

## THE COMPARATIVE ANALYSIS OF CARDS ISSUED IN ROMANIA. THE ELECTRONIC PAYMENTS BASED ON THE VISA CARD

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### **Abstract**

*The electronic payments are a significant invention of sec. XXI, on the background of the development of telecommunications information technology in Romania. The spread of computers, public, fast and cheap telecoms, large-scale networks, and the Internet have created national, regional and global infrastructure, the current electronic payment systems, electronic money transfers and today's infrastructure of developed and developing economies. The electronic payment systems are the most dynamic part of the computerized, digital, local, regional and global economy. The components of the systems are card payment systems, e-commerce, and interbank and inter-company electronic transfers, with Visa and MasterCard telecommunication networks, the Internet and the SWIFT network.*

**Keywords:** *electronic commerce, infrastructure, computerized economy, electronic transfer*

**JEL Classification:** *O33, O34*

### **1.Introduction**

The term "personal electrical" (e-crom) is one of the things that I have much talked about is that the meter is a meldable medium for the masses of the mass. That is what happened a great deal in the last five years, a fact that made me more aware of the fact that you were getting the Intrnnet to know.

E-commerce is still in its infancy still in Romania. Customers still have concerns about this type of trade due in particular to emerging security issues (theft of IDs, passwords, credit card numbers, personal data privacy, etc.). This is due to the fact that many companies have not adopted the appropriate electronic model for their electronic commerce or are having difficulty integrating orders related to securing the Web site and the information gathered online in the company's current business.

However, it is certain that the number of e-shop customers and companies adopting e-commerce solutions is steadily increasing. Many Internet service providers popularize the online purchasing system just to give you added confidence and consideration.

The work is focused on the identification of the main models of the banks, the banks issuing and accrediting the boats, the use of the company's use of the company, the use of the lane and the vat.

### **2. The role of VISA card payments who that contributed to the decrease of tax evasion in Romania**

The sudden rise and the impetus of e-commerce change the business world, threatening not only the existence of firms but the whole industry. Some industries have been forced into strong restructuring, while other new businesses and other ways to drive old businesses are developing. This new business environment is, at the same time, frightening as a bidder for new opportunities.

Internet technology can be used to transform the way businesses work. It can be seen as a new outlet, but it can also be seen as a new infrastructure, like railways, offering an infinite

range of opportunities for new initiatives.[1]

Many purchases of goods and services over the Internet are paid using regular bank cards (Visa, MasterCard, etc.). Card transactions, however, contain confidential card information and customer personal information, which can be intercepted during Internet transmission. Without any special software, anyone who monitors traffic on the network can read the contents of this confidential data and use it later. It is necessary to develop specific payment system standards that allow the coordination of the legitimate parties involved in the transfer and the correct use of the security methods. We mention the following types of security protocols: SET (Secure Electronic Transaction), Cybercash (PayPal), and 3D Secure.[2]

To make e-commerce transactions, the two parties in the transaction (buyer and seller) need the following:

A. The seller - needs a purchaser - a financial institution - which establishes the seller's account and processes its card payment authorizations. Additionally, there is a need for a website provided with a program (plugin) provided by an electronic payment processor. In our case, we focus on the following two processors: GECAD ePayment and ROMCARD. In this paper, we will go shopping on two websites: one enrolled by GECAD ePayment, the other enrolled by ROMCARD, through a partner bank. In addition, we will see the similarities and differences between the two cases.

B. The buyer needs - usually - a card issued by a credit institution (the bank) that allows the conduct of e-commerce transactions on the Internet. Not all card types support this, but most newly issued cards make it technically possible to run them. We have to stress that security is the key criterion in choosing such a card. In the present study we have chosen a Visa Electron card, issued by BCR, because it is simple and convenient to ask for it, and the amount required for opening the initial opening balance is only 10 lei; Additionally, this type of card can enroll 3D Secure.

The stages of obtaining the 3D Secure Card are:

The buyer will have to go through the following steps in order to be able to conduct on-line Internet shopping through 3D Secure transactions, as instructed by the card issuing bank (in our case, BCR):

- a. Getting the card
- b. Pre-roll it to the 3D Secure service
- c. Activate 3D Secure

The benefits of 3D Secure are as follows:

- From the cardholder's point of view: his card being registered with a password, the thief can not pass the authentication process if he does not know that password;
- From the vendor's point of view, 3D-Secure enrollment of the site must take place for all types of card schemes that allow payments for those transactions that took place with the cards in the specified card scheme.

o If the customer crosses the login section of the site card, then surely that card is genuine

o If the cardholder claims a transaction he did not participate in, then the seller enjoys the so-called "responsibility transfer", ie the responsibility for the fraud lies with the card issuer and not with the seller.

