

## IMPACT OF GLOBALIZATION ON BANKING PRODUCTS AND SERVICES

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### **Abstract**

*One can appreciate that the current conditions of the evolution, banks, those of Western Europe, as well as those in the central-East European countries and not only will have encountered new challenges, of which only a portion of them will be able to adapt, only those that will have the ability to exploit new opportunities in the globalised financial world. Banks will have to have the characteristics of a financial markets see more intense competition, and that financial products tend to be more homogeneous and easy to copy innovations; and the infrastructure is becoming more sophisticated and expensive; and last but not least the national regulations that tend to flatten and to join the international standardized structures and solutions for resolving crises are increasingly inspired from previous experience. This makes the market to be more uniformly, offering equal opportunities to all participants, but at the same time pointing to a large extent, revenue and profits.*

*Cuvinte cheie: banking groups, market share, bancassurance, insurance business, globalization*

*Clasificare JEL: G 01, G 22*

### **1. Introduction:**

The banks of the future will evolve for the purpose of banking concentration, concentration achieved through both acquisition of small banks or going bankrupt by the big ones, and through mergers or alliances of powerful financial institutions. Banking concentration, which takes a degree different from country to country, finds its expression through increasing the amount of capital and resources, in particular giving the banks an opportunity to increase the volume and structure of operations. Banking concentration form of banking holding company [1] feature keeping legal independence and identity of the units controlled by the Bank, and concernele also manifests itself through infrequent Association of banks for the granting of loans or for major operations, giving birth to consortia and trade unions. Whatever form it takes, the Bank aims to increase concentration of financial power of the banks, increased innovation capacity, enlarged outlets for products/services, broadening the sources of income, reducing costs in order to maintain the pătrunderilor markets and new markets in today's world, where competition has become global.

Another development is heading towards specialization and depending on the market segment served and also computer science progress will lead to operational integration at world level. Another aspect of the \"new order\" in the banking world is the tendency of universalization of banking operations, the result of confrontations between aprigei banks and non-banking institutions or even non-performing banking operations. This means that in addition to the operations of collection, storage and credit banks engage in other operations, thereby undermining the traditional commercial bank, cumulating commercial activity with the investment, while on the other hand, engaging in insurance operations, portfolio management, and in various financial innovations characteristic of the current period. Banks will have to engage in sustained financial efforts to deal with the evolution of technology and computer science, to focus on promoting new banking products and services, pay close attention to forecasts (previously anticipated), to convert any new direction has diversified into operating environment into an opportunity for development.

Competition from non-traditional banks, revolutionary developments in technology and the increased demands of clients working in tandem for the transformation of the traditional banking sector. Banks that want to survive and prosper in this new world and provocative must change radically and quickly.

## 2. Trends in the use of the channels of delivery of banking services

The future of retail banking activities is taking shape and clearly should not be underestimated: "virtual Bank", as it was called, is defined as a full development of banking activity, involving several companies in the creation of banking products and services and where customers can access banking services through multiple distribution channels". The term "virtual" implies independence from physical location or, in the extreme case, the banking business without branches. Technology is the key element of such developments, allowing conducting electronic-communications and financial transactions between the client and the Bank, without the need for the physical presence of the customer at the Branch Office.

Development of virtual banks has become a concern for the financial world. On the lookout for new markets beyond the traditional possibilities of coverage through branches, banks are hoping that the internet network to enable them to increase profits. It is for the future to decide on the type of Bank in which customers will have more confidence: Bank virtual bank or partly automated.

Banks react to the opportunities and challenges offered by the electronic age has already introduced a range of new distribution channels, which enabled them to provide services to customers. Motivating factors behind these changes are numerous, among them by highlighting the need to reduce costs and increase efficiency. Distribution strategies have been reconsidered, and network management activities have been fine-tuned. Major institutions in the sector continued to expand its network of automated teller machines and telephone banking services were introduced in order to facilitate the rationalization and restructuring of the branch as a distribution channel. The number of branches, as well as that of the personnel has been significantly reduced, and the functions of the branch have been deflected a more commercial role and for sale. Despite the reduction in numbers, the branch has become a more important element in the mix of strategies of marketing in the financial services sector. His role, design and organisation have been transformed completely, leaving it the key distribution channel. Thus, by increasing the space available to customers, have eased the conditions for obtaining information relating to banking products, having the effect of increasing the chances of selling products and services, which, in turn, lead to increased market share and profitability. Constructive solutions in the premises of banks are changing, reflecting the changes in attitude in customer service, and aim to increase productivity and efficiency in offering financial services, however, constructive solution should ensure the smooth operation of the main functions of the banking activity. Also, attention was given to the arrangement of the branches and their efficient rankings have evolved. In the future, it is inevitable to continue rationalization. Since the optimal network structure is changing constantly, thanks to technological progress and delivery and distribution systems in full evolution, dynamism of the branch as a distribution channel will worsen.

