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DEVELOPMENT OF ONLINE BANKING IN
THE RUSSIAN FEDERATION

Аннотация. В статье рассматривается актуальность интернет-банкинга в современной банковской системе России. Акцент делается на структуре интернет-банкинга страны, его развитии и текущем состоянии.

Ключевые слова: интернет-банкинг, Тиньков (TCS), банковская система, сайт финансового учреждения.

Abstract. The paper discusses the importance of online banking in modern banking system of Russia. The authors emphasize the structure of the country’s online banking, its development and current position.

Key words: online banking, Tinkov (TCS), banking system, financial institution's website.

Online banking, also known as internet banking, E-banking or virtual banking, took off in the Russian Federation in 2010. It is an electronic payment system that makes it possible for bank or other financial institution customers to conduct various financial transactions through the financial institution's website. The online banking system will typically connect to or be part of the core banking
system operated by a bank and is in contrast to branch banking which was the traditional way customers accessed banking services [2].

To access financial institution's online banking facilities, a customer with internet access needs to register with the institution for the service, and set up a password and other credentials for customer verification. The credentials for online banking differ from telephone or mobile banking. Financial institutions now routinely allocate customer numbers, whether or not customers have indicated an intention to access their online banking facilities. Customer numbers are normally not the same as account numbers, because a number of customer accounts can be linked to the one customer number. Technically, the customer number can be linked to any account with the financial institution that the customer controls, though the financial institution may limit the range of accounts that may be accessed to, say, cheque, savings, loan, credit card and similar accounts [3].

Most clients of Russian bank Tinkoff Credit Systems (TCS) do not even know where its sole office is located. That’s because the bank, founded by Oleg Tinkoff in 2006, was one of the first online banking systems in Russia that allowed users to access services via a mobile phone or computer. Today, TCS’s services are used by about two million people - and in TCS’s wake, others are beginning to develop their own offerings.

According to the report by industry research group MForum the number of Internet banking users in Russia increased 3.5 times between 2010 and 2011. The proportion of online banking users at the end of 2011 was estimated by the rating agency Expert RA at 6 to 7 percent of the country’s population. In August 2012, a survey by the Public Opinion Foundation showed that 13 percent of Russian citizens use the Internet banking.

Uptake is particularly strong in urban centers: a study by Romir agency demonstrated that 46 percent of residents in Russia’s major cities regularly use
Internet banking services. Moreover, 17 percent of residents stated that they used online banking at least once a week, and 29 percent of residents check their online account once or more times per month. The most active users of these services are men aged 25-34 with higher-than-average incomes.

According to the study, online banking is most commonly used to pay utility and other bills (60 percent of respondents), followed by account management and accumulation of funds (55 percent), money orders, and credit repayments.

According to Expert Rating Agency, the proportion of remote transactions increased threefold (from 8 to 26 percent) between 2010 and 2011, while in the past three years the proportion of accounts with online access has grown from 12 to 25 percent.

The banks have thus reduced service costs, closed down offices, and increased proceeds from online commission fees. As can be seen from the research, the market is far from reaching the saturation point. According to the Public Opinion Foundation, 11 percent of respondents said they would consider using online banking services, potentially doubling the target audience. Tatiana Belozerova, head of alternative sales channels at Raiffeisenbank, estimates the annual rate of growth in the number of online banking customers at 50 to 80 percent.

**Tinkov’s example**

Russian entrepreneur and former miner Oleg Tinkov is building a new business that will use the Internet and mobile technology to bank the unbanked in Russia and other CIS countries.

Tinkov, who has already established five other businesses, is the inspiration behind Tinkov Credit Systems, an online bank that operates in Russia and which already has 2.5 million customers for its credit card business. His latest idea is to compliment that business with Tinkoff Digital, a new online marketing firm that
will, he hopes, help the firm tap into the rise of internet and mobile technology in a country with a population of 140 million.

According to Tinkov, “Russia is one of the best places in the world for doing business.” “That may sound surprising to you, but the country has a huge population, very little competition in financial services, and a consumer base that is willing to spend money. I see a real opportunity for high technology to come in and offer a far better service than Russia has ever had before.”

TCS has no physical branches anywhere; instead it focuses on offering mobile and internet banking. Drawing on the country’s relative lack of competition – Oliver Hughes, president at TCS, estimates that some 40% of the firm’s customers live in the smaller Russian cities, where the existing banking options are often very limited – Tinkov wants to use advanced technology to out-compete the local banks.

At present Russia has approximately 70 million internet users, and 15 million users of mobile technology. While the internet usage is expected to grow by 5% this year; the mobile usage is expected to expand by 26%. In keeping with Tinkov’s faith in technology, TCS employs around 400 people – of which some 300 are IT staff skilled in mathematics and analytics. The idea is to use Tinkoff Digital to tap into these expanding markets with targeted advertising to direct people to the exact services they are likely to use.

All in all, online-banking is developing in the Russian Federation. Banking is now no more limited in going and visiting the bank in person for various purposes like depositing and withdrawing money, requesting for account statement, stop a payment, etc. You can do all these and some other tasks using the online services offered by banks. You can also keep a track of your account transactions and balance all the time. Now getting passbooks updated to know the total account balance is a matter of past.
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