If the cardholder notes an irregular transaction, it is advisable to talk with the seller (the merchant). If there is no agreement between the two, the cardholder should talk to the card issuer who, in turn, should unblock the money corresponding to that transaction. These situations may arise for various reasons, such as:

- The cardholder did not receive the goods / services he paid for

- The cardholder has been subject to payment several times
- The cardholder either did not participate or did not authorize the transaction on that card

The banking system is one of the most important structures of the market economy, or, most importantly, the most important, the banks being the mediators of the redistribution of capital, contributing substantially to the increase of Romania's Gross Domestic Product. Modern banks provide a wide and multifaceted spectrum of services to their clients - from traditional ones (credit, deposits and settlement), which form the basis of the banking business, to modern ones related to new financial instruments, fiduciary services, investment operations. [3] To exist, banks need customers - "depositors and addicts". Different types of clients have different requirements, in line with their business or personal needs, providing an important potential for banking business development. The analysis of the total number of clients indicates that a large number of bank customers are individuals, besides legal entities, private and state-owned companies. However, a natural person customer can only be described as a person holding a bank account for personal use, usually with an attached card. As a percentage of total customers, one can notice a great difference between individual and corporate clients. Legal entities have relatively small shares of individuals. Among other clients, insurance companies are highlighted and there is an increasing trend in their number, more pronounced than in state-owned companies.[4]

Cards are tools to make a payment for a product or service, based on a system based on a contractual basis between the holder, the issuer and the merchant or service provider. It is a modern credit instrument used by bank customers, both in lei and in foreign currency.

The use of the Visa Classic card in EU countries gives us the opportunity to go without having to worry about foreign exchange and money in your pocket.

Thus, tourist services such as: car rental, car fuel, accommodation, air ticket, etc. have become very accessible, we do not ask the banks for the exchange rate at which the transaction is being calculated, because (the VISA Classic card issued by Bancpost) the debit of transactions in the account for card transactions takes place within the deadlines stipulated by the regulations of the International VISA International .

The settlement currency between the Bank and the International VISA International Organization is RON for national transactions (a transaction made in a Romanian trader whose accepting bank is in Romania, and the transaction receipt is in RON), respectively USD, EURO, for international transactions (transaction made with a merchant whose accepting bank is outside Romania or is made with a Romanian merchant whose accepting bank is from Romania, but the transaction currency is different from the RON).[5]

For International Transactions, the International VISA Card Organization performs the foreign exchange transaction between the transaction currency and the settlement currency of the Bank, if different, at the exchange rate of the International VISA Card Organization as of the date of settlement of the transaction.

If the account currency for card operations differs from the Bank's settlement currency, the International VISA Card Organization shall effect the currency conversion between the two currencies and the Bank shall debit the Cardholder's account for card transactions with the transaction amount and the related commissions in the equivalent currency of the account, at the exchange rate of the International VISA Card Organization on the day of debiting the transaction.

Replacing cash payments with card payments is accelerating, according to annual results for Romania reported by Visa Europe, which reveal that the number of transactions made with Visa cards issued in Romania directly to traders increased by 20.7% in the financial year 2016, seven or faster than the number of cash withdrawals (3%). The number of transactions with Visa card merchants, both at POS and online, represents 45% of all transactions with

Visa cards.

According to the Visa Europe report, the value traded on merchants in Romania for Visa credit and business cards increased by over 40% in 2014, according to data released by Visa Europe.

The number of Visa POS transactions grew by more than 30% in 2014, accounting for about 37% of all Visa card transactions, up from 32% in 2013. Visa Visa Visa Amounts increased by 29.2% , representing 16.5% of total Visa card spending. At the same time, the average value of the transaction at the SOP continued to decrease, to 38.1 euros, confirming the tendency to use Visa cards for daily payments, lower in value.

As far as credit cards are concerned, the figures show that credit card holders were predominantly limited to buying commodities. The average value of the credit card transaction at POS decreased by 6.6%, indicating that the Romanians reduced the high value expenditures, while the total value traded at POS increased by over 44%.

The business card segment also recorded an increase in all of the indicators. Thus, several Visa business cards (up by 19.4%) were issued, the volume traded on these cards was higher, both as a total (50%) and only at POS (48.5% ). The number of trades at traders increased by 38.7%.

The card market in Romania for Visa has continued to grow rapidly in recent years, despite difficult economic conditions. More and more Romanians have begun to better understand the many advantages of cards, using them more and more often for smaller value shopping.

Credit and business cards have reported double digits for all indicators, noting being the increase in the number of POS transactions with credit cards of nearly 55%.

