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E-finance and Macro-, Mezzo- and Microeconomics. An Introduction to Costs and Benefits Analysis

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E-FINANCE AND MACRO-, MEZZO- AND MICROECONOMICS. AN INTRODUCTION TO THE COSTS AND BENEFITS ANALYSIS.

Summary

The phenomenon of “e-finance”, just as “new economy”, “e-commerce” or “e-business”, is in *statu nascendi*. Definition obstacles form a difficulty, and what it entails, the lack of single definition of the scope of e-finance. A current surge of globalisation in the financial sector, considered an irreversible and universal trend, has been sparked off by a combination of factors led by Americanisation of the world system. Globalisation and internationalisation are accompanied by new opportunities and challenges as well as costs, risks and threats. The process of e-finance is not a panacea in itself: it is necessary for the development and growth but it is not enough. Generally, from the perspective of post-communist countries, including Poland, the so-called “new economy”, e-commerce, e-business, e-finance, etc., could pose a “deadly threat” which might make these countries secondary or even marginal. However, under certain circumstances, the above mentioned phenomena may also stand for extraordinary opportunities. The Internet may be the engine of economic growth and development in Poland and could result in an “internet-led growth” in our country.

The phenomenon of “e-finance”, just as “new economy”, “e-commerce” or “e-business”, is *in statu nascendi*. The phenomenon, ranked as the so-called emerging one, abounds in numerous shades and aspects and opinions on it oscillate around euphoria, credulous fascination and scepticism or even gloomy prophesying. This results in extraordinary methodological difficulties encountered by analysts who endeavour to describe, comprehend and explain in scientific terms the phenomena which are currently referred to as e-finance. It is not accidental that numerous analysts and financial market players claim that “all is far more complicated than many people think” and appeal for humbleness and modesty. However easy it is to formulate valuable hypotheses and viewpoints that acquire the form of fragmentary diagnoses, forecasts and therapy, the possibility to draw universal and timeless conclusions seems to be stymied by the diversity of issues related to financial industry and the number of different exogenous and endogenous factors. However, this is not tantamount to the acceptance of “research pessimism”, quite to the contrary – it seems that new attempts are very necessary. This attempt also falls within the category of “moderate research optimism” and by definition it is causal in nature, its preliminary aim is to – if its humble framework allows – evaluate costs and benefits that accompany the process of e-finance.

One of the first obstacles is a definition dilemma and, as a result of that, the lack of an explicit definition of range of the notion e-finance. Potentially, the following sub-disciplines of financial studies can be taken into account: global and international finance, public finance, including local government finance (regional and local), commercial and investment banks finance including capital markets, social and economic security finance, corporate finance, SMEs' finance and last but not least household finance. Now, at the outset of the 21st century, the degree of ‘electronisation' or, in other narrower meaning, the degree of ‘Internetisation' in the aforementioned parts of finance is generally higher but by no means uniform. Considerable differences occur mainly between particular countries, as between the TRIAD countries (the U.S., Japan, EU countries) and post-communist countries such as, for instance, Poland. The degree of ‘electronisation’ differs between household finance or, for instance, financial institutions led by banks. It is not a sheer coincidence then that so much attention is drawn to the development of e-banking, e-insurance and others remaining secondary. It is worth observing that the notion of “financial innovation spiral”, coined by a Nobel prize winner Robert Merton, could come in handy here. The development of a single sector of e-finance, e.g. e-banking, entails and sometimes even forces the development of other sectors ("follow-up effect").

One of the features of these deliberations is an attempt to touch upon that trend of the theory, which is defined as a unified approach. This trend consists in tight interweaving of economic as well as – broadly perceived – extra-economic factors, including mainly institutional ones. Under such approach each category analysed by economics and finance has both economic and extra-economic features. E-finance cannot be analysed solely in contemporary economic terms; social, cultural, legal, political, technical, technological and other aspects should also be included in the analysis. Such an approach, however, may cause the feeling of dissatisfaction but studies are conducted primarily in the field of economics and by economists. What is also interesting about this analysis is the consistent drive towards calculating costs and benefits from the perspective of micro-, mezzo- and macroscale. Last but not least, E-finance related issues couldn't be comprehended without prior references to the issue of globalisation (the point is "to see the whole forest and not single trees").

