

THE ANALYSIS OF CARD MARKET FROM ROMANIA

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Abstract. *One of the most popular technologies in the banking world is without doubt the card, the electronic payment instrument that made it possible the emerge of electronic commerce. Taking a large part of the counter-office operations, the bank card allowed officials to orientate towards more complex and personalized services that increased customer satisfaction degree. The success of the card was quick and its emergence represented a turning point in the history of payments, in general, and in the history of non-cash payments in particular. It is one of the great achievements in the field of banking technology as a result of the outstanding progress from electronic technology regarding information and telecommunications. The card comprises a complex of innovations in terms of both industrial technology and the security of information circulation and banking processing techniques.*

Key words: *bank card, payment, payment instrument, electronic money, bank.*

INTRODUCTION

In this paper we present an analysis of the Romanian card market.

The card is a revolutionary innovation that could be applied due to progresses in computer and electronic domains that can facilitate the exchange of funds through electronic techniques between trading partners through banks. The card has definitely entered in the payment instruments family when applying all the innovations has proven to be effective, meaning equipment and network prices have become accessible, to both banks and the population, the main beneficiary, who could make payments without using the cash. [5, 7]

The card is an electronic payment instrument, meaning a standardized support of information, secured and individualized, that allows to its holder to use its own cash resources from an account opened in its name at the issuer of the card or to use a credit line, within the limit of a ceiling set in advance by the issuer in favor of the cardholder. [6]

Documenting the work consisted of bibliographic data from various sources, statistical publications, processing, in association own research that formed the basis of the calculations, analyzes and ideas raised in the paper.

SHORT HISTORIC REGARDING THE APPEARANCE OF THE BANKING CARD

The payment card was issued in the United States of America in 1914 and was issued by Western Union, with the purpose to encourage purchases and increase the loyalty of its customers. Through this card could only be made purchases at this company. [1, 2]

Luis Mandell, a banking activity researcher, believes that the first mass payment card system was "Diners Club", created in 1949. One of the main differences of this system, among others, was that between customers and companies that made not only goods but also services, there was an intermediary organization that took over the settlement. This feature allowed the "Diners Club" to become the first universal card in the mass [2, 3]

In October 1958, the first American Express card was issued, and in one year this company comprised 32,000 businesses and over 475,000 cardholders.

In the 1950s, over 100 USA banks began their own programs regarding credit cards.

In the early 1970s in USA, were created two basic competitors in the universal banking card market: NBI (National BankAmericard Inc.) and ICA (Interbank Card Association). Among the non-bank universal cards are "American Express". [1]

The first use of cards with magnetic tape dates back to the early 60's when the London Transit Authority has installed the magnetic tape in order to enter information on the holder's account. With the introduction of the banking cards with magnetic tape have become increasingly popular due to the increased security of the customers' savings, convenience and later due to the possibility of using the banking card at the terminals and ATMs of the commercial banks. [7]

Until 1966, customers could only use their own savings on their current account, and the concept of making profits, commercial banks have created the first credit cards. The brilliant idea of charging interest for the money used by customers was based on the business of tax collection. [7]

Once what bank cards could make a profit, in the year 1966 Bank of America has created the BankAmerica Service Corporation, which later created the brand BankAmericard as a franchise. This brand is nowadays recognized as Visa. In the same year, a group of issuing banks has created the InterBank Card Association in order to create a new national system of bank card that has as purpose the direct competition with the Visa program. That system was known as MasterCharge, nowadays - is recognized as MasterCard Worldwide.

In Western European countries, cards appeared around 1960, but expanded only after the year 1980. In the last decade of the 20th century, as a result of the massive financial efforts carried out by banking institutions in advanced countries, the material basis of payments operations have increased to such an extent that the use of cards has reached unimaginable odds. Cards have become the preferred tool for small value payments initiated by individuals holding bank accounts, which in the advanced countries form an important part of the banking clientele. [1, 2, 7]

After following the first steps taken before 2000, the card market has grew significantly, reaching at the level of the previous year's that traded sum to exceed net cumulative gross value registered on the insurance market (gross written premiums), leases (contract value) and mutual funds (net asset value).

