

# Analysis of Electronic Banking and Its Impact on the Excellence of Banks in Croatia

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## Abstract

Internet, as a global communications network, forms electronic market and the supply of many new services which have a huge impact on business and society. IT has made enormous changes in the financial sector and today is an important factor for the successful achievement of banks targets. Bank information systems are the basis of each bank and without these extremely complex systems, today there would be neither internet banking, nor mobile and it is no surprise that the banks give special attention to precisely these systems in order to be successful in the market where customers' expectations rise as each day passes by.

This paper has defined five approaches which lead to business excellence banks, which together form a system. It presents the research which will provide answers to various questions related to analysis of implementation and functionality of e-banking services in the Croatia. The purpose of this study was to observe the concept of business excellence and whose improvement leads to more performance. Considering that the banking is an important part of the economy and it is closely associated with the technology, conducted research will answer the variety of questions and user needs while visiting the banks Websites.

**Keywords:** electronic banking, business excellence, economy, electronic business, Croatian banks

**JEL classification:** G21, O30, M21

## Introduction

The development of information technology and the development of telecommunications, crowned by development of the Internet, directly contributed to the birth of the so-called the new economy. In terms of the focus of production activities "moved" from the material sphere in the area of services and information becomes essential business resource.

For more than two decades, the question was: Will e - business ultimately represent a revolution in the way of business enterprises or normal development of an enterprise? Although the time was too early to categorize e-business as a revolution, certainly was that e - business is not a "silver bullet", but a useful tool for the company and the performance and execution of tasks.

Electronic business is a modern form of business organization which involves intensive application of information and, in particular, Internet technology in all key and core business functions and processes. Today, it is the most modern form of business organization, where all the weight of the company focused aggressive conquest of better market positions and intensive development of business activities. Also, the

system is executing all elements of the business activities of the economic process electronically and creating additional value by using ICT technologies.

In order to achieve the company's competitive advantages, business excellence has become the strongest asset. Business Excellence, as a term, refers to the excellent management organization by achieving top results, where the user, customer causes, not only a pleasure, but also enthusiasm product or service, so that organizations with excellent results tends to create lasting excellence. The aim of this paper is to establish and define the selection of the key dimensions of business excellence and analyzing the banks Web sites to investigate to what extent the banks in Croatia attach importance of the concept of business excellence and customer orientation through information and data offered on its Web sites.

This paper consists of 6 parts. The first and the second part define purpose and theoretical determinants of business excellence, while the third part refers to the methodology of research. The fourth part describes the research of business excellence through data collected from the Banks Web sites in Croatia and the fifth and sixth part are related to the discussion and conclusion of the study.

## Literature overview

During the 80s, it has been recognized the importance of the concept of quality and excellence in the world. It all starts in Japan, with appearance of the Deming Prize for quality in 1951. After the awards, in the world was recognized the strategic importance of quality, excellence and appearing criteria, components, systems which were assessed at the strategic level, and as a result models, frameworks of business excellence were appearing (Žilić, 2012).

Those companies which have implemented a strategy of operational excellence within their organizational structures have been identified and become a model of best practice. Such companies succeeded in their business, implement a strategy of operational excellence and achieve high scores and performance. (Goldsmith et al., 2003) According to Dooley et al. (2015) one of the world's most famous models awards for quality and business excellence are: American model of business excellence (Malcom Baldrige Award model), European model (EFQM), Australian Business Excellence Model, Canadian Business Excellence Model, Singaporean model, The Deming Prize for quality.

The main topics of business excellence, according to Samardzija et.al (2009), are related to: leadership, focus on the customer, strategic alignment, organizational learning, innovation and improvement, development of partnerships, management processes based on facts, focus on the results and social responsibility. These themes of business excellence are very important for the organization, and to achieve competitive advantages of higher organizational performance and operating efficiency. Over the last ten years, the Internet has changed the rules for practically all industries, including the banking sector. Internet based applications have become an important vehicle for product marketing and distribution for many businesses. Internet banking, as a financial innovation and means of intermediation, has grown considerably during the last decade.

