

Assessment of E-Banking Services and Legal Framework in Albania

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Abstract Continuous advancements in information technology have led to a broad range of banking products and services. Among all types of e-banking, internet banking provides faster, cheaper and timeless services via internet. Financial institutions in developing countries should be aware of the advantages of online banking in terms of convenience, flexibility, competitive advantage and lower costs. This paper reveals the current expansion of e-banking in Albania by reviewing existing transactional sites and latest financial reports. Furthermore, e-banking legal framework in Albania has been analyzed with conclusions being reached. The study suggests that the actual legal framework needs further improvement and should be compliant to the EU legal framework, and that a public informing campaign should be raised with regards to electronic payment instruments. A recent survey has been carried out to collect data from the Albanian banks offering e-banking services. The survey identifies the important role of e-banking in gaining competitive advantage with lower costs. It implies that financial institutions in Albania have to make strategic plans in order to improve e-banking services and online marketing.

Keywords: E-Banking, Internet Banking, Competitive Advantage, Legal Framework, Albania

1. Introduction

All over the world, electronic banking services of all forms have spread. E-banking, namely Electronic Banking implies provision of banking products and services through electronic delivery channels in three forms: ATM, phone banking and internet banking (Mashhadi et al. 2007). Moreover, according to Mishra and Kiranmai (2009) e-banking services fall into these types: ATMs (Automated Teller Machines); E-Payments through Credit Cards, Debit Cards, Smart Cards, etc and EFT (Electronic Fund Transfer); Phone Banking; Mobile Banking; Internet Banking. Turner (2001) discusses that progress in information technology has reduced the costs of processing information, and the internet has facilitated communication, thus every aspect of the banking services has technologically advanced. Kohli (2003) states that there has been a strong realisation that technology is not just a facilitator but rather a driver of business. Technology will allow banks to get closer to their customers, to deliver a wider range of services at lower costs, offer 24-hour on line banking support to customers and improve internal systems (Gates, 1997). The impact of e-banking is not limited to industrially powerful and developed economies. Transition economies in developing countries prone to underdeveloped banking systems have been witnesses to the advantages of e-banking. As a result many new business opportunities have been offered (Turner, 2001). As suggested by Claessens, Glaessner and Klingebiel (2001), developing countries have an advantage because they can learn from the advanced economies in terms of implementing internet technologies in banking services. Claessens et al. (2001) argues that e-finance can be introduced quickly in developing countries even where the basic financial infrastructure is weak. Gurau (2003) and Khalfan & Alshawaf (2004) support this idea in their internet banking

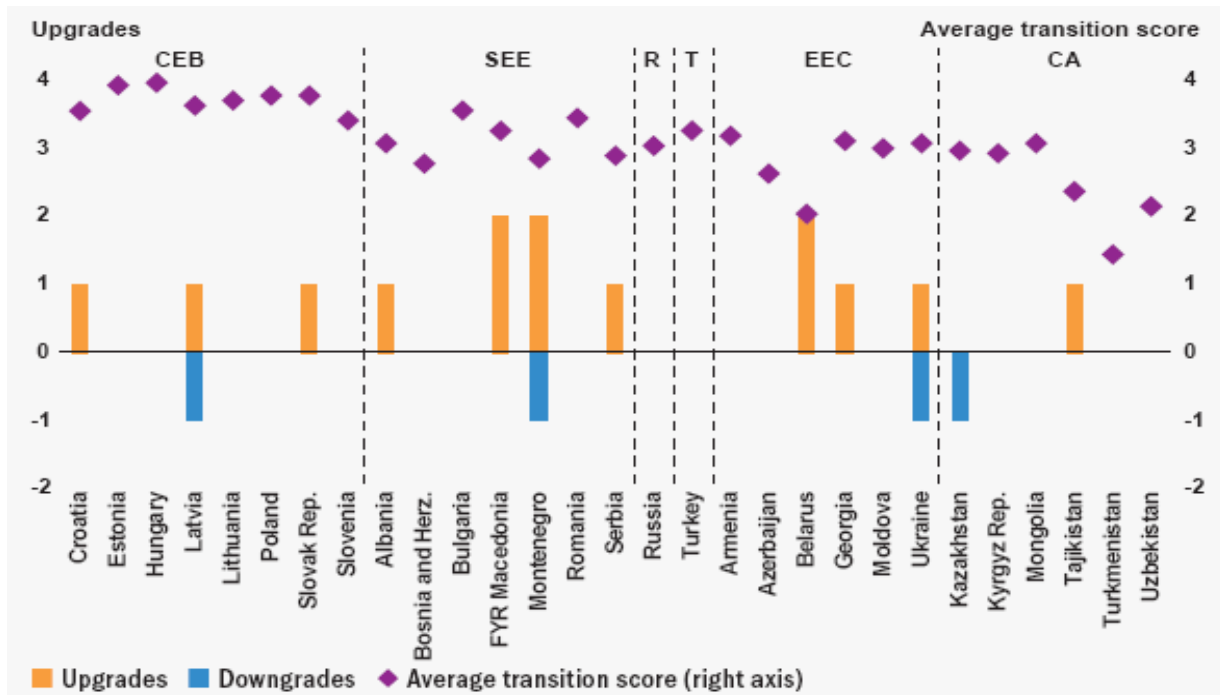
studies performed in developing countries. Customers in developing countries seem to lack internet literacy and usage due to low incomes. Also, empirical evidence shows that richer countries possess higher concentrations of internet users in comparison with poorer countries (Hawkins, 2002). As regarding financing, some private banks in developing countries such as India are aggressively implementing customer driven internet-based relationship for banking models (Sushant Kumar, 2001). An internet banking application as one form of e-banking, is considered as one of the most successful Internet applications ever. The real role of internet banking is to provide electronic services, at a low cost and in an information rich environment (Gates, 1997). This field is an important one given that a great number of Internet users can accomplish their banking affairs online in reduced time and costs, and as banks are willing to expand this channel in the future especially to facilitate their relationship to customers and to gain competitive advantage (Pikkarainen et al., 2004). Bank managers should remember that IT investment could be essential to the survival of the banking organisation (Bhatanagar, 1997).

