic banking services (with 10% in case of BRD, 24% at Libra Bank and till 45% at Raiffeisen Bank and at Unicredit Țiriac Bank. At BCR and Raiffeisen there are no differences from classic services).

*“To survive in the highly competitive internet banking industry, it is apparent that the banks need to provide customers with high quality service”* (Mefford, 1993).

In the last few years, the Romanian banking system became a mature one; after "surviving" the change from one thing to another period, with more than ten events where there wasn't enough money to pay bills and more than 50% in bad credits ,in 1998, in the system, strongly related to the money-based surrounding conditions improvement and companies' sudden change, the state-owned banks' turning things over from the government to private companies, foreign banks' involvement and adopting the EU banking orders, the banking system offer better products and services and is a normal one for an market economy.

### **3. Internet banking**

The Internet has become a very popular flat supporting surface of distribution in the last years for electronic banking. Internet banking costumers had been offered an easier access to their accounts every time of day, all week, including weekends. Even though there is such convenient way, electronic banking adopting rates in most countries had been very low the evolution of these services shall depend also on the banks technical ability and setting the procedures to ensure participants protection. E-banking represents a package of solutions meant for the remote interaction between client and bank, which permit clients to create transactions and to access their information to accounts through an Internet connection.

Internet banking is a service available to all people, through whom you can make banking operations 24 hours a day, from any part of the world where there is an Internet connection, offering comfort and ability to move around.

On international plan there are at least 2 modes of onset of banking services offered by Internet:

The model only through the Internet, in which a bank is sending out and using the activity only through the Internet, without offering classic banking services within a branch office or a service business. The huge growth of the Internet is changing the way corporations conduct business with consumers. The banking industry is no exception. Worldwide there are many Internet-only banks, for example Ally Bank, ING Direct, PerkStreet, Connexus Credit Union, Bank of Internet USA.

Since these Internet-only banks usually have no branch offices, they can in an important way to reduce operating employees and physical facilities with information technology. *“These cost savings have helped Internet-based banks offer lower or no service fees and higher interest rates on internet-bearing accounts than traditional banks”* (Gerlach ,2000).

At this moment this kind of institutions can't be found in the Romanian bank landscape. The model of traditional banks that offer's classic services and also electronic ones with remote access. In almost all internet banking services for people are offered at no charge by banks Internet banking is for both people and companies as an instrument of payment without the cash, that helps customers to save time and money because they no longer have to go to the bank and can do their normal operations from their home office from any computer anytime they want it in the country and in other countries. Of the three distribution channels of electronic banking services Internet Banking will have the largest share in the future, followed by Mobile Banking due to more number of mobile users (Vasilache, 2004).

Some specialists sustain that in order to sustain their competitiveness in the marketplace, a number of traditional banks have also been moving to the Internet (Gerlach, 2000). Unfortunately, although Internet banks have focused their attention on improving their banking service quality, many of them still seem to be falling behind their customers ever increasing demands and expectations (Rose, 2000).

All traditional banks in Romania provide consumers with financial services on the Internet, too. Generally, the Romanian banks offer the following online banking services:

- Maximum security for all banking operations insured by the authentication method for all transactions.
- The authentication process requires the card reader and the debit card.

- Checking the accounts balances and transactions history anytime.
- All transactions are made in real time and the accounts balances are constantly updated.
- Intrabanking or interbanking to personal accounts or to other accounts.
- Intrabanking payments in foreign currency to your accounts or other accounts.
- Payments for treasury accounts.
- Payments for utility bills to suppliers that have an agreement with the bank. Even more, the bank can make the payment for you.
- Predefine beneficiaries for intrabanking and interbanking payments.
- Opening or closing time deposits.
- Opening saving current accounts
- Applying for a debit card attached to personal current account
- Shares subscription for the investments funds
- Making foreign exchanges between personal account , and “cross currency” between currencies
- Transfer between personal accounts
- Choosing nicknames for accounts for easily identification
- Access to the entire history of online activity
- Statements for a specific period
- Consult the statements generated for current and saving accounts
- Make transactions at night or on weekends, thus having access to the private information about personal accounts anytime and anywhere
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### **3.1. Benefits of online banking**