Another recent trend in the card market is the use of bank machines. The year 2008 represent an explosion in the use of these devices for other transactions than withdrawals. Recharging phone cards and paying bills, credit rates, or transfers meant over two million transactions. [8]

While plastic bank cards have been standardized for half a century, new recent developments demonstrate the creation of some alternative forms of payment methods. One of the recent innovations is payments through electronic purses and even implantation of chips into mobile phones or other devices. Bank cards are considered as a preferred payment method by most of their users, and therefore commercial banks are always implementing new security enhancement technologies as well as significantly reducing the time for each transaction. One of the most popular innovations created for bank cards is contactless technology that is rapidly spreading.

Cards have expanded very rapidly, including more and more countries, with the most popular cards being VISA and MASTERCARD, which cover approx. 90% of transactions. In Romania, the first card operations were made in 1980 at the ONT (National Tourist Office) to pay for travel services by foreign citizens, and the first cards (VISA) issued by the Romanian banks were launched in 1995. [2, 3, 7]

CARD MARKET FROM ROMANIA

The payment instrument called "payment card" or "card" has been regulated, on Romanian territory, since 1995, with the adoption of modern monetary techniques and the issuance of the first bank cards in Romania, and, currently, the regulation in this field was revised and adapted to the requirements of harmonization with European Union legislation.

The adoption and introduction of payment cards presents a number of benefits, among which we can mention: the elimination of classical payments; substantial reduction of time and expenses related to making payments; eliminating the lengthy process of authorizing payments and printing lists of people who use fake checks without cover in a bank account; rapid verification of the payment card and its holder through the computer. [5, 6]

Card products are also used for customer loyalty, representing a way to attract customers, and a potential market for other products and services offered. Under the fierce competition from the banking market, card products can be a very effective way of loyalty.

The card market from Romania is in a maturing process because it had to recover a handicap for several decades in the conditions in which financial-banking services were not a temptation for many citizens.

Card types. Commercial banks and financial companies have offered and offer a wide range of card products. It is constantly pursuing the development of products close to the needs of customers, as well as the offering of new products, often considered in the moment of launch as revolutionary.

A variety of payment cards are currently in circulation, existing in reality one book for each application. Card typology is complex, and there are other possible complementary classifications. Classification of payment cards takes into account a number of criteria, the most important being their grouping according to the functions performed, the way of securing the security features and the quality of the issuer.

Essentially, the main types of cards are: credit cards, debit cards and multipurpose or derivative cards. [1, 2, 3, 7]

Debit cards. The first cards that appeared in Romania were debit cards. Their role was to accustom the population with electronic payments and to discredit the use of cash. These goals remain valid and will continue for several decades until most of the population will understand this.

In terms of banks that offer debit cards, they are an efficient and inexpensive means of attracting short-term availability from the economy. Card account balances, even if in many situations are relatively small, through summing represents a financial resource that can be capitalized with a much higher yield than the interest paid.

The success of the debit cards was ensured by promoting them to pay salaries. Wage cards offer the certainty of their regular use at least one or two wage feeds and as many withdrawals. Commercial banks have often put pressure on companies to enter employees' cards. [6]

Credit cards have seen a boom in recent years on the frame of the diversification of credit products. The success of consume credit has also attracted taking into account in a large measure of the facilities offered by the credit cards.

The advantage of the credit offered on the card is that it is not necessary to nominate the destination of the amounts and allows the credit to be used within the approved ceiling without further approvals.

Some banks have tried to limit the use of credit cards for cash withdrawals by introducing prohibitive withdrawal fees or simply by limiting cash withdrawals to a certain amount (usually a percentage of the loan amount). [1, 2, 3, 7]

Face cards are still at the beginning. The Romanian market is trying to line up with the new world technologies. Chip cards are more expensive than classic ones, and perhaps a reluctance of cardholders to migrate to this new product.

National infrastructure is not fully prepared to recognize these cards. The ATM network has been more thoroughly prepared for this, but traders have many terminals incompatible with these payment instruments. [1, 2, 3, 7]

Owners' cards (both debit and credit cards) did not enjoy of a real success because they did not provide a great infrastructure for their use. Cardholders are particularly interested in the cash-out network (ATMs and POS cashier-mounted), although gradually there is seen a reorientation trend through retailer networks.