2. The Albanian Banking System and History of E-Banking in Albania

After the collapse of Albania's communist economic system in the early 1990s free-market initiatives were introduced in the country. This economic change initiated the establishment of the new banking system. The democratic Albanian government began to attract foreign investors to set up private banks in Albania. From 1993, foreign investors started to open their own banks in Albania. Unfortunately, the successful progression of the Albanian banking system was set back by so-called pyramidal institutions' collapse in 1997. Bank stability was re-established and from that point on, the number of private banks has increased. The central bank has been reorganized in order to meet the international standards and especially EU requirements in terms of banking services and legal framework. Bushati (2008) states that the Albanian banking system is regulated according to the international accounting standards. "Bank supervision was strengthened when a new law on the banking sector came into force in June 2007, bringing the country's legislation closer to EU standards" (EBRD Albania Report 2009). Nowadays, the financial sector in Albania is dominated by privately-owned commercial banks. After the privatization of the National Commercial Bank, completed in June 2000, the Savings Bank of Albania was the only one state-owned bank in Albania. However, in order to boost banking competition, the government sold its 100% stake in the Savings Bank to Austria's Raiffeisen Zentralbank (RZB) in December 2003. The Savings Bank changed its name to Raiffeisen Bank in October 2004. Credins Bank, the first Albanian fully-owned bank was established in 2003 marking an important event in the Albanian banking sector. During 2008, EBRD acquired 12.5% of the shares of Union Bank while Veneto Banca Holding gained the ownership of the former Italian Development Bank by acquiring 76.83% of the total shares. During the same period, the Bank of Albania named the previously merged American Bank of Albania as Intesa SanPaolo Bank Albania. Currently, there are 16 banks operating in the country. The number of foreign-owned banks is 14 with an asset share of 93.6% (EBRD Transition Report 2009). In the last decade, market competition has greatly strengthened. The quality of banking services provided to the public has significantly improved especially during the last 5 years (Bank of Albania Annual Report 2008). To summarize, year 2008 lists important events concerning the Albanian banking sector. Most significant changes that took effect comprise: changes in banks' capital owner and structure, expansion of the bank activities, ebanking products and bank networks within Albania. (Bank of Albania Supervision Annual Report 2008).

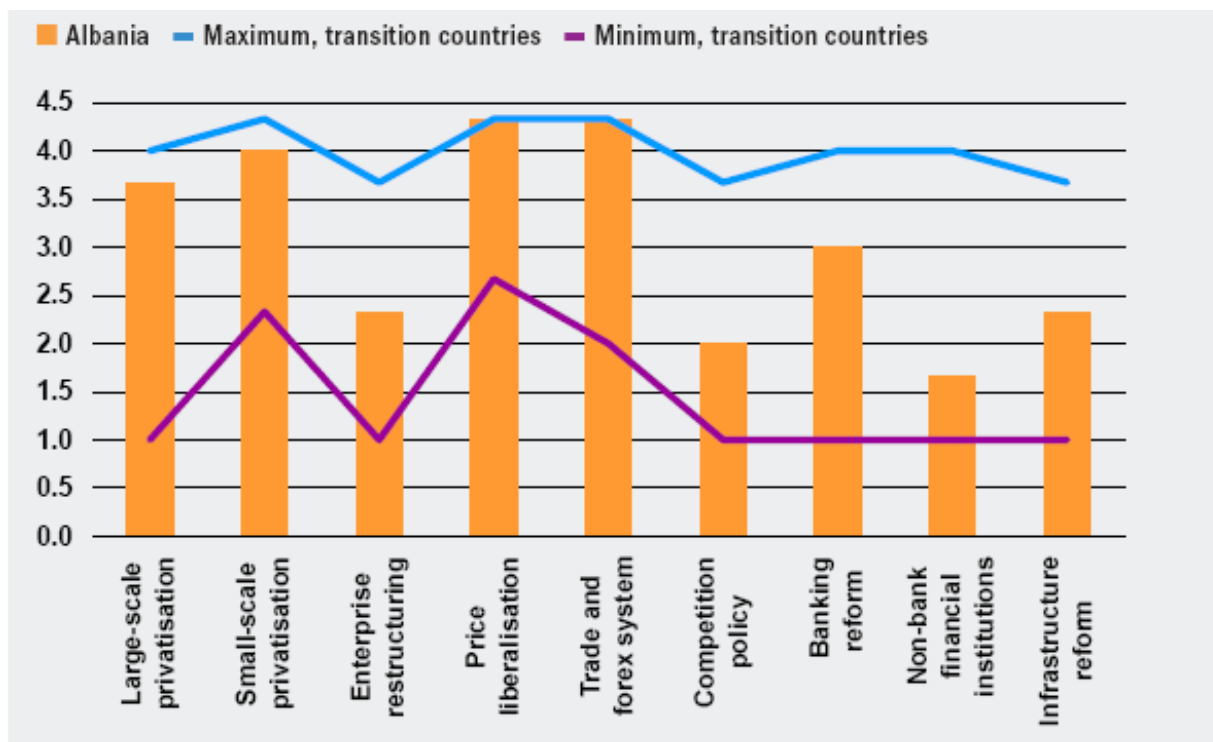
Commercial banks in Albania today offer most of the standard banking services such as deposit accounts, foreign transfers, trade finance and mortgages, with some of them also offering lending activities. The transition countries experienced strong economic growth in 2007, but this has slowed down in 2008 and the region is increasingly feeling the effects of the global financial crisis. However, as shown in Figure 1 and Figure 2, market-oriented reforms have continued to advance in most countries including Albania (EBRD Transition Report 2009).