The number of Visa cards increased by 4.5%, to 6.85 million Visa cards in Romania. Debt cards represent the bulk of the portfolio, accounting for almost 80% of total debit card transactions.

Expenditures on merchants on Visa cards issued in Romania increased by 16.2%, while the total amount spent increased by 10.7%, to 19.3 billion euros. Average merchant trades declined by 3.7% to reach the threshold of 35 euros, demonstrating that Romanians use their Visa cards to make frequent and lower value payments directly to traders. By comparison, the average value of the card transaction at merchants in Europe is 48.8 euros. In 2016, the Visa card portfolio issued in Romania remained stable at 7.15 million cards.

The business card segment for the third consecutive year saw a two-digit increase in all of the indicators. Thus, more Visa cards for companies (plus 13.9%) were issued, which were used to achieve higher total spend (plus 17.2%, to 4.24 billion euros) and more transactions to merchants (plus 20.8%). A quarter (25%) of the total spend on merchants with Visa cards is made on business cards.

The number of transactions made with Visa debit cards to merchants (POS and online) increased by 20.7% in 2016, while the average value of payments made directly to merchants declined by 3.5%. At the same time, the value of payments to merchants with debit cards advanced by 16.4%.

Also, credit cards recorded a solid evolution, as the total number of transactions made directly to traders increased by 20.5% and the amounts spent increased by 13.4%. Visa Europe data shows that Romanians are increasingly using credit cards for lower value items, the average value of payments made with these cards to merchants declining by 5.9%.

Consumer behavior in Romania is changing rapidly, and this is reflected in the increasing use of cards to merchants. Thus, 45% of all transactions on Visa cards take place directly at traders and are fast moving towards the threshold where one of two transactions with a Visa card is made directly to merchants for the Visa portfolio.

In the financial year 2016, around 628,000 transactions were made with Visa cards each

day, with 60,000 more transactions a day compared to 2015, according to the Visa Europe 2016 Visa Europe and Croatia Report.

According to the Report for the third consecutive year, Visa Europe's revenues were above the € 1 billion threshold (€ 1.2 billion), a solid performance in the current economic context. A growing percentage of Visa Europe revenue is generated by new products and services: contact less has become a mass technology with remarkable growth, mobile payments are now a reality, e-commerce is growing rapidly in Europe, and Visa e-wallets are already active on European markets.

The Visa report shows that in Europe the sums spent by cardholders have reached 2,000 billion euros, as expenditures made directly to POS increased by 8.5% to 1,400 billion euros.

Visa Europe currently accounts for 15.4% of consumer spending in Europe - 1 euro of every 6.50 euro spent in Europe is on a Visa card - almost three times the share of 2000 when the company accounted for 5.6% of consumption expenditure.

The Outlook for 2018 with Visa cards issued in Romania directly to traders shows that by the end of 2018, one in two transactions with a Visa card will be made to traders, this is the intention of all banks.

Card payments reached a new historical peak last year, according to NBR data, cardholders made payments at POS terminals installed by banks in stores amounting to 19 billion lei (4.2 billion euros) in the first two months of 2017 , up 16% over the same period in 2017.

Cash withdrawals from ATMs continued to grow, but at a slower rate of 8%. The withdrawn amounts on cards reached 86 billion lei (19 billion euros) after the first two months.

In the past five years, the amounts spent on cards have doubled, including as a consequence of the increase in the acceptance network, but cash withdrawals from ATMs continue to represent the bulk of transactions, as many Romanians still empty their accounts at the ATM on the pay day. At the end of January, the banks had 11.4 million active cards in their portfolios, half a million units above the same period last year.

### 3. Conclusions

In Romania, the electronic payments are on the rise - the number of cards (most of visa and mastercard) has now exceeded 5 million and e-commerce is in the process of intense development.

It is certain that the number of e-shop customers and companies adopting e-commerce solutions is steadily increasing. many internet service providers popularize the online purchasing system just to give you added confidence and consideration.

security is a problem that has to become a basic component for all e-commerce websites, its importance being increasingly taken into account by companies that have adopted this form of trade lately such as the negative experiences of ecommerce web sites that have not taken the necessary web security measures and have suffered from the exploitation of existing security vulnerabilities by hackers. this has affected the image of these companies and has led to major financial losses.

For the future, we expect a higher degree of security of web sites. in this respect, it is envisaged to design a system that will impose a standard for classifying the vulnerabilities of software products, depending on their degree of risk.

the system will provide a common language for describing the importance of security issues, replacing those developed by each individual provider.

Concluding, we can say that e-banking activity is still creating problems for both banks

and those regulating this activity. therefore, it is necessary to continue working, both at national and international level, in order to identify and remove barriers that may hinder the e-banking activity.

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