

VOLUNTARY INSURANCE FOR RAPID GROWTH-TRENDS OF TRANSACTIONS IN E-BANKING SERVICE-MARKET: SEEKING POLICYMAKERS' ATTENTIONS IN GREECE ECONOMY

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Abstract

Digital-banking is an important product in today's financial-sector country-wise where Greece is no different. Besides mobile-banking, bank-led digital-banking services are in today's e-banking service-market. However, like in any other country, customers and probable customers here feel it to be risky including psychological risk. It has resulted in a slow growth trend of digital-banking transactions. Thus, adding Voluntary Insurance (VI) as a new product in digital-banking-services can ensure rapid growth-trends of transaction-numbers in digital-banking service-market in Greece-economy. This new & increasing value is what will keep banks be growing, which can ensure risk-free digital banking in Greece-economy. Historical trends of economic growth-trends of Greece ratify that addition of a new legal product will improve society beyond just immediate gratification of consumers. Once the VI is in place, it will spread from bankers to customers and its growth-trend (S-curve) will capture the growth of revenue against time. Over time, it will ensure Greeks to be cashless society soon. It can set an example to European countries and beyond, which may inspire them following Greek's footsteps. The goal of this study is to bring the VI-proposal to policymakers and management's attentions in Greek-economy for the greater interest of the Greek-society.

Keywords: Digital Banking, Perceived-risk Factors, Psychological-risk, Akim's Model, Cashless Society.

I. Introduction

In today's business-mentality and tech-driven world many factors are often unpredictable. Despite these limitations, digital banking services are important products in today's financial sector country-wise where Greece financial sector is no different.

But today's bank-led e-banking faces serious pitfalls being its riskiness including psychological-risk. Customers compete for time-saving options. Banks compete to marginalize its operating costs. Most cases, customers do not read terms & conditions of services, do not save contract-copy, and do not exactly remember transaction-amount in account. These weaknesses cause abuses. In the e-banking service market, customers face perceived-risk-factors such as hidden charges, extra fees, account hacked. Besides this, psychological risk factors notably undermine probable customers' decisions using e-banking services. These dilemmas have resulted slow growth-trends of digital-transactions in economy country-wise where Greece is no exception.

Addressing the issues, Voluntary Insurance (VI) as a new product in e-banking service-market is proposed by Akim Rahman (Rahman, 2018) in literature. It can be guidance to policymakers in Greece and beyond for designing effective policies of e-banking services. Thus, the goal of the current effort is to bring the policy proposal to policymakers & bank-managements' attention.

II. Materials and Methods

In aim to capture the current status quo of digital-banking services and what other findings of relevant research-work say about it, this study advances based on materials such as literature review, reasons of studying Greece-economy etc. On methods used in this study, this study advances elaborating the VI product and its uses on how it can effectively be used in digital-banking service-market in Greece economy.

Materials

Literature Review

It is well recognized in literature that the perceived risk factors negatively affect the decision process of using digital-banking services (Lee, 2009; Rahman, 2018, 2022). Tackling these dilemmas in financial sector globally, the application of Akim's model (Rahman, 2018; 2022) can be a win-win-win to parties involved where government efforts for policy-design can ensure a cashless society soon in Greece- economy. Besides ensuring risk-free bank-led digital-banking services, this new product can contribute to the economy in multi-faucets.

However, the findings of our Web navigation suggest that no financial sector country-wise bank has yet introduced Voluntary Insurance to protect its digital-banking services where the Greek financial sector is no exception. In today's world, governments in all countries want to see effective use of technology facilitation in multi-faucets within its nation and beyond for greater interest of its society. Since year 2010, major banks in Greece-economy were openly appearing to be ready to embrace digital as a potential solution for keeping and shoring up both revenues and relevance (Kuntz 2016, Nguyen, 2020). However, there are some obstacles, uncertainties, and limitations on security issues of digital banking that may affect certain business models (Floros, 2020).

For example, customers' bank accounts in many countries are insured by the nation's Central Bank. For example, the national banks and foreign non-EU banks take part in the Greek Deposit Insurance System. Under the GDIS, the depositor can return up to €100,000 in total all bank accounts in case of default. If the client has accounts of €100,000 in several banks, then the money is protected (Financemagnet.com, 2023). However, the provision of the Deposit Insurance System in economy country-wise does not spell out that the digital-transactions are insured (Tan et. al. 2013, Future Digital Finance 2020).

