



The Process Of Adapting Innovations In Banking Services By Businesses In Kosovo

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Abstract

This dissertation addresses the importance of a business model from businesses in Kosovo, which is able to adapt innovations from the banking sector such as digital services, and through which become part of a global market where such developments occur step by step. very fast At the beginning of this paper will be given definitions related to the main concepts that are addressed such as business model, innovations in banking services - digitalization of services and the role and importance of linking a business model with banking services of the time. After the theoretical part, from which the main concepts of this paper are understood, the process of adaptation of innovations in banking services by businesses in Kosovo is presented, the difficulties that businesses have gone through to adapt these services as well as the banking sector to transmit them. to customers the latest services they offer. At the same time, the investments of the banking sector in the digitalization of services in countries with developed economies and the pace that the banking sector in Kosovo is following will be presented. And at the end of this paper are given recommendations that can be used by various companies in the country which still have reservations to adapt such a service technology in the bank and can understand that the use of digital banking services creates the opportunity for a easier business management, increasing money security, avoiding fraud and other benefits.

Keywords: Business model, Service digitalization, Innovation, Adaptation

1.1. Difficulties in adapting innovative banking sector services by businesses in Kosovo

In the past when we did not encounter a rapid development of technology, businesses in Kosovo usually had a simple management system. Mainly records are kept manually for the operational activity such as: business turnover is recorded in the notebook, level of goods as well, accounts receivable, payable and almost all other records for important information are recorded manually.

This has caused difficulties especially when a company has had to make some improvements, there has also been a risk of losing this information as they were only physically marked and have not been able to maintain

it as we have now thanks to innovations in technology. At the same time, any information had to be recorded from beginning to end, unable to copy the basic information which also serves to complete other documents.

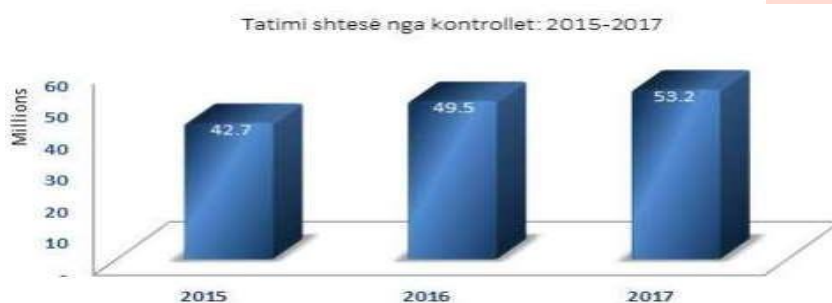
With the development of technology, especially with the advent of computer use all these aforementioned difficulties have now been minimized. And with the use of the internet now almost everything has become much simpler, as information in addition to being stored on computers or other accompanying devices, they can also be stored in e-mails which could be used by businesses in any moment they need.

Given the fact that Kosovo is a country in transition, emerged from the war, many businesses did not use enough banking services due to the circulation of business with cash which most of these funds were not even declared as a result of a non-cash system. adequate audits of businesses by the Tax Administration of Kosovo. These difficulties were also carried over from the past where businesses operated going through many risks just to support their families.

From the post-war period, thanks to the continuous investments made by the banks, most of which are international, and also thanks to the investments of the emigrants of their capital, both human and material, in Kosovo, the businesses took a successful path. development.

In Kosovo, although there is still a less favorable economic environment, the banking industry has had a rapid and stable development. This was achieved thanks to the trust that citizens had in the banking system but also due to the care shown by banks in investment policies.²⁰ With the strengthening of the control criteria by the Tax Administration of Kosovo, they made the businesses increase the awareness that their turnover is declared and entered in the banking system, as otherwise there will be penalties which would then cause a lot of difficulties for the payment of obligations to businesses. . The table below shows how much the additional tax amounts have increased thanks to the checks for 2015, 2016 and 2017.

Graph no. 1: Value of additional tax 2015-2017



Source: Tax Administration of Kosovo

So, from the figures presented in the graph we can understand that the role of the Tax Administration of Kosovo in pushing businesses to introduce their turnover in the banking sector is very important. In addition, the Tax Administration of Kosovo has played a positive role in creating the opportunity to serve online businesses through the electronic archive, eDeclaration- Electronic Declarations, eFiling- EDI- Electronic Declaration, E-Payments. All of these have created great conveniences for businesses by now being able to be served by their offices.