Banks wanted to use these products to promote their brand more aggressively, but customers first weighed the facilities offered through these products.

The first owner cards were issued by BRD under the name of Prima, but they were withdrawn relatively quickly (in 1999) when the bank began issuing cards under international names. Another more successful attempt was Card Avantaj issued by Finnasbank, but this card has also been transformed into a product bearing a universally accepted logo. [1, 2]

Co-branded cards represent the result of collaboration between commercial banks and renowned economic agents. Cards are issued by the bank, but if they are used for shopping at the partner's economic agent, various benefits can be obtained: grace periods, loyalty points, discounts, the possibility of buying in installments, the possibility of obtaining a credit, etc.

Co-branded cards are generally issued under the logo of an international specialized organization. In this way, cards benefit from all the benefits of a similar card issued under the same logo.

New co-brended of the banks is credit cards. These cards are offered primarily through some commercial bank agents placed with the partner trader or through the bank's agencies opened in partner stores. It is also possible to exclude the mediation by the employees of the partner in exchange for possible commissions. [7]

Promotions have represented a great way to attract new customers in the banking system, including by issuing their cards. The promotions not only aimed at widening bank clientele, but also persuading them to use cards in a large measure to merchants.

The organization of promotions has been taken over by international specialized bodies. They came up with the initiative of organizing such promotions, and the partner banks to join to the idea by assuming the personalization of the promotional materials with their own logo. There were also banks that refused to participate because they thought that the financial effort was not justified. [2]

In some situations, even commercial banks have developed their own promotions to encourage the use of the bank card. Also in this category are the marketing activities undertaken by banks with the occasion of launching new card products or in the moment when the old offer has been renewed.

Specialized international organizations have often appealed to non-bank partners who promoted the use of cards within their units. Stable partners were pharmacies, gas stations or supermarkets. These categories of traders lead in statistics as being the categories of traders where the bank card is most commonly used.

Promotional environments were mainly the networks of participating banks.

This method of promotion proved effective in case of loyalty to existing customers, not to attract new customers. So advertisements have also been made in the print and audiovisual media.

Table 1

Indicators regarding cards from Romania

Date	Number of cards issued	Number of valid cards in circulation	Number of active cards
2008	22,851,795	13,584,130	11,075,764
2009	25,272,697	12,886,339	11,536,052
2010	30,197,848	12,604,226	11,200,867
2011	35,422,029	13,348,529	10,771,042
2012	39,446,289	13,705,007	11,082,608
2013	42,677,409	14,148,692	11,332,368
2014	45,943,211	14,102,052	11,386,193
2015	46,809,834	14,960,560	11,033,726
2016	47,755,794	15,961,494	11,868,358
Jun., 2017	47,464,096	16,173,734	12,399,548

Source: <http://www.bnro.ro>

Card issuers (mainly financial and banking institutions) carry out activities specific to this field based on rules established by international organizations that have a global and unitary application. Obviously, the regulation of card operations is mainly provided by national law, but this is inevitably adapted to international requirements. In the case of Romania, as well as the other states of the European Union, the national regulations have been harmonized according to the Community ones. Moreover, starting with the year 2010, with the creation of the Single European Payment Area, the legislation of the European states will respect the same normative. [9, 10]