Figure 1. Significant Progress in Transition Countries (EBRD Transition Report 2009)



EBRD Transition Report (2009) also shows the transition indicator scores ranging from 1 to 4+. 1 indicates little or no change with reference to a centralized economy, whereas 4+ indicates industrialized economy level. Albanian banking sector reforms' score is 3, closer to the highest level indicator score 4+ as shown in Figure 2.

Figure 2. Transition Indicator Scores (EBRD Transition Report 2009)



The Albanian banking sector has experienced a slow-down during the world economic recession. However it is insignificant compared to other countries more severely affected. (EBRD Albania Factsheet 2010). In this regard, deposit insurance and additional liquidity are anti-crisis measures undertaken by the Albanian financial sector. (EBRD Transition Report 2009). Albanian banks have tried to maintain their competitive status via aggressive promotion and extensive branch networks. However, in the last decade some of them became aware of the importance of e-banking and started to provide it to the customers partially. The provision of e-banking services appeared in Albania after 2000. American Bank of Albania (ABA) was the first bank who provided a full package of Internet banking services in 2002. In 2006, the number of on-line banking subscribers at the American Bank of Albania grew from 720 to 1,340 - equal to 86% - making it one of the fastest-growing distribution channels for the Bank (ABA Annual Report 2006). By the end of 2007, some other banks offered several services mainly for their corporate clients. Use of electronic money in Albania began in 2003. At first, banks started implemented ATMs. In 2007, the number of electronic money users has increased from 34,090 to 295,250. That increase was due to the fact that all the budgetary salaries have been started to be paid through banks. The increase of the electronic money usage has gone parallel with the increase in bank transactions. The number of credit cards increased from 806 (in 2004) to 4,245 (in 2007). The debit cards and cash have increased respectively from 6,552 to 70,176 and from 26,736 to 220,657 in the corresponding years (Central Bank of Albania Annual Report 2007). While, year 2008 indicates an increase in provision and use of electronic access products by bank customers in Albania.

Popular electronic media include: personal computers and telephones. The number of ATMs has also increased because of the increased use of cards. Internet access facilities have been offered to carry out transactions. Most importantly, banks' awareness and focus towards providing security and protection has also risen. Use of chips in debit and credit cards and strong authentication/authorization scheme implementations in internet banking transactions mark important progress. During 2008, 8 new e-banking product implementations and ATMs electronic cards were approved. The number of banks using electronic products reached 12 (Central Bank of Albania Supervision Report 2008). Table 1 summarizes e-banking services offered by Albanian commercial banks in 2008.

Table 1. E-Banking services in Albania (Bank of Albania Supervision Report 2008)

<i>Banks</i>	<i>ATM</i>	<i>POS</i>	<i>Internet Banking</i>	<i>Electronic Cards</i>
Raiffeisen Bank	X	X	X	X
National Commercial Bank (BKT)	X			X
Tirana Bank (Piraeus Bank)	X		X	X
National Bank of Greece (NBG)	X			X
Alpha Bank Albania	X	X	X	X
Procredit Bank	X	X	X	X
First Investment Bank (FIBank)	X			X
Credins Bank	X	X	X	X
Union Bank	X		X	X
Banka Popullore (Societe Generale)	X		X	X
Intesa Sanpaolo Bank, Albania	X	X	X	X
Italian Bank of Development (Veneto Banca)	X			X

3. Internet Penetration Statistics and E-Banking Products in Albania

Internet was first introduced to Albania in 1991 by Soros Foundation for communicating with other branches and headquarter across East Europe and USA but an immense increase in number of internet users was just

introduced after the crisis of year 1997. In the early years of the Internet in Albania, people faced many difficulties like poor connection speed, frequent interruptions, high costs, low purchasing power, power cuts, etc. For example, the monthly tariff varied from \$16-35 or 15-40% of the average incomes in Albania.

According to Nune (2003), very few private companies could use the Internet as an opportunity for economic growth. According to Internet Service Providers in Albania, private companies, banks, government institutions, public and private schools and universities, nongovernment organizations are important subscribers. 1.5% of families in Albania are Internet subscribers. In urban areas, 33.7% of the fixed-line telephone family subscribers are Internet subscribers as well (INSTAT 2009)¹.

4. Internet Connections

ADSL is still the most popular broadband infrastructure. Broadband connections have reached the quota of 64,000 as measured in December 2009 (ITU Report 2010)². Considering Albania's low Internet penetration rates and small number of fixed-line subscribers it is logical to think that broadband might compete as a good choice to first time subscribers.

Table 2. Albanian Telecom Parameters 2008, 2009

<i>Sector</i>	<i>2008</i>	<i>2009</i>
Fixed broadband subscribers (thousand)	36	75
Fixed broadband penetration rate	1%	2.3%
Fixed-line telephone subscribers (thousand)	295	300
Mobile phone subscribers (thousand)	2,780	3,200

Source: BuddeComm Report 2010³

Owing to those difficulties, internet penetration rates have remained too low for a long time. However, it amazingly increased in 2009. According to the market research (Internet World Stats 2009), the Internet penetration is at a rate of 20.6%. User growth has experienced an increase of 29.9% from 2000 to 2009. Internet users in Albania constitute 0.2% of the total European Internet users.

