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THE FUTURE OF BANKING SERVICES IN THE REPUBLIC OF MOLDOVA IN THE CONTEXT OF THE FINTECH DEVELOPMENT

VIITORUL SERVICIILOR BANCARE ÎN REPUBLICA MOLDOVA ÎN CONTEXTUL DEZVOLTĂRII TEHNOLOGIILOR FINANCIARE

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Rezumat. *Băncile tradiționale s-au bucurat de multă vreme de un monopol pe piața financiară de pe tot globul. Tehnologiile financiare (FinTech), care sunt larg răspândite în sectorul bancar de astăzi, reprezintă o evoluție revoluționară pentru toate țările, inclusiv Republica Moldova. După globalizare, băncile au început să fie martorii unei concurențe tăioase din partea altor bănci în a oferi clientului o gamă largă de produse/servicii tehnologice de ultimă generație, o experiență favorabilă pentru clienți, o rețea bună de sucursale bancare, privilegii, servicii promoționale. Această cercetare își propune să analizeze produsele și serviciile actuale care au fost implementate în Moldova și se bazează pe proiecte FinTech, precum și tendințele internaționale care ar putea influența sectorul bancar național. Digitalizarea sectorului bancar din Republica Moldova se dezvoltă cu pași accelerați, băncile implementând soluții de înaltă tehnologie pentru nevoile clienților lor, inclusiv Internet Banking, Mobile Banking, precum și diferite transferuri rapide fără numerar, soluții moderne de plată și identificarea biometrică în aplicațiile mobile. Odată cu schimbările continue și radicale ale tehnologiei, băncile se transformă, de asemenea, profitând de tehnologie. Covid-19 a perturbat fiecare industrie la nivel global și a forțat întreprinderile să-și schimbe modul actual de a face afaceri, oamenii și companiile bazându-se mai mult pe digital banking în activitățile lor zilnice.*

Cuvinte cheie: digitalizare, client, bancă, COVID-19, gestiune, tehnologie, deservire calitativă.

JEL CLASSIFICATION: F62, F66, G21, H12, O31, O33

INTRODUCTION

Traditional banks, for a long time, have enjoyed a monopoly in the financial market across the globe. They are licensed, highly regulated, and compliant bodies of their respective nations – well supported by the ruling national governments to shape the economy

After globalization, banks started witnessing cut-throat competition from other banks in providing the customer with a wide range of high-end technology products / services, good customer experience, a good network of bank branches, privileges, promotional services, and so on.

The Financial Technologies (FinTech) which are widely spread in today's banking sector are a groundbreaking evolution for all countries, including Republic of Moldova. Digital technologies are reshaping payments, lending, insurance and wealth management – a process that COVID-19 pandemic has accelerated. [1]

This research aims to analyze the current products and services that were implemented in Moldova and are based on FinTech projects, as well as the international trends that might influence our national banking sector.

CONTENT

The technology boom in developed and developing countries has slowly moved from Internet banking to mobile banking and is now taking a new direction toward digital banking. We can see a new revolution evolving with an increase in the usage of mobile gadgets, telecom, and data services at affordable rates, regulated e-commerce platforms assuring security, and the emergence of new market players with growing customer awareness and expectations.

After the technology boom, competition in the banking sector became extensive and included non-banks who provided products / services in the niche areas of banking revenue. Banks slowly started feeling the pinch of growing customer acceptance of such non-banks or start-ups, threatening them with their competitive high-technology low-cost products / services to keep customers delighted and raise the bar of expectations. [2]

In January 2021, Moldovan commercial banks collected a profit of 165.8 million lei. The registered value exceeding the one notified in the first month of 2020 by 5.1 million lei. Interestingly, over 90% of the total profit is held by only four commercial banks, which are in the same time and the banks with systemic importance for the Moldovan banking sector, the banks and the profits being presented in Figure 1.

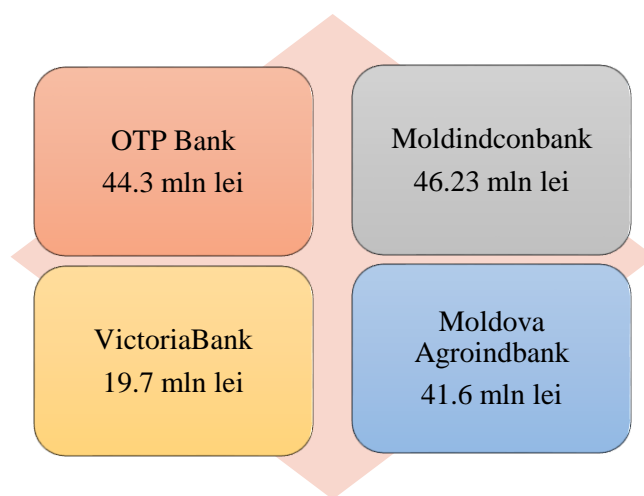


Figure 1. Top 4 banks in the Republic of Moldova in terms of profit, 2020
from the National Bank of Moldova. Available at:

<https://www.bnm.md/bdi/pages/reports/drsb/DRSB6.xhtml>

Source: Elaborated by the author based on the information

These non-banks could be giants in other businesses or could also be startups with no business presence. Many such non-banks started identifying and targeting different high-growth areas of the banking business and using their core competencies to demand a share of the banking

Analyzing the digital transformations of these 4 main banks in the Moldovan banking industry, including their annual reports and the press releases, we can mention several changes.

In the last years, all 4 banks have accelerated their transformation of the IT infrastructure and have advanced in the digitalization projects, invest in modernizing the IT infrastructure, to cover the

bank's ambitions to implement the new FinTech solutions, part of the development and digitalization movement which is currently spreading.

In the case of OTP Bank this was manifested through accelerating the launch of Internet and Mobile Banking services in the pilot phase, at the end of 2020. As well, OTP Bank has strengthened the commercial offer in digital solutions for treasury management of multinational companies, focusing on digital alternative services. In order to meet the digital requirements of bank's clients, the OTP

Bank team has been enrolled within complex project for modernization of local solution for Internet and Mobile Payments. Moreover, unlike the other banks in the country, the bank introduced electronic bank guarantee within the frame of a Pilot Project being the only one bank on the market having this solution. [3]

One of the strategic goals of VictoriaBank includes the digitalization of products and services. In this direction the previously launched Garmin Pay service became available in 2020 for Mastercard cardholders as well. The number of users of remote service systems is increasing, with web-banking increasing by 30.1% and by mobile-banking by 58.3%. The total number of operations increased by 40.1% and their volume increased by 28.1%, increasing at a faster rate than during 2019. Digitization will be a priority for the Bank in the coming years, so that it can respond and anticipate how much better present and future customer requests, and as well keep up with the other banks as it's digitalization goes in a slower rhythm. [7]

Moldindconbank's information system is in continuous improvement and development. What is specific for this bank is that it is the undisputed leader in the ATM segment in the Republic of Moldova being the first bank that implemented ATM Cash-In, including multi-currency, the first bank that implemented cash-by-code technologies and P2P transfer to ATMs. The Bank has unique systems for remote payment service through money remittance systems and is operating in this area with 8 systems. Remote service systems for individuals are also intended for mobile devices offering solutions on Android and IOS platforms. [4]

Maib is developing the quality of its remote relationship with customers, focusing on the development of digital services that offer convenience, speed and flexibility. What is particular to maib is the implementation of new functionalities in the area of digitization of traditional banking services, such as: opening an account/card, making deposits, taking out loans. In addition to the developments in the digital area, the Bank implemented new solutions for the Contact Center activity, internal accounting and human resources management. Of major importance is the launch of the implementation of the complex business process management platform, with the following processes already in production: customer relationship management and processes designed to support Retail and SME sales activities. The implementation of systems aimed at streamlining activity in the areas of cash management and purchasing has been launched. [5]

All these transformations were backed-up by the increasing evolution of transactions conducted in the Republic of Moldova and abroad with cards issued by Moldovan banks as it is seen in Figure 2 and Figure 3 where we can see that non-cash payments become more and more popular.

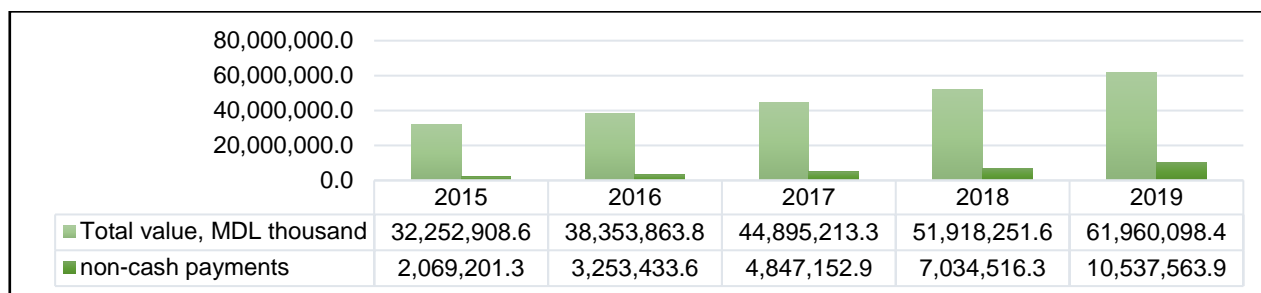


Figure 2. The value of transactions conducted in the Republic of Moldova by means of cards issued in the Republic of Moldova