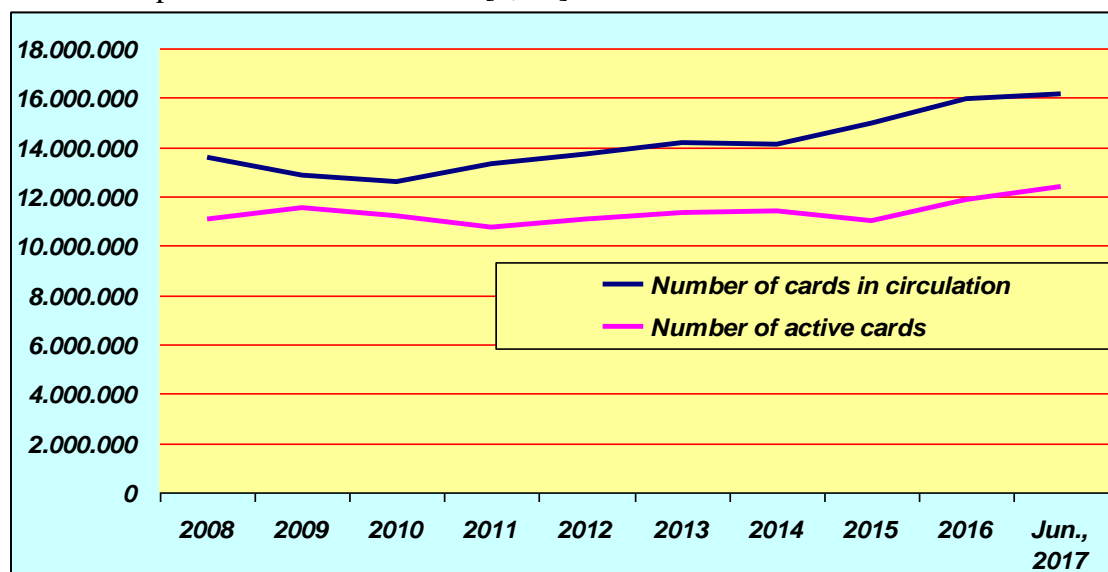


Figure 1. The difference between valid and actual cards

Source: <http://www.bnro.ro>

Banks' participation in card business for which the trademark owner is an international card payment organization such as Visa, MasterCard, American Express, JBC, Diners Club International, is governed by the provisions contained in the Accession Agreements to such organizations and by the Contracts licensing of trademarks and is subject to the standardized rules and procedures of these organizations regarding card operations. [2]

Salary cards are currently the most active cards in terms of frequency of use. Credit cards have just begun to be used by a larger number of people.

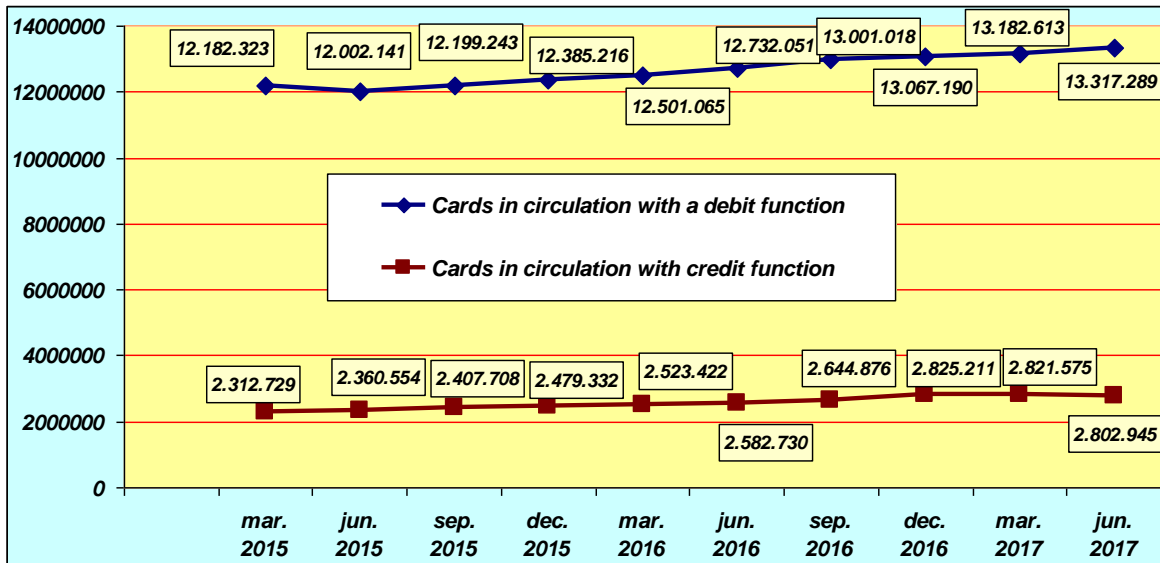


Figure 2. Evolution of valid debit and credit card portfolios from circulation

Source: <http://www.bnro.ro>

A report realized by NOCASH shows that after 2009, which we associate with the beginning of the economic crisis in Romania, during March 2015 - the first half of the year 2017, was recorded the best evolution of the card market. It is a justified action, if we associate with the fact that during this period a sustained macroeconomic evolution was registered in Romania. [11]