Table 3. Internet Usage and Population Statistics

<i>Year</i>	<i>Users</i>	<i>Population</i>	<i>% Population</i>
2000	2,500	3,083,300	0.1 %
2002	30,000	3,084,586	1.0 %
2006	75,000	3,087,159	2.4 %
2007	471,200	3,087,159	15.3 %
2008	580,000	3,619,778	16.0 %
2009	750,000	3,639,453	20.6 %

Source: Internet World Stats 2009⁴

¹ <http://www.instat.gov.al>

² International Telecommunication Union Statistics

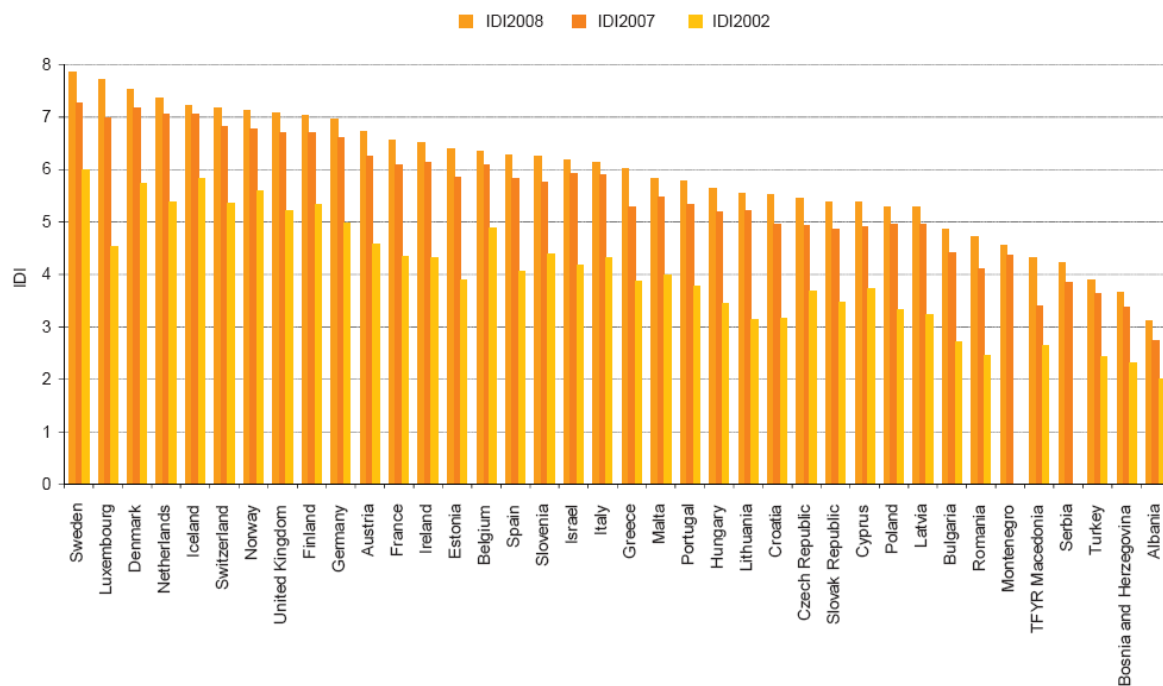
³ <http://www.budde.com.au/Research/>

⁴ <http://www.internetworldstats.com/euro/al.htm>

5. Albanian Internet Service Providers

The Albanian Electronic and Postal Communication Authority (AKEP)⁵ counts 25 registered Internet Service Providers in Albania comprised by National ISPs (40%), Regional ISPs (28%), Local ISPs (24%) and PoP ISPs (8%) (AKEP Internet Service Providers in Albania 2009). Progress has been made to reduce low speed internet connections and to increase ICT development index. An increase of 0.38 of Albania’s ICT Development Index (IDI) in 2008 compared to 2007 is observed (ITU Report 2009)⁶. Although, compared to other European countries, Albanian IDI is the lowest, there is substantial growth from 2002 to 2008 as indicated by ITU research in 2010.

Figure 3. IDI 2008, 2007, 2002 (ITU Report 2010)



As for the e-banking products’ usage in Albania until recently, we give detailed figures according to the Annual Reports by the Bank of Albania. Number of installed ATM and POS has respectively increased by 15% and 48% in 2009 compared to 2008 as indicated in Table 4.

Table 4. Number of ATM and POS in Albania

<i>ATM & POS</i>	<i>31 December 2008</i>	<i>31 December 2009</i>
ATM (Automated Teller Machines)	642	741
POS (Point of Sale)	2,953	4,370

Source: Central Bank of Albania Annual Report 2009

⁵ <http://www.akep.al/>

⁶ International Telecommunication Union Statistics

Number of cards in 2009 is 566,985 - compared to 512,232 in 2008. Furthermore, Table 5 shows an increase in number of issued debit and credit cards by the end of 2009. A significant rise of about 50% is measured for the number of credit cards. Transaction number and values in ATM and POS are also shown in Table 6.

