

BUSINESS SUCCESS INDICATORS IN BANKING THE CASE OF RAIFFEISEN BANK INTERNATIONAL (RBI)

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Abstract: *For the international economy one of the basic assumptions of the organization and the business success is the existence of financial institutions i.e. presence of banks which allows for confrontation of supply and demand in the sphere of finance. Banks collect and place funds, perform payment transactions within the country and between the various operators in other countries, provide guarantees, provide loans, carry out various forms of financing by stimulating exports, determine exchange rates, provide the level and extent of liquidity with foreign countries and carry out many other important affairs. The main objective of this paper is to show the net balance-sheet assets, the net profit before tax and return on equity.*

Keywords: *net balance sheet assets, net income, rate of return, credit and debit cards, electronic banking.*

1. BASIC BUSINESS SUCCESS INDICATORS IN BANKING

Net balance sheet assets are things that banks own and one of the main indicators of the size of the bank. Balance sheet assets (CNN Money, 2013) are:

- Due and undue short-term and long-term loans;
- Deposits with banks;
- Interest and fees;
- Long-term and short-term securities held to maturity and securities available for sale;
- Participation of the bank in other legal entities;
- Assets acquired through collection of receivables;

- Cash in hand, funds in bank accounts, gold and other precious metals;
- Receivables from states and central banks, territorial autonomy and local self-government, public administration bodies, international development banks and international organizations;
- Fixed assets, investment property and intangible assets;
- Unpaid subscribed share capital;
- supplies;
- Other balance sheet assets.

The main indicator of the operating performance of banks is *net profit* as the difference between profit before tax and profit tax. This is the indicator of operating performance of the bank. It should be borne in mind that net profit is the absolute indicator, which does not take account of the size and scope of the bank's capital employed. For this reason, it is difficult to use this indicator to make comparisons of performance of banks of different sizes, as shown in the tables (Semi-annual report on the operations of the RBI, 2015) - Ranking of banks by net assets and profit before tax:

Based on the above, we make the following comment:

- At the end of the second quarter of 2015, Raiffeisen Bank achieved a market share of 7.7% of the total assets of the banking sector and holds fourth position. Compared to the same period of the previous year, the Bank realized a profit of RSD 0.2 billion and holds second place in the overall banking sector.
- The position of Raiffeisen Bank - compared to the rest of the banking sector on the basis of the report for the second quarter of 2015, the Bank ranked second by net placements and fourth place in terms of the amount of total deposits.

Often for the comparison of performance between banks we use the rate of return on assets (ROA - return on asset). ROA represents return on invested capital which is obtained when as the numerator we use some of the variables that reflect the return, such as net and gross earnings, and divide it by the value of total assets. ROA is an indicator of the profitability of the property, where the ROA ratio below 0.5% is the low profitability of bank assets, i.e. it suggests that the bank is inefficient.

ROA indicator in the range of:

- 0.5% to 1% shows average profitability of a bank's assets
- 1% to 2% shows profitable assets of the bank
- 2% to 2.5% means highly profitable assets of banks
- Over 2.5% represents cartelization of banking market, high-risk portfolio of the bank, or some special event, e.g. sale of a building owned by the bank.

Although ROA provides useful information about the profitability of banks, we have already seen that this was not what interests owners. They are more interested in profits realized by their capital, which is shown by the *rate of return on equity* (ROE). $ROE = (\text{PROFIT (LOSS)}) / \text{NET ASSETS}$.