One of the immediate benefits of the online banking channel are the lower overhead costs per transaction for the bank. Guesses of how much an internet transaction costs range in the area of \$0.01 per transaction compared to estimates of \$1.07 per transaction at a full service branch (Nath, Ravi, Shrick, Parzinger, 2001). These cost savings can be realized through the automation of processing customer transactions and effectively give to the bank's bottom line. Further, online banking can cut costs without reducing existing service levels (Akinici, Serkan, Safak, Eda, 2004). Without interfering with service levels and operating a lower cost per transaction, online banking has a strong value suggestion for banks to continue to help grow it as a preferred service channel for almost all banking activities.

Information gathered and stored by online banking through their contacts with customers can be studied more profoundly to identify key business opportunities. Through the use of web analytics, online banking is better able to accurately keep track of very important data in their customer relationship management systems. Relationship management becomes more important when the internet is the only service channel offered by a bank for a particular set of banking activities. Online channel wears out the direct relationship that branches have with their usual customers which stresses the need for a personal touch in customer communication.

From a business sensible view of what is and is not important, the case for combining with other things both the online and offline channel is equally attractive. Online banking more and more offering opportunities for customers to do their own and personal banking. The drivers that are like nothing else in the world to self serve surrounding conditions such as online banking includes reduction in customer service costs, opportunities to drive in small steps up money income, and decorated with a personal touch real time cross-sell and up- sell (Doyle, Shaun, 2006). Eliminating expensive overhead to conduct banking transactions such as employee moneys paid for working while maintaining the same abilities that personal banking workers would otherwise bring, results in a highly helpful cost reduction measure to the internet banking. It also allows the online banking to pass off some of its transaction processing tasks directly to their clients.

*Advantages offered to banks:*

- Transactions and information are protected at the highest security standards.
- Online banking transactions are done in real time.
- Almost unlimited accessibility: connecting point type Web Services, that allows automatic access to Internet Banking functions of accounting applications, ERP and doorways for large customers, e-commerce applications for on-line sellers, electronic transfer of money etc.
- Packages of services may be established depending on the category of clients: people and corporations.
- System is functional, it can be heard and accessed now.
- Full interoperability.
- System is configurable and allows easier operation with the existing central system.

- System is configurable and allows operation with banking load-technology at any level: server web, placation servers or data base server.

-Negotiating the exchange rate beyond a certain value, submitting a credit application, exchanging messages between client and bank operator and customer communication of the result of analysis for credit.

- Low cost of maintenance and putting into use.

One important Romanian writer in this area establishes some important ideas about the advantages offered to banks. Odobescu talks about three important advantages of online banking:

- Operational costs dedicated to processing transactions are reduced and bank operators are credited for reduced operations especially created for them.

- Licensing policy and gradual implementation, Internet Banking Licenses can be used in an outsourcing regime, without initial costs, based on a service contract.

- The solution is scalable. To increase processing ability just add additional servers. (Odobescu, 2003)

*Advantages offered to customers:*

- Reducing costs through the benefit of lower commissions and use the time gained in carrying out financial transactions.

- Access customers may be from any location with Internet access both in the country area and in other countries.

- E- banking has an extensive connection available to the costumers which makes it easier to use.

- Offers the possibility of task deployments in an accountant department depending on components of the company.

- E-banking offers the possibility of consignment documents to more approved people before making a transaction.

- Corporates can manage a lot of branches or subsidiaries just by using the internet for usual banking operations.

- Documents received after the transactions are available in PDF or HTML format can be sent to clients via e-mail or it can be generated in the same format automatically after finishing operation.

- Using online banking costumers avoid stress, congestion and bureaucracy.

- With the help of internet banking, cutomers increase their business quality by making online payments to suppliers on time and with good organization money.

-Bank clients access information when is needed, by consulting the financial operations in a real time.

- E-banking reduces the time of disconnection between costumers and beneficiaries of payments as a consequence of trust between the business partners. In this context managers can focus on business without taking care of payments and incomes.