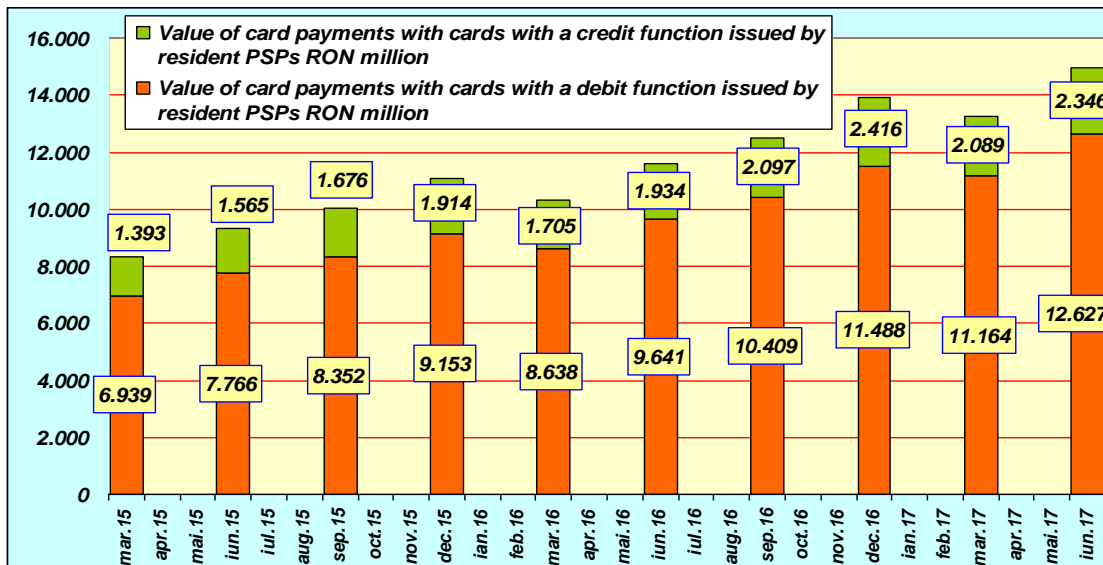


Figure 3. Amounts spent on cards

Source: <http://www.bnro.ro>

This development is reflected in the growth of the cards portfolio and their utilization rate. Thus, between 2015 and June 2017, there was an increase in the value of valid cards in circulation by 1.2 million, from 14.9 million to 16.1 million. A significant increase is noted in the case of credit cards, from 2.4 million to 2.8 million (figure 2).

Also, in the period 2015-middle of the year 2017, there was an increase in the gap between the valid cards in circulation and the cards actually used.

A number of 47.4 million cards, including co-branded and with function of electronic money, were issued in Romania by June 2017 according to the National Bank of

Romania, from which valid cards in circulation (including co-branded and with function of electronic money) totaled 16,173,734.

At the end of 2008 at the time of the crisis, the Romanians had 13.5 million cards, of which number subsequently dropped with almost one million, due to the recession, to 12.6 million.

The number of valid cards has resumed its rise since middle-2011, reaching to 13.3 million at the end of that year. In 2013, the total number of cards reached 14.1 million.

