

IMPACT AND IMPORTANCE OF ELECTRONIC BANKING IN THE REPUBLIC OF SRPSKA

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Key words: electronic banking, payment transactions, electronic money, management of modern technology.

Abstract: This paper deals with the electronic payment transactions which are nowadays a very significant segment of the banking business. The payment transactions assume every payment which is done via banking or similar organizations concerning any kind of legal affairs. A banking business is completely based on the appropriate models of electronic operations; that is why the research on electronic banking is of great importance particularly because this field is still being developed.

1. INTRODUCTION

Banking is focused on studying the appropriate banking functions and operations as well as the unique social functions of a banking system. Banks are constantly transforming, particularly in well-developed economies. Traditionally, banks are considered to be financial institutions which deal with financial activities in terms of collecting deposits and giving loans. In this paper, we pay special attention to the electronic payment transactions system which nowadays has a significant position in banking business affairs.

Payment transactions include both prompt payments and non-cash payments between natural and legal persons and between domestic and foreign entities which is done because of the regulations of financial obligations. Under the payment transactions we assume every payment which is done via a bank or some other similar organization concerning any kind of legal affairs. The payment transactions system does not include only cash payments, i.e. when a debtor gives money to a creditor. In payment transactions system, all natural and legal persons are on the side of the applicants while the authorized organizations for payment transactions (banks, PTT exchange, savings banks)¹ are on the side of the recipients.

Traditional banking, defined as taking of a deposit and an extension of credit, has been considerably disappearing and changing. Banks have become temples of economic and financial rationality. There are many definitions of banking and we shall mention some of them: "Banks are enterprises that give loans from the existing financial resources or even from the recently created ones; banks mediate in payment transactions thus doing their clients a favor. According to F. Somary: "a bank is an institution or an enterprise the main goal of which is to take credit in the form of money."

According to ordinary cognition a bank is a financial institution which gains funds by collecting deposit so that it can later on allow credit. It is quite logical- if a bank collects more deposits it will be able to allow more credit. A bank also does some other functions such as paying, giving warranties and so on. Interest on loan capital should be greater than interest that a bank pays to its depositors. The bank covers its expenses and makes profit out of this difference. Clearly, banking business can be risky. One of the most dangerous things is when depositors begin to withdraw their deposits. That is why banks

¹ V. Bjelica: Bankarstvo-teorija i praksa, str. 400.

have to make certain reserves so that they can be liquid at any time and be ready to fulfill the orders of their clients.²

In the last 20 years the impact of banks changed a great deal. Therefore the understanding of the essence of a banking system has been changed as well. Many factors influenced this trend such as internationalization, globalization, the increase in number of financial services, the progress of competition, technological development, the appearance of a great number of innovations and so on. The increasing number of financial institutions has gone into ordinary banking affairs (taking deposit, allowing credit, paying transfers). The reason for enhancing the banking services is connected to the necessity of improving the effectiveness of the complete financial system and its market. Persons who need money will try hard to find other and cheaper sources to get it. On the other hand, depositors have a wide range of investment alternatives so they are not obliged to keep deposits in banks. Precisely because of this, the modern banks have been forced to change lots of things, offer new services, open the organizational departments which deal with other financial services, introduce technological innovations, change payment systems, procedures and working methods. Nowadays, banks are complex financial institutions which offer the whole range of different services dedicated to a wide category of participants in economic and social life.

2. ELECTRONIC PAYMENT TRANSFERS

The introduction and the wide use of computer data processing combined with the modern telecommunications systems lead to great changes in bank operations and in other financial institutions as well. In this sense, we can talk about the creation and development of electronic banking. The main changes which have been carried out in the area of electronic banking include routine bank transactions. It includes payment transfers which have been fundamentally changed by introducing the electronic money transfer. The payment system so far has been based on the check transactions or a giro account. What characterizes these two systems is the use of a great amount of paper. Besides, a payment transaction takes a lot of time to complete the payment. These were some of the reasons for developing the electronic payment system.

Great transformational processes which infuse banking and other financial institutions are based on the technological development and it is estimated that the future banks will not resemble those we have been already familiar with. One of the visions of the future financial institutions development has been given by Stanford³, an American bank man. The development of information technology will lead to decentralization of financial organizations with the improvement of control of their operations. The future information technology development will lead to the creation of sophisticated computer programs with automated logic which he calls "automated analytics". In the financial institutions, the electronic information checking tables will be developed and transactions between a customer and a seller will be performed through them. It is considered that the global financial market and the global banking will have been established by 2020. Every household will become a branch bank, that is to say every household will be connected with a banking system via the electronic one.