In this way, businesses in Kosovo were given the opportunity to have access to digital services from the use of which they created many benefits. Now most records are stored digitally and can be copied to several locations, can be recorded whenever they need, can be transferred and modified as well. At the same time, businesses had the opportunity to use their offices for transactions or other banking services without having to visit the bank branch physically. But, there are still businesses that are reluctant to adapt this electronic banking technology as a result of not updating their business first with the technology of the time and then the banking sector.

1.2. Advantages created for businesses in Kosovo after the adaptation of digital banking services

Unlike traditional banking which has the bank at its center and any interaction with the client is carried out through branches and digital channels or are few or secondary, digital banking focuses on the client and the use of digital channels in the first place without visited the client branch.

Through digital services, businesses benefited in many areas of their operational activity, starting from saving time, reducing costs, access to information in the bank account 24/7, the possibility for depositing and withdrawing money 24/7, the realization of real-time banking transactions as well as other advantages.

One of the main factors that plays an important role in businesses is money. Proper management of money by business gives the opportunity to develop and increase capital. Managing money thanks to digital banking services is now easier and much more profitable. This is due to the fact that cash management has its own cost for building physical infrastructure and staffing, as well as the cost of necessary insurance including risk for all parties using cash.

Therefore with the use of digital services this risk is reduced and at the same time affects the reduction of costs for the company.²³ In addition, the use of digital services allows businesses to at any time have access to information about their bank account such as transaction movements, credit status, money transfers, realization of employee salaries, payments of utility bills, taxes and other.

Based on the statistics of the Central Bank of Kosovo from the report published in February 2017 entitled "Payment and settlement systems in Kosovo" we see that the number of users of the e-banking platform has increased steadily. This proves that digital banking services are adapting at a satisfactory pace.

Table no.1: Payments made with E-Banking

Përshkrimi	2012	2013	2014	2015	2016
Numri i transaksioneve	625,762	1,056,655	1,579,838	2,311,564	2,915,082
Vlera e transaksioneve	1,499,093,438	2,671,011,546	4,220,405,696	5,746,325,675.39	6,703,386,853

Source: Central Bank of the Republic of Kosovo

From the table presented it can be seen that the number of transactions with e-banking as well as based on value since 2012 wide in 2016 has continuously increased. The same thing happens in 2017 and beyond.

Almost every other service or product of the banking sector has increased. In total, at the end of 2015 there were 862,799 cards with payment function, which compared to 2014 represents an increase of 6.1%. Also in 2015 there were 540 ATMs in operation, in 2014 498 ATMs, while in 2013 496 ATMs. The number of POS terminals has also increased rapidly: in 2013 9,071 pieces in 2014 increased to 9,705 pieces.

From the statistics presented above we understand and the identified advantages prove that businesses in Kosovo are aligned towards development by adapting digital time services from the banking sector and thus are becoming part of a global market where access to real-time information is the key to success for each business.

1.3. The contribution of businesses in Kosovo in building a modern economy in the country through the use of digital banking services of the time

Businesses in Kosovo using the digital banking services currently offered by the banking sector, channeling all their circulation in bank accounts, are directly contributing to building a genuine business system of their own. This means that the Tax Administration of Kosovo to have easier work with these businesses which prove their activity through banking transactions, and in this way businesses thanks to electronic banking can access information at any time and prove banking transactions whenever is required of them.

The Tax Administration of Kosovo has decided that any transaction over five hundred (500) euros, made between taxable persons, after January 1, 2009, the payment is required to be made through a bank account.

The Central Bank of Kosovo has also played its role by not allowing the withdrawal of loan funds over the amount of 10,000.00 Euro, but over this amount the funds must be transferred supported by a valid document according to the loan investment plan. In this way the investment plan of the demand for financing is fulfilled and the credit means are not allowed to be diverted to be used for other purposes and not according to the investment plan.

Both of these public institutions have played their positive role in pushing businesses to use banking services to avoid various misuses or concealment of revenues by realizing them with cash and not through the banking system and not declared.

In this way, businesses using digital banking services, starting with cash deposits at ATMs, conducting e-banking transactions to purchase goods or services, as well as making various payments for operational needs, they are avoiding even the risk of being confronted with counterfeit money. So by reducing the use of cash, and utilizing digital banking channels, businesses reduce the possibility of dealing with counterfeit money. And in this way they also contribute to building a clean economy as counterfeit money no longer finds a place.