On this issue, banking provisions, particularly GDIS of Greece-economy is no different. The provision of the deposit insurance system in Greece banking system covers bank account, and bank deposit (Camara, 2006; Tan et al. 2013). National banks and foreign non-EU banks take part in the GDIS. When a customer deposits money to his / her bank account, for example in a savings account, it is called deposit. The banking business model says that lending depositor's money to other customers, keeping only a part of it available for people wanting to withdraw money (Financemagnet.com, 2023). The banking business model says that a bank makes sure that a substantial part of these deposits is safe even if a bank fails; banks pay into an insurance fund known as the GDIS (Financemagnet.com, 2023). This is important to preserve trust in the banking services. However, it does not cover digital transactions, which face perceived risk such as psychological, social/privacy, customer dispute and time value and technological interruption.

This raises question: how can policymakers of Greece-economy be inspired designing public policies so that banking sector becomes obligated adopting VI policy in digital banking service-market for ensuing risk-free digital transaction?

This study takes on the tasks to draw policymakers' attention in Greek-economy so that the issues in digital-banking service-market can be addressed for the greater interest of the Greek-society.

Why is Greek Economy?

The Central Bank – Bank of Greece has been committed to accelerate digitalization of financial sector of Greece-economy by expanding number of participants in digital-banking service-market. Greeks use the internet for internet banking, which reached to a record high of 49.78% in December of 2022 and a record low of 6.00% was in December of 2010 (Deloitte.com, 2022, Stournaras, 2019). In Greece, rural population was recorded at 19.96 % in 2021 where people have less interest accessing to internet. So, the rural population has limited access to e-banking service-market.

Besides this, the Greece economy has faced several problems after the 2008 fiscal

crisis. As reported, the Greek crisis has taken a heavy toll on output, incomes, and wealth, which together has resulted a high public debt ratio, a high NPL ratio, and high long-term unemployment (Stournaras, 2019). All these together, this dilemma has undermined the progression of digital-banking services, particularly bank-led digital-banking services in Greece-economy (Floros, 2020).

However, with government's ongoing inspiration and efforts, digital-banking services have been keeping reinventing itself in Greece-economy. Having familiarity with digital technologies, the banking industry has undergone significant transformation over time. With digital banking progression, customers can now access banking services from anywhere and at any time, which makes the industry to be more efficient and convenient than before.

With the increase of digital technologies in Greece-economy, digital banking is now on track to become the industry standard. As reported, mobile banking, AI and chatbots, open banking, and cryptocurrency are few of digital banking trends that are reshaping the digital-banking service-market in Greece-economy (Financemagnates.com, 2023). As reported, personalized banking, augmented reality, voice banking, and cybersecurity are set to shape the banking industry in the coming years (Financemagnates.com, 2023; Williams et al. 2003).

For few years now, mobile banking has grown in popularity in Greece-economy and beyond with customers' preferences to conduct banking transactions on their smartphones. Today, mobile banking has become a popular choice for many customers due to its convenience and ease of use. Statista and Neo banking predict that the number of mobile banking users will increase rapidly and will reach to 1.75 billion by 2024 in Greece-economy (Statista and Neo banking, 2022).

Methods

Voluntary Insurance in Digital-banking Service-Market: What is it? How can it work?

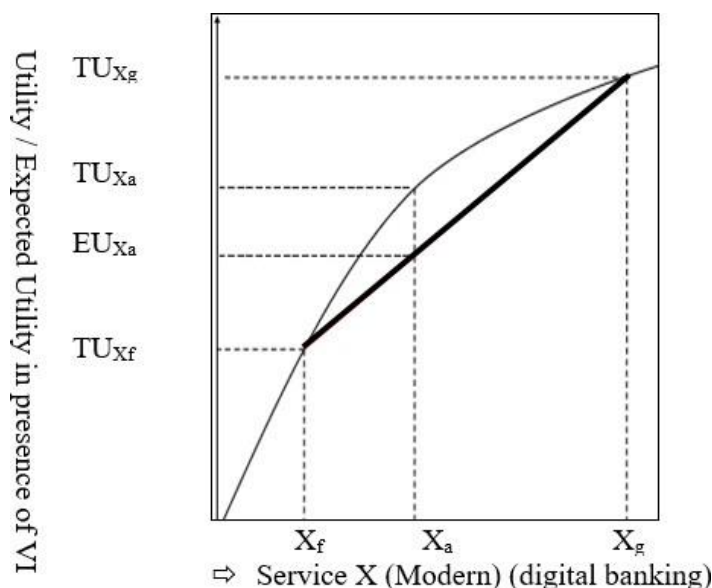
Addressing issues that undermine digital-banking progression in Greece-economy, Voluntary Insurance (VI) as a product of digital-banking is proposed. The financial sector in Greece-economy can introduce it as a product in operation where a bank or third-party can collect premium ensuring secured services in digital-banking service-market.

