



## **DEVELOPMENT PROSPECTS FOR THE FINANCIAL-BANKING PRODUCTS AND SERVICES**

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### **Rezumat**

Problemele actuale apărute la nivelul sistemului economic și caracterizate, la modul general, prin înscrierea în categoria fenomenelor de criză economică, induc efecte în toate domeniile economice, respectivele efecte fiind atât de natură pur economică cât și de natura comportamentului în cadrul pieței.

În ceea ce privește piața bancară, aceste efecte vizează, în primul rând, modificări de situații în direcția respectării, de către bănci, a standardelor de prudență și rentabilitate, respectiv problemele economice actuale ale pieței bancare determină atât o creștere a factorului “risc” cât și o scădere a factorului „rentabilitate”.

Pentru societățile bancare situația creată determină reorientări la nivelul strategiilor de piață ceea ce implică reorientări corespunzătoare în direcția strategiilor de management.

Principalul obiectiv strategic tradițional al băncii, respectiv, considerat la minimum ca menținerea cotei de piață, impune, în noile condiții, identificarea și atragerea în portofoliu a noi segmente de piață în relație cu care banca să poată dezvolta relații stabile, corespunzător obiectivului de sustenabilitate a afacerii bancare.

### **Abstract**

The actual situation concerning the macroeconomic system evolution, namely, as a general description, the economic crises phenomena, is followed by effects developed in the most of the

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economic fields. These effects nature is either economic or behaviour ones.

Regarding the bank market, the named effects push new situation of the banks strategies for maintaining the optimum levels of risk exposure and economic performances due to the rising of the market risk characteristics as well as the diminishing of the market economic performances characteristics.

For banks, this situation makes compulsory new directions for market and management strategies.

The main strategic objective of the banks, namely the maintaining of the share, make compulsory, in the new conditions, the identifying and attracting of new market segments for making possible the development of sustainable relationships.

**Keywords:** bank, profitability, income, products and services, sustainability, strategy, market.

**Jel classification:** G 21

### **PROBLEM SETTING**

Under the current conditions, the effects associated to the phenomenon of economic crisis determine, via various channels of transmission, the shrinkage of the economic activities.

On the banking market the resulting effect is pressure on the development of the banking business, both by a lower demand for banking services, and by a higher risk level at economic scale.

Starting from these aspects the banks will be confronted with a risk for lower profitability because of the depressed potential of the income sources from products and services.

This state of the macroeconomic system, seen as destabilising factor for the business environment in general, and for the banking business, in particular, requires with necessity the adoption, as priority strategic objective, of business sustainability.

The main managerial solution is to expand the portfolio of banking products and services towards market segments which may ensure the sustainability of the banking business.

Having in view the mentioned aspects, the purpose of this study is to identify directions of sustainable development of the banking business under the conditions induced by the evolution of the

economic crisis process. It focuses on aspects associated to the banking business that will necessarily lead to the adoption of non-banking products and services and will make the banking societies to increase their level of universality due to the strategies they will adopt to ensure business sustainability.

### **PERSPECTIVES OF THE DEMAND FOR FINANCIAL-BANKING PRODUCTS AND SERVICES**

The forecast of the demand for banking products and services is the basic element in the development of the banking strategy for the subsequent period. Therefore, the study of the phenomenology associated to the formation of the demand for banking products and services is essential for the elaboration and adoption of strategies which to ensure banking business sustainability.

#### **Modalities of formation of the demand for financial-banking products and services**

The sources of the formation of the demand for financial-banking products and services are:

- Choice of the beneficiaries
- Creation of demand by the bidder.

Correspondingly, the interests of the initiators of the process of formation of the demand for financial-banking products and services are:

- To activate programs which will satisfy their own needs
- To build a market segment based on the identification of a potential for demand.

#### **Factors determining the characteristics of stability of the demand for financial-banking products and services**

When the demand for financial-banking products and services forms due to the choice of the beneficiaries, the characteristics of stability of the demand and the corresponding determining factors are:

Table 1

No.	Characteristics of demand stability	Determining factors
1.	- market segment stability	- continuity of the purchasing power trend; - level of development of the business environment.
2.	- demand stability	- continuity of the purchasing power trend; - level of development of the business environment.

When the demand for financial-banking products and services forms due to the creation of demand by the bidder, the characteristics of stability of the demand and the corresponding determining factors are:

Table 2

No.	Characteristics of demand stability	Determining factors
1.	- market segment stability	- banks standing; - quality of the process of bank-client relation development
2.	- demand stability	- quality/price ratio of the offered products and services

### **ANALYSIS OF THE OFFER POSSIBILITIES ON THE SIDE OF THE FINANCIAL-BANKING SOCIETIES**

Correspondingly to the forecasting of the demand for financial-banking products and services, the minimal objective of the elaboration of the offer of products and services will be to maintain the market share by replacing the unsustainable market segments by segments that provide sustainability for the banking business; beyond this minimal objective, the bank will adopt strategies for market creation to increase its market share by adopting products and services that fit a potential demand.