Almost all businesses need financing from banks and as always when these businesses submit their application for financing from banks, they are initially required to analyze the financial capacity of the business to measure the credit risk of financing. In this way, businesses which have an advanced business model which relies on a system where all business data is recorded, starting from sales, purchases, stock level, fixed assets and others as well as realizing most, Not to mention, transactions through the banking system make it easier for banks to make financing decisions.

So, those businesses that channel their operating activity through the banking system, have greater opportunities for financing compared to those businesses that are still reluctant and work in cash. In this way, having the possibility of financing from the bank, these businesses increase their capital and directly contribute to the economic development of the country, since with the increase of their capital, they now have the opportunity to increase the number of employees, thus affecting reduction of unemployment in the country. Also, these businesses increase their taxable base thanks to the increase of revenues, contributing to the increase of the state budget.

In addition to the opportunity for financing, businesses that channel their turnover through the banking system can also benefit from more favorable interest rates as the risk of bank financing to businesses that prove everything through their account balance is lower and therefore have opportunities to lower the interest rate. Based on the statistics of the Central Bank of the Republic of Kosovo from the monthly reports on cash and non-cash instruments, we notice that we have a continuous increase in the use of digital services in Kosovo.

Table no.2: Number of customer accounts with commercial banks

Nr	Numri i llogarive të klientëve pranë bankave komerciale, për ATM, POS, DD, e-banking si dhe kategori tjera	2016	2017	
1	Numri i llogarive rrjedhëse, të kursimit dhe të tjera në bankë	1,875,091	1,967,755	4.94%
2	Numri i POS	10,589	11,501	8.61%
3	Numri i ATM	522	512	-1.92%
4	Numri i llogarive E-Banking	230,905	301,841	30.72%
5	Numri i Kartelave të Debitit	856,718	926,209	8.11%
6	Numri i Kartelave të Kreditit	156,437	164,740	5.31%
7	Numri i llogarive që përdorin urdhëresën periodike	48,242	52,536	8.90%

Source: Central Bank of the Republic of Kosovo

As can be seen from the table presented above, if we compare 2016 with 2017, almost all electronic services have increased with the exception of ATMs.

This has a logic in itself since from the banking sector the maintenance and possession of ATMs is costly, which creates costs for banks, while on the other hand it proves that not much cash is being used but bank transfers. Through the use of POS which is observed to have an increase from 2016 to 2017 of 8.61%, can be purchased through the card without the need to hold physical money and we do not need ATMs to withdraw money to make payments. While the electronic service that has experienced the largest increase is e-banking with an increase of 30.72%.

This proves that the market in Kosovo has adapted and continues to adapt rapidly to the digitalization of services as e-banking reduces a large percentage of banking services which in the past were performed inside the branch. By adapting to the adaptation of banking services of the time, businesses in Kosovo are becoming part of a global market where thanks to these services they are being created greater opportunities for better management of their assets, opportunities for payment at any time in every country in the world, as well as increasing transparency to anyone who needs it, starting from the banks, the government, the various embassies in the country and the Tax Administration of Kosovo.

1.4. The latest trends in digitalization of banking services and their impact on business performance

1.4.1. M-banking (Mobile Banking)

Usually banks that promote e-services ask their customers when they last visited the bank, to emphasize their time saving and service without having to visit the bank. One of these latest services that are part of online banking services is the mobile banking or as it is known in banking terminology as Mobile Banking or M-banking. As a result of developments in mobile device technology, opportunities have been created for trade to be mobile as well. Mobile commerce is any money transaction which is carried out with the help of mobile technology.

Ever since mobile phones advanced thanks to the rapid innovations that have taken place in this segment, banks have begun to think about using this technology to create an opportunity to serve customers through smartphones. It is thought that some European banks offered this service for the first time since 1999 but since 2007 most banks in America have been promoting this service and that is required by customers.

In its beginnings this service had few opportunities to be used by customers as even mobile phones were not as advanced as they are now. After 2007 when we have a different situation in terms of mobile phone

technology, then the m-banking service took off as now the opportunities for banking services through this platform are greater than in the past.