#### **4. Consumer-satisfaction approach to service quality of online banking services**

##### **4.1. Costumer service quality**

*”Satisfaction is the consumers fulfillment response. It is a judgement that a product or service feature, or the product or the service itself, provides a pleasurable level of consumption-related fulfillment”* . They found that customer satisfaction is influenced by specific product or service features, perceptions of product and service quality, and price. Also, personal factors such as the costumers mood or emotional state and situational factors such as family member opinions influence satisfaction (Zeithaml, Bitner, Gremler, 2012).

It is highlighted that satisfaction is estimation of customers of a service or product either

those fulfill their hopes and requirements. (Bitner, Zeithaml, 2003) .*Two aspects of satisfaction of customers have been inspected by previous researchers: definite transaction satisfaction and cumulative satisfaction* (Andreassen, 2000).

Customers’ perceptions of service quality and their satisfaction are extremely influenced by their service encounters. The term service meetings as: a period of time during which a costumer directly interacts with a service (Shostack, 1985).

This idea includes all parts of the service firms with which the costumer may interact, including its personal, its physical facilities, and other able to real elements, during a given period of time (Bitner, Booms, Tetreault, 1990). It involves both between-people and non-human interactions with service providers (Meuter, Ostrom, Roundtree, Bitner, 2000).

A great majority of experts agree that customers’ expectations are influenced by many services aspects, rarely concerned with a single aspect of

the service package (Parasuraman, Zeithaml, Berry, 1985; Johnston, Lyth, 1991; Sasser, 1978).

Many previous specialized studies have shown that high levels of customer service quality have a direct positive influence on customer satisfaction.

The literature has suggested that service quality is the result of the difference between customers expectations of service providers performance and their evaluations of services they received (Parasuraman, Zeithaml, Berry, 1988).

The above nominated experts have conducted studies to uncover key service quality characteristics that influence the customers perceptions of overall service quality. They gave a list of ten determinants of service quality as a result of their focus group studies with service providers and customers: *access, communication, competence, courtesy, credibility, reliability, responsiveness, security, understanding the customer and tangibles* (Parasuraman, Zeithaml, Berry, 1985).

A significant portion of the specialty literature highlighting a significant correlation between communication, competence, courtesy, credibility and security. The literature about service quality has suggested that there is a high degree of correlation between access and understanding, too.

These experts narrowed these dimensions into five by using a factor analysis. This five dimensions are: tangibles, reliability, responsiveness, assurance and empathy (Parasuraman, Zeithaml, Berry 1988).

#### **4.2. Online system quality and banking service product quality**

Some literature in this field has addressed online systems quality, it is pointed that in online system quality focus is on: ease of use, accuracy, timelines, aesthetics and security.

Some specialists in this field pointed that the bank product quality is associated with product variety and different features, it is noted that one of the most important developments in banking is the increased focus on marketing a wide organized row of financial services (Strieter, Gupta, Raj, Wilemon, 1999).

One American researcher argued that the key to success for more bank customers for the online banking services it is products offered to the customers, not the attraction of the internet itself (Dixon, 1999). This idea was also suggested on another publication that found that 87 per cent of Internet

banking customers want to make a variety of financial transactions at one site, including paying their bills electronically and automatically, purchasing stocks and insurance and viewing their monthly bank statements (Latimore, Watson, Maver, 2000).

## **5. Conclusion**

The implementation of Internet banking shows the evolution of banking systems. Nowadays this banking system allows the Internet banking customers to make a variety of financial transactions and they can have unlimited access to financial information at one site.

This article contributes to the services marketing discipline in finding out the role of the e-banking by improving customer satisfaction and loyalty.

Factors pertaining to access, communication, competence, courtesy, credibility, reliability, responsibility, security, understanding the customer and tangibles were a focus of this study as they have an influence on customer satisfaction.

This article highlights the banking service product quality that plays an important role in determining customers' perceptions of the banking service quality.

In fact, the banking services industry is an important sector and banks are considered as an important segment of the financial services provider where customers can receive a wide range of financial services. A significant part of this wide range of services can be provided through internet.

As we can see in this article, a significant literature in this field suggests that the internet banking occupies an important place in customer preferences. Nowadays E-banking represents a very important thing to both individuals and companies, offering an easier access to their accounts and banking transactions. Online banking represents the most appropriate distribution channel for banking services, adapted to our days.

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