#### **Modalities of formation of the demand for financial-banking products and services**

The sources of the formation of the demand for financial-banking products and services are:

- The response of the financial-banking society to the actual increase of the demand as direct result of the formation of demand by the beneficiaries of financial-banking products and services

- Continuation of the process run by the financial-banking society to construct the market by creation of potential demand with the view to transform it into actual demand.

Correspondingly, the interests of the initiators of the process of formation of the demand for financial-banking products and services are:

- To activate programs which will satisfy their own needs
- To build a market segment based on the identified potential for demand.

**Factors determining the characteristics of stability of the offer for financial-banking products and services**

When the offer for financial-banking products and services forms due to the choice of the beneficiaries, the characteristics of stability of the offer and the corresponding determining factors are:

Table 3

No.	Characteristics of demand stability	Determining factors
1.	- market segment stability	- continuity of the purchasing power trend; - level of development of the business environment.
2.	- offer stability	- continuity of the purchasing power trend; - level of development of the business environment.

When the offer for financial-banking products and services forms due to the creation of demand by the bidder, by building a market segment based on the identified potential for demand, the characteristics of stability of the offer and the corresponding determining factors are

Table 4

No.	Characteristics of demand stability	Determining factors
1.	- market segment stability	- stability of the demand; - degree of correspondence, analysed statically and dynamically, between beneficiaries expectation and the possibilities of the offer

2.	- offer stability	- quality/price ratio of the offered products and services
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### **FACTORS DETERMINING THE ORIENTATION OF THE BANKING PRODUCTS AND SERVICES WITHIN THE CURRENT MACROECONOMIC SITUATION**

Presently,

- The trend of the demand for “credit-type” banking products and services is decreasing both as volume and as typology because of the following factors:
  - o Lower purchasing power
  - o Lower demand and offer of products and services
  - o Harsher conditions for credits due to the higher exposure to risks
- The trend of the demand for “non-credit-type” banking products and services is increasing both as volume and as typology because of the following factors:
  - o Concern of the financial-banking societies to create new market segments as means to increase the risk distribution level and to compensate for the negative gap of the incomes due to the lower demand for “credit-type” banking products and services
  - o The slow, yet actual, increase of the demand for “non-credit-type” banking products.

### **ANALYSIS OF THE DEMAND FOR DEVELOPMENT IN THE FIELD OF FINANCIAL-BANKING PRODUCTS AND SERVICES**

#### **Main motivations**

The variants of the process of development in the field of financial-banking products and services delivered by the specialised societies are:

- Development of new products and services
- Development, within the existing programs, of new products and services in terms of:
  - o diversity

- typological subclasses

The main motivations to implement development programs in the field of financial-banking products and services are:

- increase/maintain the market share even under the conditions of lower demand for the existing financial-banking products and services
- higher level of risk distribution under the conditions of higher risk exposure.

### **Identification of the main products and services necessary to be introduced/developed**

Areas of interest necessary to be introduced/developed for the non-credit financial-banking products and services in particular and for the non-area products in general whose demand is lower. This concerns the areas for which a potential demand has already been identified.

The following areas have been identified:

- accounting and payments
- operations with bonds and securities
- foreign currency operations
- deposits
- *e-banking*.

### **Identification of the financial-banking products and services, new or necessary to be expanded within a bank**

According to the selected areas, the following items have been identified:

- new financial-banking products and services:
  - in the field of the communications with the bank:
    - *phone-banking*
    - *financial new space* – designed to eliminate the necessity of the presence at a bank or at an ATM, by using a special card connected to a wireless communication system, for a fast and safe processing of banking operations and to receive on-line banking information; the financial-banking institutions have to implement own programs for wireless communications

and required connections and own procedures and conditions of utilization; the service is currently developing in the Far East.

- financial-banking products and services that have to be expanded:
  - o in the field of the operations with bonds and securities:
    - anticipation
    - lumping
    - third party guarantee
  - o in the field of the foreign currency operations:
    - currency exchange
    - foreign currency biddings
  - o in the field of deposits:
    - *on-line* deposits
  - o in the field of the communications with the bank:
    - *e-banking*
  - o in the field of accounting and payment:
    - bill payment
    - cross border payments:
      - telegraphic transfer
      - international banking checks/bills of exchange/promissory notes
    - national payments:
      - national banking checks/bills of exchange/promissory notes
      - direct credit – ACH/GIRO
      - banking transfer RTGS
      - interbanking market transfers

**Identification of jobs, new or necessary to be expanded, within a bank – case study for the current situation of the banking market in Romania**

The identified occupations correspond to the necessity to implement new financial-banking products and services or to develop the financial-banking products and services under conditions of optimal functionality.

Distinction has to be done here between the new occupations and the existing ones. Our analysis uses the following definitions:



- new occupation: an occupation that doesn't exist within the organisational structure of a bank
- existing occupation: an occupation that exists within the organisational structure of a bank, even if it is not stipulated in C.O.R.