Based on the publication from the website "read and digest" m-banking can be understood as a bank in your pocket thanks to the functions offered by this service. M-banking makes banking services available through a communication device such as a telephone through which financial services and transactions are enabled. In order to have this service, we must first have internet access.

To use this service, the m-banking application of the bank in which we have an account or other services must first be installed on the mobile phone. This service usually receives information on account balance and transactions, including a mini account balance, credit or debit account notifications, monitoring of credit obligations, deposits, cards and the very important thing that is valued in this service is the possibility to block bank cards that we have lost to prevent the possibility of possible misuse.

Through this service, funds can be transferred, but they are usually allowed to those accounts that we have maintained and with which we have made transactions in the past. You can also pay various bills such as electricity, water, etc. Any innovative service offered by the bank, it is very important to explain the security measures that that service has in order not to cause panic in use to customers. In addition to web-level protocol encryption, M-banking also has authentication with two other factors such as password and sending the code in SMS to identify that it is the appropriate person of this service and not anyone else. According to a study by "juniper research" more than 590 million mobile phone users worldwide at the end of 2013 used the phone to obtain banking information.

This service is also available in Kosovo where most banks offer and inform their customers about how to use and what it is used for, either through the bank or through the media. So, this service taking into account the fact that people are busy today, we can say that it is quite attractive and saves time maximally without the need to visit the bank branch and also having the opportunity to be served in any moment and in every place we are.

1.4.2. E-commerce service- electronic commerce

E-commerce, even from the term itself, we can understand that it is a type of trade where instead of buying services or products in the usual way as in a store or company where we should be physically, these purchases can now be made without the need to be physically located at the seller but realized electronically.

The term "e-commerce" has been used extensively in recent years to describe online commerce, ie online commerce.

This way of e-commerce in the world first appeared after 1995 when even the use of the Internet took off. E-commerce is one of the most useful online tools for e-commerce as it has a lower cost than any other tool and the delivery of the product or service is done quickly and securely.

E-commerce is the use of electronic communications and information processing technology in business transactions to create, transform, and redefine value-creating relationships with and between organizations. It relates to the purchase and sale via the Internet, the conduct of transactions involving the transfer of ownership or the right to use goods or services through an intermediary computer network.

Figure no. 5: The e-commerce process and the key elements involved



Source: USAID and DM Consulting Services, ELECTRONIC TRADE LAW

How to use this service is quite simple. The products and services of companies that trade through the e-commerce platform, have placed in online catalogs on their sites the profile of products and services, conducting online financial transactions and all services related to the normal functioning of online buying and selling processes. . Customers can order items online and then pay for them, whether through credit or debit cards, the PayPal platform, bank transfer, payment via credit on the phone and cash payment when the purchased product is delivered.

1.4.3. FinTech companies

FinTech companies are those companies that use new technology to create better and newer financial services for both customers and the business itself. FinTech includes all types of companies that can operate in personal financial management, insurance, payments, asset management, etc.

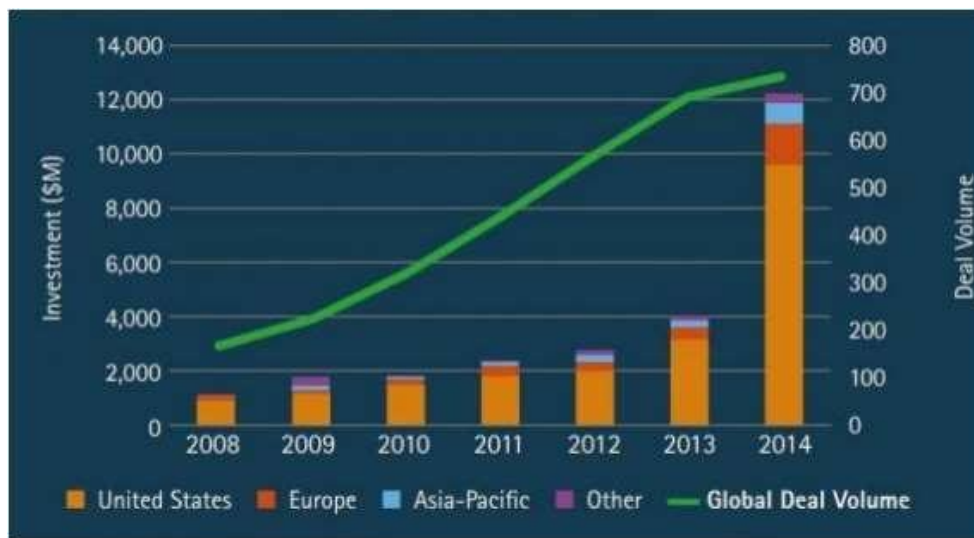
This term is an abbreviation of the English word Financial Technology which in Albanian means financial technology. So, even from the name itself we understand that it is a kind of financial service used through technology.