It is expected that banking transactions processed by retail type branches are to be reduced, while banks planning a spectacular growth of alternative distribution channels, including the counters of the Bank automated banking kiosks, debit cards, telephone service, electronic banking services and Bank at home.

Despite this development, alternative distribution channels, branch is still the main point of contact and will continue to play an important role for many banks. His role will change by putting the emphasis on personal banking services allowing customers to carry out more routine transactions via electronic distribution channels.

Operating the Bank systems underwent important changes under the impact of the progress in computer technology. Financial industry adapts to new market today under the impact of globalization and the technological explosion, which have become attributes of the economic reality. Conditions of integration of financial markets in the new economy, information technology development fund, a specific role assigned to electronic banking services, with prospects for accelerated growth in the future, because the main advantages they offer.

Banks therefore operates in an environment in which information flows is becoming faster. Success and, sometimes, a bank's survival depends largely on her ability to discern and to adapt the intense changes, flexibility and openness to new technologies contributing to winning the race. For this reason, banks are particularly affected by increased information flow and should prepare accordingly.

Increasingly many banks they conclude that resources, such as personnel and capital, are limited. In order to make the most of existing resources, efforts should be focused on the banking industry-responsiveness to customer needs and the services offered. Considering that the customers are subject to an environment that is constantly changing, the time factor is playing an increasingly important role in the decision to use a service or a new product. The owners, due to an extended working hours do not find time to use banking services. The customers accessing accounts easier, the competitive advantage is greater. Many banks offer new products on the market, known as generic home-banking. In this family of products can be found which have only one purpose: the possibility offered to the customer to access the offer of banking services at home, without unnecessary movement of the Bank unit's headquarters where he opened the account.

The assimilation of the solutions offered by the Internet, providers of traditional banking products and services, is an essential condition to avoid the risk of marginalization in the system and in grasping the benefits of information revolution. A rapid development of electronic commerce will have internet and its components in

internet banking and mobile banking, which posted the current trends lead the electronic revolution in the european banking sector, offering at the same time banks new opportunities but also new challenges.

Electronic banking is the first remote banking service that exempted businesspeople from the roads to the Bank daily. Electronic-banking allows the user to make from your Office or from home (home banking), in front of the computer operations into bank accounts.

Internet-banking should be regarded not only as a simple extension of modern products, but also as a way of lowering transaction costs, matched by an unlimited geographical coverage. As the number of internet users increases, the competition between the two banking channels (traditional and internet) will become more powerful. To survive in the new economic environment, which will be characterized by a proliferation of services and an increasing number of competitors, including new entrants, many traditional banks must redefine the interfaces with the customer, including the Internet, and among them also market segmentation strategies and banking products to clients. Your Internet banking increases and more degree of freedom of those who ordered the payments and transfers. They not only are no longer tethered, in relationship with the Bank, the road over the counter, but it does not even have to be on the premises of the company. If in the case of electronic banking, service can be accessed only from the computer or from home, internet-banking can be used from any computer connected to the internet, no matter where it is located. Basically, the user service you don't even have to own a personal computer, an internet café was enough. In addition, the operations that can be carried out are the same as in the case of electronic banking.

Mobile-banking, State of the art in relation to the provision of financial services promises to revolutionize the way the transactions, giving business travelers a complete independence from contact with the Bank. Bank transfers, money orders, transfers, as well as consulting the history of operations can be carried out directly from your mobile phone.

Increasingly many banks in Central and Eastern Europe, following the example of the development of the West online banking systems. The motivation is the same: demand from existing clients for full services and accessible at all times, the opportunity to serve more customers without parallel development, much more costly branch network and efficiency gains in transaction processing.

In Romania there are a growing number of banks that completes the range of services to its customers via electronic services-banking, internet banking and mobile banking, the value of transactions remained relatively small, but is growing.