Table 5. Number of Debit and Credit Cards in Albania

<i>Card Type</i>	<i>31 December 2008</i>	<i>31 December 2009</i>
Debit Cards	482,072	543,141
Credit Cards	15,931	23,844
Total Number of Debit/Credit Cards	498,003	566,985

Source: Central Bank of Albania Annual Report 2009

Table 6. Total Transaction number and value in Albania

<i>Transaction Type</i>	<i>Number of Transactions</i>		<i>Value of Transactions (Million Lek)</i>	
	2008	2009	2008	2009
ATM	7,911,013	8,718,439	89,078.90	96,130.26
POS	294,130	405,861	4,647.70	5,775.58
Total	8,205,143	9,124,300	93,726.60	101,905.84

Source: Central Bank of Albania Annual Report 2009

As seen above, the number of transactions through ATMs constitutes 96% of the total transactions. This clearly indicates high rates of using cash. In 2009, the number of commercial banks that offer home banking services is 10. It has increased by 2 compared to the previous year 2008. Home banking services enable the banks customers to access their bank accounts from home, using internet connection, phone line and a client software made available by the bank. The number and value of home banking transactions have increased throughout 2007-2009 as seen in Table 7.

Table 7. Home Banking Transactions in Albania

<i>Home Banking</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Number of Transactions	42,447	88,261	136,482
Value of Transactions (Million Lek)	48,492	63,423	78,156

Source: Central Bank of Albania Annual Report 2009

Table 8 shows that internet banking is the only home banking service during two consecutive years. Besides, the number and value of internet banking transactions has increased in 2009. This indicates a rising interest towards internet banking transactions. The increasing number of transactions suggests to the banks to increase the service quality and investments as internet banking is concerned.

Table 8. Internet/Phone Banking Transactions in Albania

<i>Home Banking Transaction</i>	<i>Number of Transactions</i>		<i>Value of Transactions (Million Lek)</i>	
	2008	2009	2008	2009
Internet Banking	88,261	136,482	63,423	78,156
Phone Banking	0	0	0	0
Total	88,261	136,482	63,423	78,156

Source: Central Bank of Albania Annual Report 2009

6. Research Methodology

The conducted research aimed to:

- assess the current situation of Albanian banks' internet banking transactional sites
- collect survey data from the Albanian banks offering internet banking services
- investigate the legal framework for e-banking in Albania

7. Research Findings

7.1 Current Internet Banking Functional Transactional Sites in Albania

ABAFlex was the first Internet banking product introduced by the ABA (former Intesa Sanpaolo Bank Albania) in Albania in 2000. A review of the websites of the commercial banks functioning in Albania revealed that currently only 10 of these banks have transactional sites. An overview of internet banking services provided by those banks is presented below. It is also important to mention that First Investment Bank is planning to launch the service by June 2010. Similarly, International Commercial Bank has set internet banking implementation as one of its top priorities. The internet banking services are also offered through mobile channels – via mobile phones. Tirana Bank, Alpha Bank Albania, BKT customers are particularly used to mobile banking. Banks are continuously improving their online services. Helpdesk support is offered by all internet banking transactional sites.

Intesa Sanpaolo Bank Albania (<http://www.intesasanpaolobank.al>)

Intesa Sanpaolo Bank Albania launched internet banking services to business and individual customers in Albania through a web based product named ABAflex⁷ in 2000. It currently counts 4,284 customers and total number of transactions in 2009 was 79,655 (Intesa Sanpaolo Bank Albania 2010). It is developed by i-flex Solutions. Best viewed with Internet Explorer and Mozilla Firefox, it benefits the users by its multilanguage operability in Albanian, English and Italian. ABAflex offers multiple services as listed below:

- Balance inquiry
- National and international payments
- ABAdirect online deposit establishment
- Checking the deposits effected in the account in "real time"

⁷ <https://www.abaflex.com/>

- Printing Account Statement containing all transactions for a specific period
- Making the Utility Payment Orders in a simple way using the standard forms
- Checking the Total Position of the client company (balances of the accounts, information about loans, time deposits, treasury bills, etc.)
- Payment in Cash to a third party E-mail facility under a secured connection
- Access to Bank Bulletin - for customer information on the latest bank news
- Digital certificate

Raiffeisen Bank Albania (<http://www.raiffeisen.al>)

The bank provides MultiCash⁸ product to business customers. MultiCash is a PC software that enables to communicate with the bank, allowing to send payment orders via internet. MultiCash supports domestic and international payments at SWIFT standards and utilizes digital signature. The software is developed by Omikron Systemhaus. Services offered include:

- Payment within Bank
- National Payment by SWIFT Standards
- International payment by SWIFT Standards
- Information on movements on account under standard SWIFT (MT 940)
- Printing transaction statements
- Exporting transaction statements to another program
- Digital certificate

Societe Generale Albania (<http://www.societegenerale.al>)

Pop E-Banking/SMS and Pop E-Banking/Net⁹ are two popular services offered by Banka Popullore. The former is based on a SMS platform, whereas the latter allows accessing the services through Smart Card/PIN code or Username/Password via a web interface. Having chosen the first option for authentication, customers are provided with a "smart card reader" device which has to be installed on the user's PC. This web application is designed by Halcom Informatika in Slovenia. It is offered in Albanian language and it is best supported by these web browsers: Microsoft Internet Explorer 6.0, Netscape Navigator 7.2 and Mozilla 1.5. Pop E-Banking/Net offers these services:

- Balance inquiry in your domestic and foreign currencies
- Information about transactions made in your account in your domestic and foreign currencies
- Domestic payments
- Non-term deposit payments
- Budget payments
- International Payments
- Registry of orders
- Archives all order payments made through the Pop e-banking/net
- Printing/Exporting
- Digital certificate

⁸ Web interface: <https://ebanking.raiffeisen.al>

⁹ <https://webbank.ebb4all.com/webbankALB/loginCer.jsp?bank=PUPP>

Credins Bank (<http://www.bankcredins.com>)

