

# BANKING IN THE CONTEXT OF THE KNOWLEDGE ECONOMY

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*The implementation of the Lisbon strategy in the field of the knowledge economy will be seen in banking at three levels. The first is the field of banking management, the continuous improvement of which relates mainly to expanding the use of information technologies and knowledge systems. This will involve, above all, support for financial system management, internal quality management systems in banks, interactive payment systems, and management information systems.*

*The field of banking management is closely connected with the second field – banking products along with the services and operations directly related with them. On the one hand, there are products directly connected with progressive information technologies – electronic banking and electronic commerce. A second group comprises products and services which in terms of formation and quality of provision are directly related to the quality, reliability and speed of information technologies.*

*One of the most important components of the knowledge economy are the people who use the information and communication technologies. The purpose of training in banking subjects should therefore reflect the three target segments of the Minerva project. The implementation of the Lisbon Strategy in this field will be a precondition for training experts able to meet the challenges of the first two fields.*

## The knowledge economy as a source of competitive edge

The implementation of the Lisbon strategy depends crucially on "European excellence" in the knowledge economy, to which there are two main elements: the creation of a well-trained and highly educated workforce and an increase in research and innovation. That is why, in accordance with the Lisbon strategy, training and qualifications need to shift towards the concept of lifelong learning and towards Europe-wide convergence and recognition of professional qualifications – i.e. to allow employees, as well as companies, to play a full role in Europe's single market. For the development of the Lisbon strategy into the Competitiveness Strategy of the Slovak Republic until 2010, and also for the IS Action Plan in regard to the EU budget period 2007–2013, there is the strategic objective to use the period until 2013 to increase the competitiveness and performance of the Slovak economy, while complying with sustainable development. One of the specific priorities is modern training for the knowledge society. The MINERVA programme, aimed at stimulating innovation in the Slovak economy and at the development of science-educational activities, sets out four areas of focus: information society; innovation, science, and research; investment in people and education; and the business environment.

## The knowledge economy in the banking

The banking industry is built on tradition and conservatism, and therefore it has until recently been largely unaffected by technological developments. However, the pressure of globalization on efficiency and the competition between banking and non-banking entities has forced banks to speed up the introduction of knowledge systems and information technologies in the fields of both banking management and banking products and services.

### The knowledge economy in banking management

As a fast-developing industry that has undergone restructuring and privatization, banking reflects exact methods and information trends in its working practices. The managers of a bank will be seeking to run it more efficiently by bringing in new methods and technologies. The quality improvement in the bank's management will be accompanied by the introduction of internal quality management systems, risk management methods in the meaning of Basel 2, and especially quality improvement in the bank's financial management system through the management of assets and liabilities, which is one of the basic control tasks. As for how to define controlling, there is considerable divergence between what practice and



expert literature says. Banks have different understandings of what controlling includes – from daily monitoring of costs at one extreme, to a comprehensive system of financial management, at the other. As far as current banking practice is concerned, a suitable definition of controlling appears to be a focus on returns at all management levels and derived from a set objective. In a bank where controlling is understood in such terms, there will be coordinated planning and control processes at all levels so that all business units meet the required revenues and long-term stability. That is why many banks have already focused on sophisticated scheduling of costs through allocational methods.

It should be stressed that the implementation of modern bank management methods needs to be supported with a management information system, which must necessarily include accounting management as a basis for analyzing costs and returns vis-à-vis products, customers, and the bank's business units. A high-quality management information system in a bank will include not only standard data for supporting the decision-making by the management, but also information on customers and their behaviour. Customer databases are prerequisite for introduction of Customer Relationship Management (CRM). The implementation of analytical CRM is conditional on building up a consolidated database; operational CRM applies mainly to employees who are the first point of contact, as an integrated user interface for the entry and retrieval of customer data. Operational CRM also supports the automation of work procedures and the circulation of documents.

The creation or innovation of a management information system also provides an opportunity to identify problem areas in the management system of a commercial bank and to adopt effective measures to eliminate them. The simultaneous introduction of new methods and models, in particular exact ones, into management work helps increase the bank's competitiveness.

### **The knowledge economy in banking products and services**

The transformation of banking caused by the rapid development of information and communication technologies has provided banking entities with new ways of bringing their products to the customers. Traditional banking has thus changed into electronic banking, and therefore the standard form of contact – personal contact – is taking a back seat to new, faster, more conformable, and cheaper means of communication. The introduction of electronic banking services also

creates new tasks to be faced, such as the optimization of distribution channels and the security of data transfer. The customer will not purchase a service that fails to meet his requirements or a service that does not guarantee the required privacy and security. That is why banks are trying to devote enough attention to all aspects of the modernization of traditional banking. Basic electronic banking includes services provided through self-service zones, Internet Banking, Fax Banking, E-mail Banking, GSM banking, SMS Banking, Home and Office Banking, SIM Toolbanking, WAP Banking, Phone Banking, TV Banking, and payment cards. A new product is the electronic purse, sometimes called a "multipurpose payment card", which is a payment instrument for making non-cash payments. The e-shop represents a specific form of electronic banking. Electronic commerce comes in three basic forms: the e-shop, e-store, and e-exchange. According to the OECD's definition, e-commerce is deemed to include all forms of electronic transactions, made by organizations or individuals, which are based on the creation and transfer of electronic data, including texts, signs and visual presentations. The fact that the principles of electronic commerce are applied in several sectors of society is related to the phenomenon of the information society. These principles are therefore not confined to the commercial sphere in their application.

The quality and scope of provision of other banking services and products is directly dependent on information technologies supported by database systems. This is the case in the payment system field, where the interconnection is directly visible, and also with other products where automation is speeding up and improving activities beyond the customer's reach (e.g. loans).

### **The knowledge economy in the specialist teaching of banking**

One of the specific priorities of the Lisbon strategy is modern training for the knowledge economy. This priority is reflected in specialist subjects by implementing knowledge from the field of information technologies in the use of new methods, such as computer classrooms and e-learning. Interactive teaching with SW and HW support appears to be the best. The quality of teaching is also being raised by research being focused on the knowledge economy.

### **Conclusion**

The knowledge economy is, in the meaning of the Lisbon strategy, focused on the "quality of education



in human development, raised by innovation and growth of research and the technological gradation of society's development." In terms of content, the next stage of the knowledge economy concerns how to exploit information and communication technologies and their effect on competitiveness and sustainable economic growth. This article has attempted to outline the scope for increasing the banking industry's competitiveness through information and communication technologies and also how this is reflected in the teaching process and in research.

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