Analyzing trends in the use of channels for delivery of banking services for the population, some conclusions can be drawn from the evaluation of the information contained in the following table:

**Table no. 1. The evolution of distribution channels**

Channels	The tendency
Pay Office	In linear decrease
Telephone	In the linear growth
Electronic (ATM, POS)	In the linear growth
Documentary	Decreasing slightly

*Source: processing of "E-finance" Supplement of the magazine "Financial Market"*

If in the past the technology was used to streamline distribution, currently its development led to the creation of new channels of delivery of products and services, which are calling on the telephone or electronic links. There are, however, many banks which offers its services through the branch networks, which involves significant costs. The cost\income ratio has become an important indicator of banking performance in everyone and in a Bank environment difficult, all the attention is now turning to the costs and possible discounts.

### 3. Penetration of banking institutions insurance market

Penetration of banking institutions insurance market falls within the scope of its efforts to modernize the financial services industry in order to meet the needs for diversification of consumers. Decisions on the desirability of banks in insurance penetration shall take into account, though, not only of the need for modernisation, but also consumer market demands.

The concept of specialists, an extremely simple definition of the concept of bancassurance can be that of a partnership established between a Bank and an insurance company, under which the Bank provides its customers with insurance products and investment insurance partner of the company. Looked at from the standpoint of the banking partner, choice of bancassurance partnership is determined by a number of reasons, among which we can mention:



Summarizing, bancassurance is an opportunity [2] to uphold the fundamental activity of the Bank through additional deals involving administrative effort and cost, but have a high added value.

In regards to the insurers, the main benefit consists in the considerable widening of the base of potential customers, some segments of the portfolio, without this involving an effort in proportion of its own distribution network.

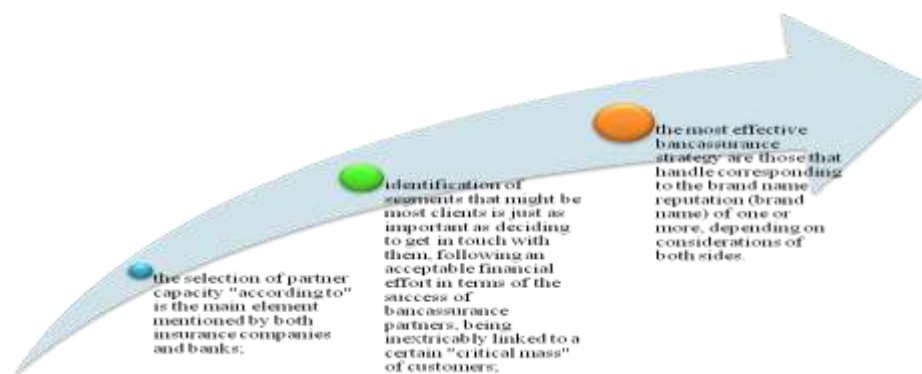
Although the offer of life insurance through banks was the starting point of all bancassurance known relations, currently we can speak of increasing demand for other types of non-life insurance, especially in large organizations. However, life insurance hold a significant share.

We can illustrate the interface between banks and the insurance terms of the offer with the following schema:

*Interaction of banks-insurance*



The transfer of this valuable experiences by developing markets, among which the Eastern European markets hold a place worthy of interest, constitute an important concern. If, in a few years ago there was a small blanket with good incomes, population consuming an important parts of bancassurance products, along with economic development, it began to represent a sufficiently interesting target for banks to consider appropriate to an aggressive development of their offerings in the retail distribution sector. "Critical factors" [2] which determines the success of bancassurance in a market in training are:



In this sense, the Romanian experience is a fair illustration of the way in which the factors listed above make their influence felt. Partnerships Raiffeisen Bank-AIG Life, BRD-GSG-Aviva, Ion Tiriac Bank-Allianz together distribution resources of banks with the most extensive distribution network and with a large retail clientele, with the offer of insurance companies which hold a notable international experience in the field of bancassurance. in the same vein, it is worthy of mention and the initiative "financial services supermarket"

created by BCR Group, which offers the public a portfolio of integrated financial services able to capitalize on all the strengths of classical bancassurance partnerships.

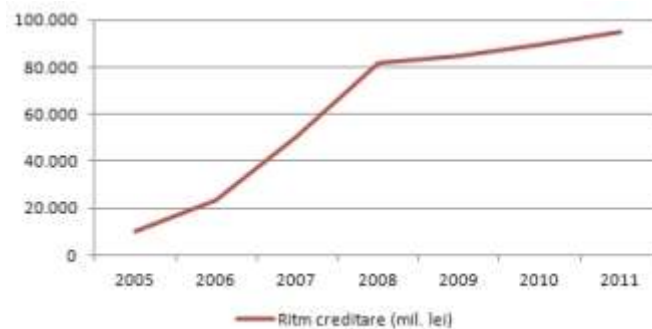
In Romania, the banks are the second most important channel in insurance distribution-especially those attached to the banking products, loans and current accounts-price increases in the sector generating steady revenue for the industry.