On the Romanian banking market some occupations exist in the organisational structure of some banks, maybe even with different assignments and relations, but they are not generalized for overall banking system and, most probably, they are not included in the C.O.R. Our analysis considers as new occupations only those that doesn't exist in the organisational structure of any bank within the Romanian banking system, the other category being the existing occupations; our argument is the following: we can not admit as existing occupation only that occupation that is generally valid for the organisational structure of all the banks within the system, because such an approach would breach the principle of bank's liberty to size its organisational structure even under the conditions of excluding some occupations that could be potentially introduced.

***New occupations proposed for the organisational structure of a bank***

- in the field of the communications with the bank:
  - o regarding the "*financial new space*": – designed to eliminate the necessity of the presence at a bank or at an ATM, by using a special card connected to a wireless communication system, for a fast and safe processing of banking operations and to receive on-line banking information; the financial-banking institutions have to implement own programs for wireless communications and required connections and own procedures and conditions of utilization; the service is currently developing in the Far East..
    - client advisor for "*financial new space*":
      - place of work: *front office*
      - required studies: medium level
      - job description: direct relation with the client; promotes bank's "*financial new space*" products and services; guides the client to define his/her options; prepares the process of analysis of the particular bank-customer

relation in the field of the “*financial new space*”; maintains the data required for the real time updating of the client database; reports to the head of the “*financial new space*” department; transmits to the database administrator the data required for the real time updating of the client database.

- “*financial new space*” client database administrator:
  - place of work: *back-office*
  - required studies: medium level
  - job description: relation with “*financial new space*” client advisor; maintains “*financial new space*” client database; reports to the head of the “*financial new space*” department; transmits to the database administrator the data required for the proper functioning of the “*financial new space*” client database
- “*financial new space*” client communication network administrator:
  - place of work: *back-office*
  - required studies: medium level
  - job description: relation with “*financial new space*” database administrator; receives and uses the data necessary to check the functioning of the “*financial new space*” client communication network; analysis the quality of functioning of the “*financial new space*” client communication network; identifies the problems with the proper functioning of the “*financial new space*” client communication network; remedies the defective operation of the “*financial new space*” client communication network; reports to the head of the department of communication networks administration.

**Occupations necessary to be expanded within the organisational structure of the bank. Proposals**

- in the field of the operations with bonds and securities:

- advisor operations with bonds and securities:
  - place of work: *front-office*
  - required studies: medium level
  - job description: direct relation with the client; promotes bank's products and services in the field of the operations with bonds and securities; guides the client to define his/her options; prepares the process of analysis of the particular bank-customer relation in the field of the operations with bonds and securities; maintains the client database; reports to the head of bonds and securities department; transmits the data to the bonds and securities operations analyst
- bonds and securities operations analyst:
  - place of work: *back-office*
  - required studies: higher economic education;
  - job description: relation with the advisor operations with bonds and securities; case analysis according to the bank-customer relation pertaining to the activity of the bonds and securities operations analyst; proposes the terms and conditions of the relation with the client for bonds and securities operations; proposes the scenario of running the relation with the client for bonds and securities operations revealing the opportunities and risks, reports to the head of bonds and securities department;
- administrator operations with bonds and securities:
  - place of work: *back-office*
  - required studies: higher economic education;
  - job description: relation with the advisor operations with bonds and securities, relation with the risk administrator; relation with the administrator of treasury operations; checks the scenario of running the relation with the client for bonds and securities operations with highlighted opportunities and risks; administers the operations with bonds and securities;

- reports to the head of bonds and securities department;
- in the field of accounting and payments:
    - o bills payment department:
      - client advisor accounting and payments:
        - place of work: *front-office*
        - required studies: medium level
        - job description: direct relation with the client, promotes bank's goods and services in the field of bill payment particularly and accounting and payments in general; collaborates with the cashier transmitting over the data required to charge/credit client account; collaborates with the administrator of the client bill payment database sending over the data required for database updating; reports to the head of department
      - cashier:
        - place of work: *front-office*
        - required studies: medium level
        - job description: direct relation with the client, collaborates with the client advisor to get the data necessary to finalise the operations; collaborates with the administrator of the client bill payment database to get the data necessary to finalise the operations
      - client bill payment database administrator:
        - place of work: *back-office*
        - required studies: medium level
        - job description: collaborates with the administrator of the client bill payment database and with the cashier to get/relay the data necessary to finalise the operations
      - bill payment administrator:
        - place of work: *back-office*
        - required studies: medium level

- job description: collaborates with the administrator of the client bill payment database and with the cashier to get/relay the data necessary to finalise the operations
- in the field of “*e-banking*”:
  - client advisor *e-banking*:
    - place of work: *front-office*
    - required studies: medium level
  - client *e-banking* database administrator:
    - place of work: *back-office*
    - required studies: medium level
  - *e-banking* communication operations administrator:
    - place of work: *front-office*
    - required studies: medium level
  - *e-banking* communication network administrator:
    - place of work: *back-office*
    - required studies: medium level