The most interesting thing about these FinTech companies is that they compete with traditional banks and financial institutions and in many respects the latter have been found to be surprised by FinTech. People are now rapidly adapting technological innovations that make their lives easier so FinTech companies have created many opportunities for users of their technology applications such as transactions through the mobile technology platform, activities which include financial management, various applications for loans etc. So in itself it is reasonable that any service or way that saves time and cost for us is acceptable. As a result, FinTech companies are gaining momentum in the last decade and with which banks are cooperating in order to increase the efficiency of their banking services by creating various applications through which customers can be served online without having to visit the bank.

In other words, FinTech is a 21st century financial services link through which some start-up companies are trying to change the form of traditional transactions to newer, more modern and more effective methods by applying high quality equipment to financial sector such as telephone payments, money transfers, loans, etc.⁴⁷ FinTech companies can belong to two main categories like competing FinTech companies or cooperating FinTech companies. Competing FinTech companies are the ones that cause direct disruptions as

well as create challenges for financial services organizations. These companies have achieved a lot of success in recent years by focusing primarily on providing a new experience and taking advantage of their customers through technology. They are direct competitors of banks. Cooperative companies FinTech, on the other hand, are interested in developing financial institutions. They actually consider financial institutions as their potential clients. They always cooperate, support and provide solutions to improve the interests of financial institutions in the market. These partner companies FinTech help financial institutions to create more sophisticated products and services and go beyond their traditional business model. Some of the typical examples of financial technology and which have many users are PayPal and eBay. PayPal was one of the companies that changed the form of online transactions without having to visit the bank. eBay, an e-commerce-related company, is also a website that allows customers to buy a wide range of products from companies that sell online. FinTech companies are having a great development in recent years, which is evidenced by the graph below:

Graph no. 2: Global investment trends in financial technology 2008-2014



Source: Oanh Truong, "How FinTech industry is changing the world"

1.5. CONCLUSION

The bank as a financial institution is a necessary element of the development of a business in which businesses maintain and circulate their money and are also financed to meet the needs and increase their capital. In this way to be as close as possible to the banking services of the time, businesses in Kosovo have constantly adapted these services with all the difficulties, proving that they are capable and have the potential to build a modern business model which develops in parallel with the innovations of banking sector. Most banks in Kosovo are international and innovations in banking services were rapid and often encountered difficulties in implementation initially, but after a while understanding the importance and benefit that business has from adapting these services then things have changed. So, in these circumstances, a greater insistence was required from the banking sector itself that the new innovative services that bring to market, be clearly explained to customers and meet their needs so that customers do not understand that these are just for bank benefits but are also for the benefit of customers.

Thanks to these rapid changes that are taking place in the banking system, we have now reached the time of digitalization where every possible banking service is being realized digitally, through online platforms or even through contact with automatic machines, cards, etc. In this way, businesses in Kosovo are continuing to move their business model from the traditional to the digital one thanks to the many benefits that this model brings.

Thus we reach the purpose of this paper, which was to make a presentation of the digitalization of banking services and its impact on the business model in Kosovo and how this model advances in parallel with innovations in banking services and to better understand on this topic were held 30 meetings with businesses of different profiles in Kosovo and from which important information was obtained.

The paper was divided into several chapters starting from the definition and importance of adapting innovations from an advanced business model in which the business model was elaborated which in order to be advanced must adapt the digitized banking services through which the savings of time took on the most important role. While in the next chapter was introduced the process of adaptation of innovations in banking services by businesses in Kosovo, including the difficulties in adapting innovative services by these businesses which had gone through many systems and that rapid changes cause difficulties in adaptation. as they are unknown to businesses and do not know the importance. Then as a result of convincing these businesses of the advantages created after the adaptation of these digital services they play a positive role in the country's economy as they reduce the use of cash, increase the level of formalization, increase transparency and many other benefits.

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