The way it would work is that the customer's participation will be voluntary. Insurance will be attached to a customer's account if the customer wants it for digital services. Since the program will be designed as a way of transferring the risk away from its premium-payers, it will ensure premium-payers with a sense of certainty. Here premium-receivers will take extra measures for ensuring risk-free digital-banking services (Rahman, 2022). For example, ATM Card or Credit Cards can be protected by setting two identifications such as password and a finger-scan. Suppose a customer wants to use ATM card where to access his account, the customer will have to use two identifications namely own setup password and previously chosen finger-scan say his thump or forefinger scan. Here finger scan in addition to password can be connected to the ATM system, which will make digital banking enhanced secure. Overcoming the risk of heist or hacker's access to bank accounts, under the proposal, similar own set up identifications can be used. In global banking cases such as remittances, the program can ensure risk-free digital banking services. Since customers' psychological risk-factor undermines digital-banking progression in Greece, the VI product can overcome this dilemma eventually in the life-path of VI product.

Theoretical Justification of Policy Option – VI Product: The Akim's Model

It is clear now perceived-risk factor plays an influential role in setting the stage for the proposal, the VI Option in digital-banking service-market.

Figure 1. Risk Aversion Scenario in Greece Economy



It is palatable to assume that E-banking-customers are risk-averse, i.e., they prefer certainty to uncertainty when it comes to banking. Figure 1 illustrates the risk preferences of a risk-averse banking-customer.

In a world of uncertainty, a customer's actual utility that he receives from digital services will never fall on the TU (X) but rather on the chord (the bold line). X_g stands for a service outcome in which customer may use a certain level of service X while X_f stands for a negative outcome in which customer may use less of service X. If there is a level of uncertainty that a customer may not use X_g units of service X, the utility that this customer receives will lie somewhere on the chord (the bold line). The chord stands for the expected utility (EU) of using service X, which lies in the concavity of the curve because it is the average probability that the customer will use service X or not. As a result, an individual will never receive TU (X_a) but rather EU (X_a).

III. Results and Discussions

Goal of the Current Effort: How Can It be Instrumental?

The goal of this study is to bring the proposal of VI as a new product to policy-practitioners' and bank managements' attentions so that it can be introduced in digital-banking operation in Greece-economy. This raises questions: how can this new product be instrumental to the banking sector in Greece economy and to Greek society in general? Why is it important? Why now?

Answering the questions posed, it is palatable to say that transferring risk away from customers will directly help both private commercial banks (PCBs) and customers. It can further attract new customers who were on the brink using digital banking but just felt it was risky in Greece economy. The adoption of the VI product model can ease the customers with incentives for increasing usage of digital-banking services while keeping best utility of it. Since the VI can be instrumental in digital-banking service-market in many ways such as: ensured new value for customers, improved society, and continued existence of the company, it will be the lifeblood of business, companies, and societies as years to come.

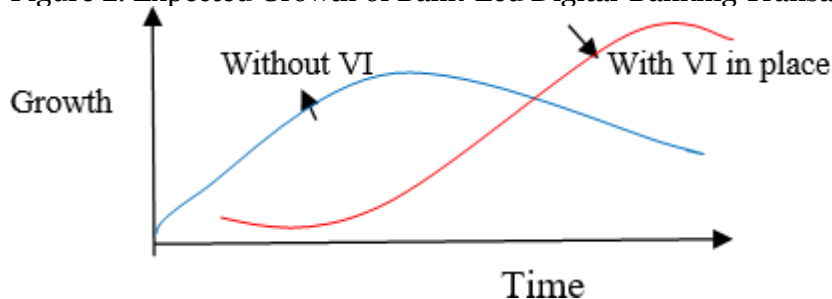
What can the VI Product of Digital-banking Service-market do in Greece-economy?