NET ASSETS							
30.06.2015				30.06.2014			
Bank	Rank	Market share	RSD bill.	Banka	Rank	Market share	RSD mlrd
Intesa	1	15,1%	429,6	Intesa	1	14,6%	421,0
Komercijalna	2	13,4%	382,1	Komercijalna	2	12,0%	344,8
Unicredit	3	9,1%	258,9	Unicredit	3	8,3%	238,5
Raiffeisen	4	7,7%	219,3	Raiffeisen	4	7,2%	207,6
So Ge	5	7,6%	217,6	So Ge	5	7,1%	205,1
Eurobank	6	5,5%	155,9	Eurobank	6	6,0%	172,9
AIK	7	5,3%	152,3	AIK	7	5,4%	156,5
Hypo	8	4,1%	116,3	Hypo	8	5,4%	156,1
Vojvodanska	9	4,0%	114,0	Vojvodanska	9	3,8%	108,5
Poštanska štedionica	10	3,8%	108,6	Sberbanka	10	3,4%	97,8
PROFIT BEFORE TAX							
30.06.2015				30.06.2014			
Bank	Rank	Market share	RSD bill	Bank	Rank	Market share	RSD bill.
Intesa	1	25,5%	3,8	Intesa	1	27,1%	4,3
Raiffeisen	2	23,1%	3,5	Raiffeisen	2	23,1%	3,7
Unicredit	3	21,1%	3,2	Unicredit	3	19,1%	3,0
Komercijalna	4	15,9%	2,4	Komercijalna	4	16,2%	2,6
Procredit	5	7,3%	1,1	Vojvodanska	5	8,3%	1,3
AIK	6	6,9%	1,0	Sberbanka	6	7,9%	1,3
Eurobank	7	5,5%	0,8	Procredit	7	7,7%	1,2
Sberbanka	8	4,2%	0,6	AIK	8	6,4%	1,0
So Ge	9	2,8%	0,4	Eurobank	9	5,5%	0,9
Erste	10	2,4%	0,4	Erste	10	3,3%	0,5

2. SHORT REVIEW OF RAIFFEISEN BANK INTERNATIONAL

The headquarters of Raiffeisen Bank International are in Vienna, Austria. Raiffeisen Bank International AG (RBI) is one of the most important institutions that offers commercial and investment banking services in Austria and a leading universal bank in Central and Eastern Europe. It was established as the result of the merging of separate business branches of Raiffeisen Zentralbank Österreich AG (RZB) with Raiffeisen International Bank-Holding AG. The transaction was legally completed in October 2010. RBI is a fully-consolidated subsidiary of RZB, holding 78.5% of the common shares of the Bank. The remainder is in free float, the shares are listed on the Vienna Stock Exchange.

In Western Europe and the US, RBI manages its branch in London and representative offices in Brussels, Frankfurt, Madrid, Milan, Paris, Stockholm and New York. A finance company in New York (with representative offices in Chicago and Houston) and a branch bank in Malta complement the scope of the bank's presence. In Asia, the second geographical area of focus, RBI operates branches in Beijing (with representative offices in Ho Chi Minh City, Hong Kong, Mumbai and Seoul. Such a strong presence clearly underlines the Group's orientation towards emerging markets.

In addition to its banking operations, RBI operates several specialist companies in CE Europe that offer solutions in a wide range of areas, including mergers and acquisitions, investments in equity securities, real estate development, project management and asset management.

RBI is a subsidiary of RZB Vienna. Founded in 1927, RZB is the steering holding of the entire RZB Group and the central institution of the Austrian Raiffeisen Banking Group (RBG), the largest banking group in the country. Raiffeisen Bank International Group includes many finance leasing companies (including one in Kazakhstan and one in Moldova) and a number of other companies that offer financial services.

RBG represents approximately a quarter of the entire banking business in Austria and includes the largest banking network in the country, with more than 550 independent banks and 1,700 branches. At the end of 2009, the consolidated balance sheet total of RBG amounted to 260 billion euros. RBG's three-level structure consists of Raiffeisen Banks on the local level, Regional Raiffeisen Banks on the provincial level and RZB as the central institution.

Raiffeisen Bank are private credit institutions - cooperatives, which operate as banks with general services for individuals. Raiffeisen banks each province are the respective owners of Regional Raiffeisen banks, which in their possession have about 88% of RZB's ordinary shares.

The idea of co-operatives, which the organization of Raiffeisen Group is based, relies on and reflects the principles and work of the German social reformer Friedrich Wilhelm Raiffeisen (Friedrich Wilhelm Raiffeisen, 1818-1888).

3. RAIFFEISEN BANKS' FINANCIAL INNOVATION

Financial innovation can be classified into two main groups, namely (www.raiffeisen-bank.rs) innovations linked to the changes on the supply and innovation related to the changes on the demand side.