The theoreticians consider electronic banking to be an attempt to connect many different technologies and each of them is supposed to develop in a different direction. The first step towards the electronic banking was the appearance of the automated teller machines (ATM). Though cash payment is completely different from electronic payment, automatic cash delivery has been achieved by introducing many automated teller machines. Apart

² Dejan Eric, *finansijska tržišta i instrumenti*, str. 180.

³ Stanford C., *Financial Markets in 2020*, Federal Reserve Bank of Kansas City

from taking cash, automated teller machines enable giving of deposits, funds transfers to other accounts and debiting from other accounts.

⁴Electronic banking has gone through several phases which could be defined as follows:

- The phase of electronic technology payment system
- The phase of direct banking and on-line services
- The phase of service personalization
- The phase of virtual banking.

Kinds of payment	Traditional payment instruments	Electronic payment instruments
1. Micro payment	Cash	E-money based on cards
2. POS payment	Cash, check	Debit and credit card via EFTPOS terminals
3. Payment on open account	Check, credit transactions in paper money	Electronic transfers via ATM, phone and PC banking
4. Electronic trade	Credit cards	e-money (based on cards or digital networks)

Table 1. The traditional and electronic payment instruments

2.1. ELECTRONIC MONEY

In most written papers, the electronic money is defined in the following way: "Instead of using the paper money, we can "pack" certain amount of money into numbers which is more transferable and (what is even more important) more "intelligent" than the paper money." Regarding the characteristics of the electronic money, it could be more accurately controlled than the paper money. Electronic money has the possibility of authorization and transactions monitoring so the traditional banks are becoming unnecessary. Besides, unlike the paper money which ceases to make interest the moment you withdraw it from the account, the electronic money can make interest till the moment you spend it. This interest phenomenon might seem simple, but it is in fact connected with the financial revolution-the abolition of the state monopoly over money.

Electronic payment differs from credit card payment. A person doing a transaction is allowed to pay for services later within the set deadline. Payment with the electronic money has not got a role in the overall payment system so far, but it is estimated that the electronic money will considerably be improved along with the development of electronic information systems.

The electronic money will make transactions more effective in many ways.

First of all, the electronic money will make transactions become cheaper because the transfer expenses of the electronic money via the Internet are lower than money transfer expenses via a conventional banking system.

Second, neither the Internet nor the electronic money recognizes any political boundaries. For instance, it takes several days for a small sum of money to be sent to a foreign bank. However, if the foreign bank accepted electronic money, this period of several days would be considerably shortened.

Third, everyone who has the access to the Internet and an Internet bank can pay for certain services via the electronic money.

⁴ Slavko Vujovic: Elektronsko poslovanje i poslovna inteligencija, str. 72

The consequence of this effect is the appearance of new business possibilities and the expansion of the economic options on the Internet. Even the small enterprises will be able to trade with the customers from all around the world. The multinational small enterprises will become a new dynamic power in the local and regional economy. However, even the large enterprises will benefit from this trend. They will realize that the electronic money is more effective for international payment which will lead to the appearance of cheaper and more sophisticated services for their clients.

3. CONCLUSION

The advantage of the electronic banking development in the Republic of Srpska is the fact that a great percentage of many potential clients have access to the Internet. The clients are aware that paying via the Internet saves time and that it is a safe way of payment. There are also many other advantages, such as: low charge, elegant and comfortable transactions. It also provides an easier approach to pieces of information concerning personal accounts and other products and services. However, it takes time to adjust to such a way of transactions and to change the acquired habits; so in the future different marketing methods will be put into practice, the methods for attracting the customers and for the development of the so called personalization, for example the adjustment of web sites to customers' needs. The customers' needs will be satisfied if the customers are safe when using electronic payment and if their personal information is protected. All this will attract clients and make them be loyal. The exposure to risks of possible deceptions is one of the greatest issues in this kind of transactions. The new technological and managerial knowledge is necessary in order for the customers to have access to all the products and services 24 hours a day and 7 days a week.

Further electronic banking development in the Republic of Srpska should support mobile banking development as well, which will provide the customers with a wide range of services that they could operate using cell phones, the applications based on WAP technology or wireless web.

The banking example best shows how fast electronic banking can be developed and how successful it can be. Electronic banking as quite a new banking philosophy provides the customers with the opportunity to use all the banking services from home, the workplace or any world destination without going to the counter. Banks are very close to achieve the so called A principle (ANY PLACE, ANY TIME, ANY SERVICE, ANY DEVICE).

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