Once policy-practitioners and bank-management in Greece-economy recognize the importance of the proposed VI product under Akim's model and they introduce digital banking-provisions that authorize the VI as a new product, it may spread from bankers to customers in Greece-economy and beyond. This process of life cycle of the VI product can be described using the S-curve. This S-curve will map the growth of revenue or productivity against time. In the early stage of this journey, growth will be slow as the new product sets up

itself. At some point, customers will begin to demand the VI product in the digital-banking service market. In this market having a rebate policy on the number of transactions can be further instrumental. So, the product growth trends will increase rapidly. These new incremental changes to the product will allow the growth to continue. Toward the end of its life cycle, the growth will slow down and may even begin to decline where no amount of new investment in that product will yield a normal rate of return. However, it will set up a secured bank-led e-banking through bankers who introduce this new product, which can present a Cashless Greek-society soon.

As shown in Fig 2, this successive S-curve will come along to replace traditional banking and will continue to drive growth trends upward where the VI will have “product life” i.e., i) a start-up phase ii) a rapid increase in revenue and iii) eventual decline. But it will never get off the bottom of the curve and will never produce normal returns. In this development, it will play vital roles presenting a secure bank-led e- banking service, which is needed to attract today’s probable customers in human-society country-wise Greek-society.

Figure 2. Expected Growth of Bank-Led Digital-Banking Transactions in Greece-Economy



VI in place can ensure risk-free E-banking, which can guarantee elevated self-service-banking activities in any economy. This can be beneficial to customers because it can ensure savings in the form of cost and time. Thus, customers will flock to it when they use banking services. By extra advancement of ICT usages, the banking sector can be further competent, cutting down its operating costs, meeting customers’ needs and keeping up with global changes.

With this win-win setting for producer & user of the product in digital-banking, the financial sector of Greece-economy is no exception. It is well recognized that to sail through tough competition and to sustain revenues, the financial sector in economy country-wise is engaging more than that of other kinds of bank on adoption of IT in its operation. In this reality the financial sector of Greece-economy is no exception. However, it has failed reaching out to a major part of probable customers in case of digital banking service in countries including Greece.

Analysis in summary – Since after COVID-19 pandemic crisis, the digital-transaction service-market has been experiencing growth where mobile payment apps such as PayPal, Venmo, and Cash App have become increasingly becoming popular among consumers in Greece-economy (Statista, 2024). However, bank-led digital bank-transactions have been growing slowly where fintech starts up and the integration of blockchain technology into payment systems has contributed. However, customers and probable customers are still concerned and feel it to be risky psychologically.

It is well recognized in literature that adaptation of the VI product in banking particularly bank-led digital- banking services can overcome the dilemma in economy country-wise where Greece-economy is no exception. This is because the rises of today’s e-commerce and online marketplaces still have the needs for assurance of secured transaction. Today’s scenarios surely recap the beginning stages of banking services where probable bank-customers were hesitant opening bank accounts & do transactions until the Central Bank of Greece insured the bank-accounts, bank-deposits etc. in multi-faucets in Greece-economy.

So, our analysis clearly suggests that the presence of VI product in e-banking service-

market can ensue absolute risk-free digital-transactions, which can encourage further today's customers and probable customers for extensively using digital-banking services in Greece-economy.

IV. Conclusion

Now adding Voluntary Insurance, a new product in digital-banking service-market, can be impetus meeting the 21st Century challenges. This new and increasing worthiness will keep banks be growing further, which can ease economy booming in Greece. If there is no new value to offer the customer, a bank or firm wilts and eventually dies. In Greece, the historical trends of economic growth, certainly ratify that addition of a new legal product will improve society beyond just immediate gratification of consumers. In the business world, it is well recognized that new products and services are the lifeblood of any firm. It is no difference in the case of digital-banking service-market in Greece-economy. Without them, firm, or bank may wither on the vine and either die or be absorbed by another firm. So, the question is: can policy-practitioners of Greece plays role for better-ness of its modern-society when it comes e-banking services in Greece-economy?

The answer to the question posed is, YES, where efforts of policymakers and bank-management in Greece can play significant role for the better-ness of its economy as well as for its society there, which can ensure cashless society sooner than further delays.

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