1. Innovations related to changes on the supply side. Large fluctuations in interest rates led to an increase in interest rate risk. This risk motivated financial institutions to find a specific solution, which would some way amortize the high interest rate risk. One of the financial innovations that proved successful are mortgage loans with variable interest rates. With this loan, the interest rate during the repayment period adjusts to the market rate of interest. In this way financial institutions manage to absorb the possible increase in market interest rates, which will in this case even be welcome because of larger profit through the increase in interest on the loan. With a mortgage loan with fixed interest rate any increase in market interest rates could be only noted by banks, with sadness, as missed profit. For this reason, banks are often willing to provide mortgage loans with variable interest rate with the initial fixed rate that is lower than the interest rates on mortgage loans with a fixed rate.

2. Innovations related to changes on demand side. The largest source of changes on the demand side is the development of computer technology and telecommunications. Banks and other financial institutions have developed new products and financial instruments based on this technology, primarily credit cards and electronic banking.

A complete list of Raiffeisen bank payment cards includes: DinaCard payment cards, MasterCard revolving payment card (Standard and Gold) VISA, VISA revolving payment card (Classic and Gold) VISA Electron, Piraeus Bank European Youth payment card, VISA photo card Piraeus Part by Part, Card-to-card service, SMS Recharge via payment cards, Reception of money from abroad via DinaCard card, Online Request for credit card, payment cards - Your passport for the world of discounts, SMS and e-mail notifications on credit cards.

a) Credit and debit cards appeared before World War II. The conditions for mass use of cards were created no sooner than the end of the 60s. Unlike paper money, which ceases to bear interest at the moment when taken from the account, electronic money can make interest until spent. Credit cards can be used for on-line transactions, but due to the fact that the Internet is an open network and that a third party can trace and misuse credit cards, a whole series of competing protocols and methods has been developed that guarantees security of the transaction. The first successful attempt of this kind was a program initiated by Bank of America, and continues with independent organization called VISA, followed by the program Master Charge card, now known as MasterCard. The programs have become incredibly successful, resulting in the creation of a new financial innovation - debit card (Bodiroža M., S. Petković, G. Eric-Bodiroža, 2012). By appearance and usage in paying these cards are very similar to credit cards. The difference compared to credit cards is that, unlike them, debit cards do not offer the possibility of lending to consumers, but the amount charged by debit card is immediately charged to its owner.

Example of MasterCard business - Raiffeisen bank's Web Card:

- request submitted directly at the point of sale without going to the bank;
- credit card for payment of goods and services and cash withdrawals at ATMs and banks in the country and abroad;
- Payment via the Internet and MOTO transactions (orders by phone or mail);
- The amount of credit limit from EUR 100 to EUR 5,000 (in dinars);
- Approved limit per card is the amount of product purchased rounded to the first thousand more (e.g. LCD TV purchased in the amount of 35,458.59 RSD, approved limit per card RSD 36,000.00);
- No deposit or draft bill;
- type of goods does not condition the repayment period;
- Once a month client receives statement showing matured obligations or minimum payment amount;
- Minimum monthly repayment amounts to only 5% of the limit (initially 5% of the amount of purchased goods);
- payment of outstanding liabilities with 21 day grace period from the date of statement to due date;
- payment of monthly installments releases credit card limit for the re-purchase and withdrawal of cash at any point of sale where there is a MasterCard sign.

Additional benefits:

Raiffeisen Bank gives a free monthly fee for its maintenance to all its holders of MasterCard Web Revolving credit cards for a period of three months after activation. Its credit card users are also users of the prepaid number of any mobile operator in the country (MTS, Telenor, VIP Mobile) allowing to supplement credit by sending SMS messages. By using the said service you can supplement the mobile phone of any other person in the same network. This service can be used at any time, from anywhere, at home or abroad, and the registration and use of Payment Card Mobile Service (PCMS) is free. Raiffeisen Bank informs the MasterCard Revolving web credit cards holders via SMS on each transaction conducted with information on the amount of the transaction, whether the user is withdrawing money from an ATM, paying for the goods and services or makes payments on his credit card. Thirty days before the expiry of the card the customer is notified by SMS that his card will expire and that he should take a new card in the office in which he submitted a request for the issuance of cards. Once a month the user gets SMS and a mini-statement, and this SMS notification is free.