Credins Online¹⁰ SMS & Electronic Banking released by Credins Bank in 2007, provides transaction service through phone and internet allows accessing the services through Smart Card/PIN code or Username/Password via a web interface. The first option for authentication requires customers to be equipped with a "smart card reader" device which has to be installed on the user's PC. It is also designed by Halcom Informatika in Slovenia. The number of users and the volume of transactions have been increasing. At the end of 2009, 400 user accounts, 6500 internet banking and 1160 SMS transactions were reported by Credins Bank (Credins Bank 2010). The product is available in Albanian and its services include:

- Balance inquiry in domestic and foreign currencies
- Information about transactions made in your account in your domestic and foreign currencies
- Domestic payments
- Budget payments
- International payments
- Registry of orders
- Archives all order payments made through the Credins Online
- Exporting to another program
- Statement printing
- Digital certificate

National Commercial Bank – BKT (<http://www.bkt.com.al>)

BKT E-Banking¹¹ is a bilingual (Albanian and English) on-line service to BKT clients allowing to make transactions from all the branches in Albania. Despite other useful services, the e-banking at BKT was limited to transfer of funds for bank's corporate customers. It is compatible with Internet Explorer, Mozilla Firefox and Netscape Navigator browsers. BKT E-Banking functionalities are as following:

- Internet/Mobile banking
- Balance inquiry
- Get your account statement
- Information about transactions
- Domestic money transfer
- New online deposit account opening (with 0.2% profit)
- Financial bulletin access
- Debit/Credit cards transactions inquiry
- Mobile Banking
- Digital certificate

Veneto Banka (<http://www.venetobanka.al>)

Veneto Banka Internet-Banking¹² application is offered is available in 2 languages: Albanian and Italian. It provides services to several Albanian and Italian business enterprises operating in Albania and is best viewed with compatible with Internet Explorer, Mozilla Firefox and Netscape Navigator. The following services are delivered by this product: provides transfer service, bill payments and account information.

¹⁰ <https://webbank.ebb4all.com/webbankALB/loginCer.jsp?bank=CDIS>

¹¹ <http://www.ebank.bkt.com.al>

¹² <https://www2.csebo.it/webbanca/99204login>

- Bill payments
- Balance inquiry
- Account information
- Money transfer
- Digital signature

Alpha Bank Albania (<http://www.alphabank.al>)

Alpha Web Banking¹³ application provides internet banking services. It is bilingual (Albanian, English) and best viewed with Internet Explorer and Mozilla Firefox. Main functionalities include:

- Internet/Mobile banking
- Free of charge Bill payments
- Mobile banking
- Balance/Statements/Loans/Deposit inquiry
- Account information management
- Money transfer
- Single/Multiple Transfer monitoring
- Additional Password Services
- Digital certificate

Tirana Bank (<http://www.tiranabank.al>)

It was during 2008 that Tirana Bank launched their internet banking product. Tirana Bank Online¹⁴ allows the corporate customers to receive information, to transmit orders and to carry out banking transactions by the use of a variety of technological methods and infrastructures like Internet, fixed-line telephone communications network, the networks of the mobile phones. Winbank – the Piraeus Bank e-banking application which Tirana Bank Online overrides its features from, has been ranked as one of the best services in Greece for 8 consecutive years. Tirana Bank Online is also available in Albanian and English and provides its users with various services:

- Phone/Internet/Mobile banking
- Get information about: account balance/transactions/debit/credit statements/consumer/house loans/daily bank bulletin
- Interbank/domestic/international money transfer
- Mobile bill/loan installments/credit card payments
- Digital certificate

Procredit Bank (<http://www.procreditbank.com.al>)

Pro E-banking¹⁵ the newest service launched by ProCredit Bank in January 2009, enables the customers you to have direct access to your bank accounts via Internet. Offered in Albanian and English, currently 1450 customers use Pro E-banking. The average transaction volume per month is estimated 900,000 Euro. Offered services include:

¹³ <https://secure.alphabank.al/corporate/CorpLoginLangEng.html>

¹⁴ <https://mobile.piraeusbank.com/Login.aspx?siteCode=SQ&cultureName=en-US>

¹⁵ <https://ebanking.procreditbank.com.al/>

- Accounts/deposit/credit card information
- Statement view/Print
- View last 100 e-banking operations
- Same currency interaccount/interbranch domestic transfer
- Different bill payments
- Digital certificate

Union Bank (<http://www.unionbank.com.al>)

UB-Online¹⁶ is the newest internet banking service that started in 2008. The application works in 3 payable modes: Read Only (RO), Half Option (HO) and Full Option (FO). Customers are categorized according to the service type and functionalities they have chosen to subscribe for. Union Bank counts a total of 650: 450 RO, 150 HO and 50 FO customers. (Union Bank 2010). It is best viewed with Internet Explorer, Mozilla Firefox and Opera. UB Online service types are as listed below:

- Optional functionality modes:
 - Read Only (1 Euro/month): personal/business accounts information/balances/transaction/payment/exchange rates inquiry in text/excel format
 - Half Option (3 Euro/month): Read Only functionalities/Only Union Bank payment/transfer inquiry (utilities, taxes, etc)
 - Full Option (5 Euro/month): Half Option functionalities/ domestic/international transactions/payments inquiry
- Account information in different currencies
- Deposit opening
- Fund transfer to personal accounts/within Union Bank
- Domestic/international payments
- Utility payments/Periodic facilitated payments via predefined templates
- Data maintenance
- Secured data channel/Password authentication/Smart token
- Bank Bulletin Access