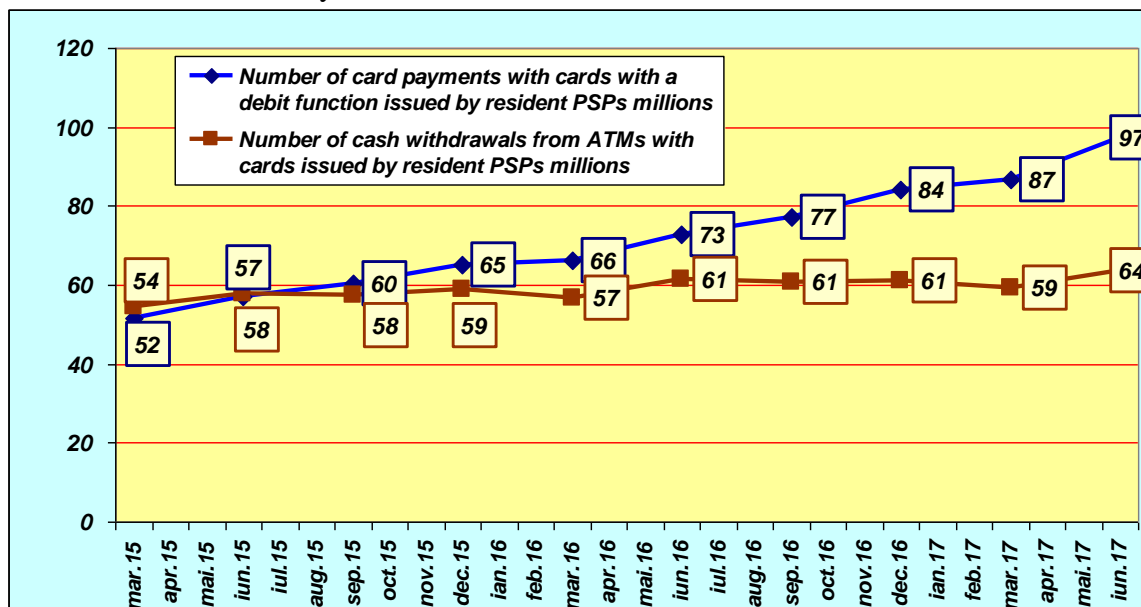


Figure 4. Degree of cards use - number of transactions (million lei)

Source: <http://www.bnro.ro>

The custom of cash withdrawal from ATMs continues to represent the wholesale of card transactions in Romania, in the conditions in which most of the users use the card only on a salary day. Even if the number of cards issued by banks has doubled in recent years (over 47 million units), there are currently around 12.3 million active cards in Romania, and the value of POS transactions with cards issued by resident PSPs is 9656 million lei, while the value of cash withdrawals from ATM with cards issued by resident PSPs is placed around the amount of 41495 million lei, according to NBR data. [9]

A comparison between January-June 2016 and the same period in 2015 (figure 3) indicates an increase in card-traded amounts by 14.5% in 2016. Card payments have increased by 55% in the last two years.

Cardholders are divided into three categories: those who use the card once a month, when they withdraw their salary from the ATM (40%), the segment of those who make payments with the card, but exceptionally, when they go abroad, three times a year (30%), and those who make regular payments. [9]

The fact that most people still choose to buy their wallets is proof of the lack of financial education. Many do not know that on payment through POS terminals, the final customer does not pay commission, which is paid by the merchant to the bank.

CONCLUSIONS

Bank cards have transformed from a luxury means to one of the most popular and useful items that make life easier for each of us. Although this piece of plastic does not seem safe at first sight, it is one of the safest ways through you can make payments and bank transactions.

Today the entire civilized world tends to minimize the use of cash. The high efficiency of international card systems has ensured continued development, and wide spread worldwide. The creation of some global payment systems such as Visa and MasterCard Europe has given to customers the opportunity to take of all advantages that offer bank cards anywhere in the earth globe. Analyzing trends in the development of bank card business in the world denotes annual increase in the number of cardholders. The current situation from the card market can be characterized as a continuous boom.

Currently, there is a wide variety of cards issued by banks, credit institutions, merchants, service providers, etc. These offer many advantages to the owners, most obvious being the substitution of traditional cash payments or checks. In addition, regardless of the issuer, cards offer today consumers multiple facilities: the possibility to increase their collateral; the possibility to subscribe to different insurance variants; the opportunity to participate in programs for loyal buyers.

So, no matter if we're talking about cards that allow payment in speed, cards that remind us of the most beautiful holiday spend with family and friends, or cards made from an exclusive material, all these products say something about us-whether we are passionate about the most modern technologies, either nostalgic, affectionate supporters or long-distance travelers. This represents much more than a payment instrument, represents an unprecedented experience, in the true sense of the word.

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