Example of Maestro debit card business in Raiffeisen bank:

Maestro debit card (primary and one additional) can be used to withdraw cash and pay for goods and services, home and abroad, pay for goods and services via the Internet. Most importantly each payment of goods and services in the country in the amount from 3.000 RSD upwards will be divided into 3 equal monthly installments without interest. Maestro debit card is part of the Comfort product package of Raiffeisen Bank, and the cost of keeping the package is 300 RSD per month. Raiffeisen Bank Comfort package includes: Maestro debit card, the dinar current account, the possibility of free use of borrowings for an amount in the use of up to 10,000 RSD, foreign currency account deposits, Visa Electron card (basic and one extra), Visa Virtuon card, Payment Card Mobile Service (supplements the mobile phone and pays postpaid bills), telephone banking, electronic banking (RaiffeisenOnLine, SMS, phone), standing order, simple savings - savings plan, MinMax savings. Raiffeisen Bank delivers monthly account statement for the previous month, and in that way we have a review of all payments made and always know how we spend the money, and that the situation on our account is electronically checked on every transaction. The card is replaced in the following cases: when the user changes personal data, when physically damaged, when entered (printed) are technically incorrect, with forgotten or lost PIN.

b). Electronic banking means the ability of clients to communicate with the bank via electronic devices. One of the most important forms of electronic banking is the ATM. This device can provide services to customers for cash withdrawal, payment of deposits, transferring of funds from one account to another, and to check account balances. The great advantage of these devices is their 24-hour availability, as well as the possibility of easier and better coverage of the territory. Further, an important form of electronic banking is the home banking. This term includes the possibility that transactions such as transferring money to another account, paying bills, checking status, etc. you as a client can perform from your own home via personal computer and internet connection. The next significant step in the development of electronic banking has been made with the promotion of on-line banking, which is a combination of the characteristics of the program for personal finance and e-payment account. On-line Banking (Stankić R., 2013) is carrying out banking transactions direct link customer and the bank with the help of specialized software. So, you need special

software installed on the client computer and only from there you can carry out transactions and include information about changes.

Example of business through Raiffeisen bank's electronic banking:

- Obtaining the necessary information about your accounts via the Internet. All you need is a computer and internet connection.
- Telephone banking (call center services) by calling the call center Raiffeisen Bank dostupanog 24 hours, you have the ability to conduct financial transactions and to obtain all necessary information on your accounts by phone.
- Telephone Banking (IVR) status after the account opened in Raiffeisen Bank you can easily get through a fixed phone calling, which is available 24 hours.
- Telephone banking (SMS) at any time, find your balance by sending an SMS message.
- Contact Center - all in one place. Information and support, available 24 hours a day throughout the year.

CONCLUSION

Based on the above, we conclude that Raiffeisen Bank offers commercial and investment banking to Austrian and international companies, diversified banking and leasing network in Central and Eastern Europe, both for clients from industry, and individuals, as well as services and investment banking services in Asia and in the world's most important financial centers.

The latest trend in the banking business is characterized by electronic banking, through the introduction of mobile banking. Mobile Banking allows you to execute transactions via portable computers, digital organizer and mobile phone. The latest generation of mobile phones has the capability of connecting to the Internet, which means that users can access their financial institution, in this case Raiffensen bank using a mobile phone and perform the desired transaction. Mobile banking is experiencing an expansion that is stronger than Internet banking even.

Taking into account the general business environment, we conclude that the macroeconomic trends continued in 2015 too, which is primarily reflected in higher market share and exchange rate stability. The high capital adequacy and stability of the deposit base contributed to the fact that the Bank in the first six months of this year achieved profit before tax of 0.02 billion dinars while maintaining a stable market position, on the one hand, and the preservation of value for shareholders and customers, on the other.

In the growing phase of the development of electronic money and electronic banking, the bank must pay special attention to risk management in line with the strategic orientation and the constant presence of an increased risk of credit default. In this regard, the Bank has established a reliable system of risk management as an integral part of the overall organization, through all business activities and all levels of management. Special emphasis is placed on monitoring the quality of the loan portfolio for early identification of increased risk of collectibility of loans. With the spread of the Internet economy, the bank can approve loans to consumers in the form of electronic money, which will come to the creation of new money so that the total amount of electronic money deposited exceed the amount of real money.

If the process of creating new money continues, it can increase the risk of bankruptcy

of banks, which in turn can cause a chain reaction and lead to financial crisis. It is therefore necessary to regulate Internet banks and oversee them like ordinary banks, so that the public can develop more confidence in such banks.

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