Due to the financial crisis, but especially to prudence in granting credits (both retail, micro, and corporate), banks are seeking new sources of revenue, and the work of bancassurance is, clearly, an important potential source of revenue. Thus, in financial markets, meet the interests of two of its major components:



The first product of Romania of bancassurance was released in 2001 by BRD and Aviva life insurance (taken in the meantime by the Metropolitan Life). Since then and until now, banks have been transformed into crisis, in one of the main channels through which they are sold life insurance, bancassurance channel contributed by more than 25% on business insurers.

In the next graph, which treats the evolution of increasing life insurance market and lending rate before and after the crisis, has shown a similar trend with regard to development. A large part of the business of the insurers comes from sales in the segment of bancassurance, which shows that life insurance market was and is still dependent on lending in the banking sector, in particular before the crisis.

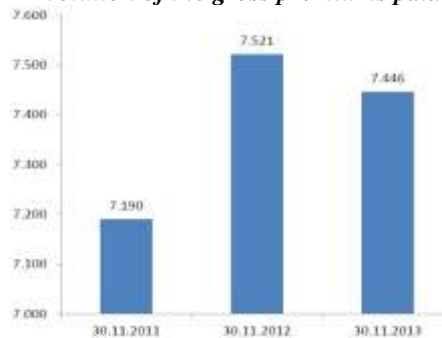


Sursa: [www.wall-street.ro](http://www.wall-street.ro)

According to estimates by ING life insurance in 2012, bancassurance market reached a volume of underwritten gross premiums of about 500 million lei, which represents about 28% of the total gross premiums in the life insurance industry.

The aggregated analysis of the data supplied by the Financial Supervisory Authority for the first 11 months of the year 2013, the volume of gross premiums for two categories of 7.445.889.620 lei, registering a decrease of 1% from the same period of 2012 ( 7.521.374.996 lei), according to the graph no. 2:

**Evolution of the gross premiums paid**



Source: [www.asfromania.ro](http://www.asfromania.ro)

Insurance companies assume risk reviews in Exchange for payment of premiums that are placed under the legislation following a cluster of uncertainty. Both banks and insurance companies are financial intermediaries that allow customers a key monetary usefulness over time.

#### 4. Conclusions:

In a competitive environment, quality becomes an important factor. Even when the services efficiency reaches a certain level and it becomes the standard in the banking sector, may maintain differences regarding the \"human side\" of the provision of services: direct relations between the Bank and client staff. The ever-changing banking operations require special skills on the part of Bank staff, established itself in this regard efforts to raise the quality of labour skills. This is a very important area, and the banks that provide a high level of service quality they extend in this way, the segment of the market. The services offered to clients involves the manner in which Bank staff treats the customers: politeness, timeliness, efficiency, level of training, the customer satisfied being an essential aspect in maintaining and developing banking affairs.

This even more so if there is a tendency of depersonalisation of the relationship between the Bank and the customer: on the one hand, economic agents are becoming more dependent on banks, given that the interest of the banks to meet the demands of clients and universal operative generalize. On the other hand, banks are formed in what they can offer them to our customers and have an interest in a particular bank collapses in favor of option for any bank. The Bank also features at home lead to diminishing the personal relations between customers and banks.

Strategic alliances with various merchants or insurance companies, along with alternative distribution channels, not only does it lead to the diversification of banking services sold, but changes and cost structure. The Bank manages to go in this direction, the better prepared for the future. Banking services are more or less comparable, the most important criterion for remaining price competitiveness. How much a bank can take better control costs, with both its market position will be more solid. Given the severe competition for customers, the use of new distribution channels is absolutely necessary in order for banks to improve the quality of services provided, to increase their market share, reduce costs and increase profit and.

Implementation and development of technological innovation offer both banks and customers many advantages: (for banks): time savings; staff orientation toward consulting activities; diversification of services and products; increase efficiency; enhancing competitiveness and efficiency; (for customers): time-saving, convenient in maintenance of accounts, both in the country and abroad; conduct real-time transactions; lower fees than those charged at the bank counter, but also higher interest on deposits made via internet banking.

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