## Methodology

Nowadays, it is necessary to be online. Internet is one of the most important tools of promotion and Website creates the first impression about the company. When information about the company and its services is needed, first thing explored is Websites and all related Internet content. As the basic for conducting research in this

paper, used was a sample of all 30 banks operating in the Republic of Croatia, from the list of banks in the Republic of Croatia published on the Website of the Croatian banking association (2014). Data were collected in the period from 01 August (the beginning of the research) to 01 September 2014 and descriptive statistics methods with inductive conclusions were used.

Based on previous research by various authors and models of excellence, authors defined the concept of the five dimensions of business excellence, which together form a system. These five dimensions are adapted to the banking business and analyzing Web sites of banks, which are: customer (client) and market focus, banking business success, management innovation process, lifelong learning and professional development, and corporate social responsibility.

## Results

The main goal of this paper is to define a set of key dimensions of business excellence and establishing their impact on bank operations and customer satisfaction. First dimension in the authors' model of excellence of banks is Customer (client) and market focus. When choosing a bank, major role have clearly identified information and data services on the Web pages of banks. Table 1 represents available general bank information of Croatian banks.

Table 1

Available general bank information on Websites of Croatian banks

<b>Forms of communication with clients</b>	<b>Share of Croatian banks which have the stated element on their website</b>
<b>Headquarters</b>	<b>100,00%</b>
<b>Branch network locations</b>	<b>96,67%</b>
<b>Working hours</b>	<b>83,33%</b>
<b>ATM network locations</b>	<b>76,67%</b>
<b>ATM availability, functionalities</b>	<b>76,67%</b>
<b>Companies registration code</b>	<b>100,00%</b>
<b>Bank account number</b>	<b>100,00%</b>
<b>SWIFT</b>	<b>90,00%</b>
<b>IBAN</b>	<b>96,67%</b>
<b>Banking advertising slogan</b>	<b>43,33%</b>
<b>Banking logo</b>	<b>100,00%</b>

Source: Author's table

Finding headquarters, branch locations, information about working hours or all related information on ATMs is highly important. Information about headquarters is available on Websites of all banks, just as company registration code, bank account number and logo. Finding ATM machines together with all background information is available on Websites of 76.67% Croatian banks. Banking advertising slogan is important for only 43.33% of banks as an important part of branding and advertising.

Table 2 shows list of languages on Websites of Croatian banks and it clearly shows that all Websites are available on official language and only 66.67% of them on English. Italian is available on 6.67% Websites, German on 3.33% and French on none of them. One language is available in 30.00% of all Croatian banks Websites, two languages in 60.00%, three languages in 6.67% and four languages in 3.34% of them. Non-banks have choice of five languages on their Website.

Table 2

List of languages on Websites of Croatian banks

<b>Forms of communication with clients</b>	<b>Share of Croatian banks which have the stated element on their website</b>
<b>Official language</b>	<b>100,00%</b>
<b>English</b>	<b>66,67%</b>
<b>German</b>	<b>3,33%</b>
<b>French</b>	<b>0,00%</b>
<b>Italian</b>	<b>6,67%</b>

Source: Authors' table

Regarding communication channels with clients on Websites of Croatian banks, contact data, telephone, telefax and e-mail are clearly stated on every single one Website. Following dimension is Banking business success. The success of the banking business is based on market position, customer satisfaction, their loyalty, personalized service and profitability. Table 3 shows available financial information on Websites of Croatian banks. Information on share capital and total assets is available on every of them. Financial reports are available on 90.00% of Websites. Number of branches is available on 73.33% of Websites, but information like number of employees or number of clients is noticeably lower, under 50%.