Source: Elaborated by the author based on the information from the National Bank of Moldova. Available at: <https://www.bnm.md/bdi/pages/reports/dsp/DSP1.xhtml>

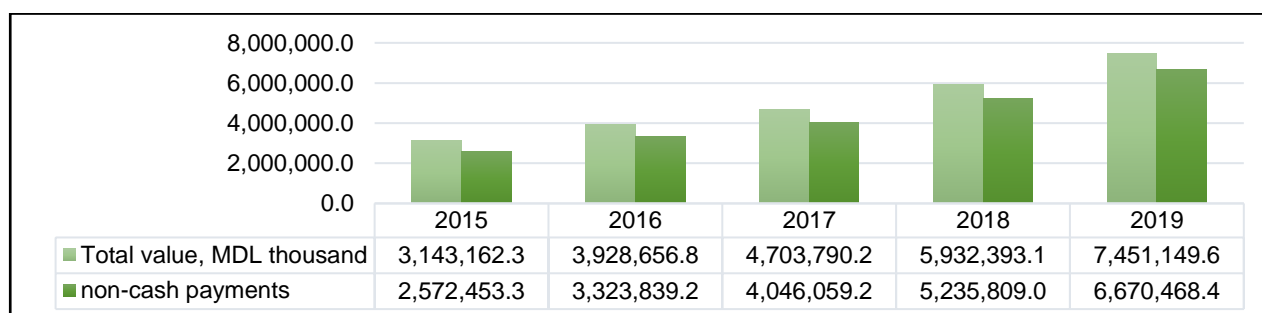


Figure 3. The value of transactions conducted abroad by means of cards issued in the Republic of Moldova

Source: Elaborated by the author based on the information from the National Bank of Moldova. Available at: <https://www.bnm.md/bdi/pages/reports/dsp/DSP1.xhtml>

Analyzing the international digital trends in banking, we can mention 5 most cut-edging trends which are widely spread and soon or later will be implemented on the Moldovan market.

Firstly, the most widespread trend is the personalized products and services. Big data, Artificial Intelligence and machine learning encourage financial marketers to offer more personalization to consumers. In this digital era, personalization doesn't merely refer to fundamental data such as a customer's name. Instead, it includes knowing your customers' likes and dislikes and developing unique packages of banking products and services for each customer as per their requirements and desires.

Secondly, we can mention the targeted services provided through artificial intelligence. The trends in digital banking for 2022 suggest using real-time AI-based bots to gather information about customer preferences. Financial marketers can leverage this data and advanced analytics to provide predictable personalization and delight their customers.

Thirdly, the cloud computing is highly adopted by banks. There has been a massive growth in the use of cloud computing in digital banking innovation trends. We can expect a massive shift towards cloud computing in the banking industry for 2022 because it provides banks with such benefits as: cost efficiency, global scalability, increased productivity, speed, adequate security, reliability, and convenience.

Furthermore, an important feature that clients look for is security and privacy. Banks and theft has a parallel relationship. With newer digital banking products and services, customers are now more exposed to the threat of losing money. Cybersecurity is now becoming a major customer demand for any digital bank.

Lastly, the improvements that banks implement must be easy to use. A user-friendly and intuitive graphics interface is now a major requirement of any service. Tailored mobile banking super apps are more popular than limited functionality tools. So, we can expect newer features and functionality from banking apps in 2022. [6]

CONCLUSION AND RECOMMENDATIONS

The digitalization of the banking sector in the Republic of Moldova is developing with accelerated steps, the banks implementing high-tech solutions for the needs of their clients, including Internet Banking, Mobile Banking, as well as different fast cashless transfers, modern payment solutions and biometric identification in the mobile apps.

Even though the international trends regarding the FinTech use in the banking sector show that Moldova's banking industry digitalization is behind, our commercial banks are in constant development, becoming closer to their clients from the point of view of digital solutions, adopting the international trends that fit Moldovan market, as not all innovations could be suitable for the client portfolios of the banks.

The recommendations we could suggest for the Moldovan banks would include:

- implement advanced technologies such as AI, cloud computing, and machine learning to gain a competitive edge over others;
- adapt the internal policies and standards in order to become much more open and customized;
- introduce tailored products to cater to the new needs of their customers;
- learn to act quickly as the new age customer service and support want to spend as less time as possible doing their transactions and banking needs;
- create a better visualization, privacy, and cybersecurity as it will gain much more importance in the upcoming months and years.

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