8. Survey Results from Albanian Banks' Offering Internet Banking Services

Questionnaires were distributed to 10 Albanian banks whose internet banking transactional sites are functional. Here is a summary of our survey results. When asked about their Total Assets, 31% of the banks answered they have Total Assets of less than EUR 50 millions, 6% of the banks have Total Assets of EUR 51-100 millions, 18% have Total Assets of EUR 101-300 millions and 44% of the banks have Total Assets of greater than EUR 300 millions. Another important question was made to the banks regarding the number of people/day visiting their websites. Results state that 78% of the bank websites are visited by 1001-3000 people/day while 22% of them are visited by less than 1001 people/day. 20% of the banks have been offering internet banking for more than 4 years, and 80% of them have been offering internet banking for at least 1 year and at most 4 years. Banks were asked how frequently their websites are updated. 70% of them answered monthly update while 30% of them said their websites are updated weekly. Additionally, banks were questioned the reason why they offer e-banking services. Interesting results show that 50% of the banks offer e-banking to gain competitive advantage, 40% of them offer e-banking due to some pre-planned

¹⁶ <https://www.ubank.al/netbanking/CorpLoginLang.html>

objectives and only 10% of them offer e-banking because of customers' demand. All the banks answered they use e-banking for performing transactions, for giving out promotional information about their products and services as well as offering terms, conditions and fees on their websites. Among individuals, SMEs, corporate customers as their target groups for e-banking, 80% of the banks answered they offer e-banking for all three groups, while only 20% of them offer e-banking for corporate customers only. E-banking has been speeding up services to the customers of 70% of the banks, while not promoting any change to 30% of them. Customer Relationships have been improved by offering e-banking in 60% of the banks, while 40% of them have not experienced any improvement in the relationship to their customers. 60% of the banks use leaflets to advertise their e-banking services and website, 20% of them use media while 20% of them use leaflets, media and internet advertisements. Oddly, all banks stated that their customers would still prefer real bank branches to e-banking services. The reason is lack of computer technology literacy, public informing about e-banking and security issues regarding electronic transactions.

9. The Legal Framework for E-Banking in Albania

Internet banking in Albania has been conducted during the XXI century, and therefore legal regulation is recent. Principal legal basis on which banks operate are the Law no. 8269, dated 23.12.1997 "On Bank of Albania"¹⁷ and Law no. 9662, dated 18.12.2006 "On Banks in the Republic of Albania". Among the powers of the Bank of Albania, lies the right to promote, support and develop the payment system¹⁸. Article 21 of the above law determines that: "The Bank of Albania, in cooperation with other banks, has the right to set rules and procedures for payment instruments that are used as means of payment, electronic funds transfer services and telegraphic services as well". Additionally, this article determines the right of this bank to create and maintain an information network for the banking system, which gives to the bank the right to supervise all payment systems in particular payments made via the internet.

Issuing of payment means in the form electronic money is part of the banking activity of Albanian second level banks¹⁹. The Albanian legislator in Article 54 of Law No.9662, dated 18.12.2006 "On banks in the Republic Albania", has been cautious over self repetition, thus resulting in having made a reference to Article 4. In second paragraph of this Article the concept of financial activity²⁰ is explained. In an expanded interpretation of paragraph d, of this article the legislator has included itself and the process of internet banking in the term "all payment services and money transfer".

These two laws should be interpreted in accordance with the Stabilization and Association Agreement²¹ (abbr. SAA), since the latter is more recent. Articles 89 and 90 of the SAA²² are two main sections that

¹⁷ Substituted by Law nr.8384, dated 29.07.1998 and Law nr.8893, dated 25.07.2002 "On some amendments to Law No. 8269, dated 23.12.1997" On Bank of Albania".

¹⁸ Read Article 3/paragraph 2 and 4 of Law no. 8334.

¹⁹ Read Article 4/paragraph 1, paragraph 3 of Law No. 9662, dated 18.12.2006 "On banks in the Republic of Albania".

²⁰ Financial activities include:

- a) all forms of lending, including credit consumer and mortgage loans;
- b) factoring and financing of commercial transactions;
- c) leasing;
- d) all payment services and money transfer by including credit cards and debit cards, traveler's checks, banking checks and payment cards; Article 54/paragraph 2 of the above law.

²¹ Read Article 116 of the Constitution of the Republic of Albania, under the hierarchy of sources of law, international agreements ratified by the law stand above the domestic laws. Also see Article 116 and 122.

²² Article 89 states that: "Cooperation between Albania and the EU Community will focus on priority areas related to the Community *acquis* in the fields of banking, insurance and financial services. The parties shall cooperate with the aim of establishing and developing a suitable framework for promoting the sectors of banking services, insurance and financial in Albania." Article 90 states: "Cooperation between the parties shall focus on priority areas related to the Community *acquis* in the fields The public internal financial control (PIFC) and external audit. The parties shall cooperate in particular to develop an efficient system of PIFC (Control of Public Internal Financial)

address the main obligations of the Albanian State in relation to this act. What is immediately visible is that the term refers mainly to banking and financial services, enabling the interpretation of terms in accordance with European Union laws and acts of state.

One of the most important legal acts to the development of information society claims that there has been some development in the provision of electronic public services in some sectors with deficiencies in other directions²³. This strategy emphasizes the public and business education on the use of internet banking²⁴ as one of its priorities. This legal act highlights traditional services provided by second level banks focusing on: deposits, accounts and transfers. It is believed that the rise in number of electronic payment cards will be an incentive factor to the use of internet banking.