Table 3

Available financial information on Websites of Croatian banks

<b>Available business information</b>	<b>Share of Croatian banks which have the stated element on their website</b>
<b>Share capital</b>	<b>100,00%</b>
<b>Total Assets</b>	<b>100,00%</b>
<b>Number of branches</b>	<b>73,33%</b>
<b>Number of employees</b>	<b>46,67%</b>
<b>Number of clients</b>	<b>30,00%</b>
<b>Financial reports</b>	<b>90,00%</b>

Source: Author's table

Dimension management innovation process is related with all different forms of communication banks have with their clients, pointing on new customer relationship management tools. Table 4 shows usage of Web 2.0 technologies and availability of mobile applications for using banking services. Regarding Web 2.0 technologies, Facebook is mostly common as a form of communication, and 36.67% of banks have direct links on their Websites, following is YouTube with 16.67% links, LinkedIn, RSS, Chat, Blog all share same percentage of 6.67% and Google + and Flickr links are available on 3.33% of Websites. Mobile application of 50.00% banks are available on Apple store and on Google store 46.67% of them.

Table 4

Usage of Web 2.0 and mobile technologies on Websites of Croatian banks

<b>Forms of communication with clients</b>	<b>Share of Croatian banks which have the stated element on their website</b>
<b>Web 2.0 tools</b>	
Facebook	36,67%
Twitter, Instagram	0,00%
Google +, Flickr	3,33%
LinkedIn, RSS, Chat, Blog	6,67%
YouTube	16,67%
<b>Mobile applications</b>	
Apple store	50,00%
Google play	46,67%

Source: Author's table

Economic growth is increasingly driven by knowledge, and no country can remain competitive without applying knowledge. In the 21<sup>st</sup> century, workers need to be lifelong learners, adapting continuously to changed opportunities and labor market demands of the knowledge economy. (Fretwell et al., 2002) Bank are trying to create a quality environment and working conditions for all its employees, while providing education and professional training which is fourth dimension in authors' model.

In developed countries, for a long time there is a practice of social responsibility entities to participate in solving problems in the community and society (Bezovan, 2002). Corporate social responsibility, as last of authors' dimensions, is defined by the International Business Leaders Forum (IBLF), and it stands for promotion of responsible business practices that help achieve social, economic and environmentally sustainable development, maximizing the positive effect of economy on the society, while minimizing the negative effects. All banks in Croatia have recognized the importance and pay much attention to corporate social responsibility, with 46.67% of available information on their Websites, continuously investing work and effort to facilitate adequate development and permanent improvement of the quality of living in the communities it operates in. Showing available press elements are available on 96.67% of Websites and newsletter on only 20.00% of them.

## Discussion

There are for sure many key dimensions of business excellence which have impact on bank operations and customer satisfaction and banking business overall, but those listed in this paper are considered, by the authors, to be most important based on research.

Electronic banking is now settled in the offer of every modern bank which brought the revolution in banking business by lowering costs while increasing bank profit.

Banks in Croatia could contribute to the popularization of the use of Internet services by establishing a direct online system of communication with clients via Facebook or Twitter, instead of traditional reliance on telephone support. The limitations in this research are related to the banks activities through the Web sites, especially lack of available data. Customers can get more information about the service in the branch office, than it is available on the Web sites which means that the banks should even more turn to online business. Internet generation and other citizens certainly would be more comfortable and faster to find all relevant information on

the banks Web sites since that way of communication and business is much faster and time saving. But despite the simple introduction of this communication channel, only 14.92% of Croatian banks are using Web 2.0 technologies which are a sign that banks haven't yet decided to do so.

## Conclusion

Based on the all stated through the paper, it could be concluded that the business excellence has become the most powerful means to achieve competitive advantage, and complete quality management path that ensures support of excellent results in the future as recognized by many companies in the world. By conducting the analysis of different models, it was found that in all models emphasis was on customer satisfaction, staff and community but banks need to put more effort to do business faster and efficiently.

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