All of the above mentioned legal acts are of a general character. The special arrangement of internet banking is realized through the Central Bank acts, specifically due to the decisions of the Supervisory Board. Regulation "On payment systems and instruments", approved by Decision no. 148, dated 20.11.1998 of the Supervisory Council, the Central Bank of Albania provides various payment systems, but does not mention internet banking. Regulation "On supervision of electronic banking transactions" approved by Decision No. 28, dated 30.03.2005 of the Supervisory Council of Bank of Albania is the act that makes adjustment to internet banking. By definition, this regulation states: organizational conditions, conditions related to personnel and technical conditions for the implementation of electronic banking transactions (e-banking); requirements related to verifications conducted by the Bank of Albania regarding e-banking service, and risk management principles of e-banking service. The term "e-banking" means traditional and new products and services provided in distance through electronic channels of distribution and communication products and services. This regulation defines the obligations that banks have to fulfill in order to provide this service. It also charges the Bank of Albania with the obligation to control every aspect of this service, from the moment when the the second level bank files a request up to the delivery of this service and ensuring the confidentiality of customers' personal data. "Supervision of payment and settlement systems is a function of the Central Bank of Albania, under which the security and efficiency are promoted by monitoring existing and planned systems, assessing them regarding these objectives and, where necessary, stimulating change".²⁵

By Decision no. 11, dated 06.02.2008, the Supervisory Council has approved the regulation "On the electronic payment instruments". This regulation clarifies at best its action object and in relation to the above acts, as a tangible act that defines and analyzes concepts including electronic payment, electronic payment instrument²⁶, etc. Internet banking is included in the category of electronic banking services provided through electronic means of communication.

Internet banking is a service that allows the holder²⁷ to perform various banking transactions, including orders via Internet. The 2008 regulation does the term holder, not the term client anymore, thus using a terminology in accordance with the obligations stemming from the objectives of the Albanian state membership in various international bodies. The Central Bank's Supervisory Council, by decision no. 38, dated 11.06.2008 has approved "Oversight policy document for payment and settlement systems", which defines that the assessment process of the payment system conducted by the Bank of Albania shall include the manner in which electronic payments are performed in the context of Electronic Banking Regulation and Electronic Commerce, and the type of products and services that support these payments. Electronic

and external audit systems in Albania, in accordance with standards and internationally accepted methodologies and best practices of the EU".

²³ Read Intersectorial Strategy for Information Society (ISIS) 2008-2013

²⁴ Read ISIS pp. 18-19 for facilities provided by internet banking, and pp.23-24 for internet banking advantages.

²⁵ Read Decision no. 38, dated 11.06.2008 for approval of the document "Oversight policy document for payment and settlement system."

²⁶ Read Article 4 of Regulation No. 11 "On the electronic payment instruments", of the Bank of Albania.

²⁷ Holder is the person who, under the relevant contract with the issuer holds an IPE (Electronic Payment Instrument).

payments will be examined, mainly in terms of operational reliability and implemented security measures²⁸. Regulation "On the transparency for banking products and financial services" is approved by the Supervisory Council of Bank of Albania, by Decision no. 59, dated 29.08.2008, as amended by Decision no. 14, dated 09.03.2011 of the Supervisory Council of Bank of Albania. The purpose of this regulation is to define requirements on the manner and form of providing information to customers on banking products and financial services offered by the subjects of this regulation, to ensure transparency and customer protection. The Central Bank of Albania, in the context of broader public education to the concept of payment systems and instruments and methods used, has published a brochure on "Payment System"²⁹. Among the means of payment explained in this brochure, a great priority is given to stimulate customers into using internet banking, as well as highlighting the advantages and efficiencies of this payment system.

10. Conclusions and Suggestions

At first, this study aimed to assess e-banking in Albania and investigate banks which offer this service. As a conclusion, e-banking services are offered by 10 out of 16 banks physically operating in Albania. These services seem to be advantageous for most of these banking institutions in terms of service speed-up and improvement of customer relationship even though there are still measures to be taken to increase the number of banks that take full advantage of the mentioned benefits. One of the main reasons for implementing internet banking services is to gain competitive advantage and to keep up with their competitors which is also supported by Booz-Allen & Hamilton Survey (1996). However, more efforts need to be spent organizing educative campaigns to approach more customers towards e-banking services and to decrease cash usage which is still high and more preferable than electronic cash. Given that banks mostly use paper media for marketing purposes, use of electronic channels are advised in order to cut related expenses and advertise to a broader audience. Assessing current situation of e-banking provision by banks and their customers' attitudes towards e-banking in a transition country such as Albania, will help banking institutions to define aggressive marketing strategies, to set informative campaigns regarding issues of security and e-banking usage.

Our second aim was to analyze legal framework of e-banking in Albania and to suggest possible solutions. It was found out that the legal framework for regulating the payment system is incomplete. Moreover, internet banking is regulated only through the bank's internal acts and decisions by the Supervisory Board of the Central Bank of Albania. The full act is the Regulation "On supervision of electronic banking transactions", dated in 2005. It is strongly suggested that the Albanian legislator overlook the legal framework on banks. A more tangible act must be drawn, such as a decision of the Council of Ministers or an Order of the Ministry of Finance to specifically regulate internet banking, as a system of payment instruments.

Our suggestion is that the whole normative framework should be reviewed in accordance with the acquis communautaire, in the framework of the EU membership perspective. Besides the legal framework, there are major deficiencies concerning public information. There is a need to raise the awareness of the Albanian population, especially business entities and students towards the use of internet banking as an efficient movement of material goods.

²⁸ Read Supervisory Council Regulation no. 38, dated 11.6.2008 "Oversight policy document for payment and settlement systems".

²⁹ <http://www.bankofalbania.org>.

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