The world as "global village", "global society", "global IT society", "global state", "global economy", "global finance", "global banking", "global industry", "megacapitalism", "global network capitalism", "global inforoute", "global competitive capitalism", "global currency", "global strategy", "global consulting", "global product", "global service", global company", "global bank" – the above is evidence that the term "globalisation" and related terms are among the most fashionable ones to be used (some say to be overused) by many researchers and publicists. The authors of the Lisbon Group carried out a functional attempt to specify the following three terms: internationalisation, multinationalisation and globalisation[1]. According to the Lisbon Group "internationalisation" of the economy and society refers to the total flow of raw materials, semi-finished products, finished products and services, money, ideas and people between two or three countries. Whereas "multinationalisation" (or "transnationalisation") of the economy and society and related to the activities of international corporations, can be mainly characterised by the transfer and movement of resources and particularly capital, as well as to a lesser degree labour, from one national economy to the other. In the process of multinationalisation a foreign corporation (involved in the banking sector or more broadly in finance) acquires the ability to exert influence on a given national economy and its future. Hence – with reference to the processes of internationalisation – multinationalisation meets with economic protectionism, cultural and political nationalism: fears of and opposition to the presence of international corporations and foreign investments

[1] Lisbon Group: Granice konkurencji, Warsaw 1996, pp. 43 and following ones.

(from the U.S., Japan and newly developed countries, EU countries). It is significant that national governments are beginning to support their national corporations in their research and efforts to create a new effective strategy as well as stable multinationalisation, both in offensive (i.e. by supporting the competitive dominance of national corporations) and defensive terms (by impeding the penetration of their markets by foreign corporations)[2].

The "globalisation" of the economy and society (by some associated with Americanisation, or even McWorld) is the latest phenomenon, different from "internationalisation" and "multinationalisation". Stressing the fact that there is no single and commonly accepted definition of globalisation and regarding the phenomenon mainly as "the multiplicity of interconnections and feedback between countries" the Lisbon Group authors distinguished the following seven realms of globalisation[3]": finance and ownership capital globalisation, strategy and markets globalisation, technology, research and expertise globalisation, lifestyles and consumption models globalisation (cultural globalisation), globalisation of governing and legal regulations, globalisation as political uniformity, globalisation of perception and consciousness. Global financial markets are sometimes compared to a huge, very agile and extremely brutal "leveller" (those corporations that survive the competition will enjoy increased capabilities).

According to G. Ritzer, the author of "Mcdonaldyzacja społeczeństwa" (McDonaldisation of society), McDonaldisation stands for the process of gradual popularisation of McDonald's fast food restaurants, the symbol and one of the most important inventions of America. This popularisation takes place in all aspects of social life in the U.S. and all other parts of the world. McDonaldisation is not limited to the catering industry but it also affects the way we are educated, the way we work, travel, spend our free time, eat, do politics, treat our families, bank; virtually all aspects of our social life. McDonaldisation has been successful because customers, staff and managers were offered efficiency, profitability, predictability and the possibility of manipulation. The above are also applicable to the phenomenon under analysis, i.e. e-finance.

The growth of globalisation in the economy - i.e. a fast-paced integration of hitherto separate national financial markets into one world market – disintegrates one of the primary tenets of all national states – the national market. It does not mean, however, that the national economy has completely lost its significance. The national economy is still significant but it has ceased to be the most important entity. A new feature of globalisation is a collection of

[2] Ibidem, pp. 47.
[3] Ibidem, pp. 48.

processes that: enable designing, development, production, distribution and consumption of processes, products and services on a global scale with the use of instruments that were prepared and made available also on a world scale, that are aimed at more and more diversified and customer-oriented global markets and that are regulated by “quasi-universal” norms and standards. Moreover, these processes are based on organisations (networks of organisations) operating worldwide whose capital is now frequently owned by shareholders scattered all over the globe and whose culture is open to the new world community and abides by the world strategy.

In this context the notion “made in the world” is currently in use and it regards “global product” (e.g. a car) or “global service” (a typical example of such service designed to serve global needs, highly attractive, created through the joint efforts of many new technologies and provided by global organisations with increasing global experience is a cash card). A “global company” is becoming the major entity in the modern economy and society. It is more often taken for granted now that “global company” replaces the public authority as the main entity in the management and control of world’s economy (such global companies being manufacturers of goods, infrastructures and services which shape a new world economy tend to claim that “what’s good for our company is good for the world”)[4].

Let us attempt to analyse these general observations in the context of modern banking sector and a banking enterprise. G.S. Yip is of the opinion that a sector (industry) is global only if it encompasses international interconnections[5]. Upon application of this definition, the banking sector (and similarly the whole financial services industry) is undoubtedly global for modern banking by definition boasts robust, outstanding and various international interconnections. The rule holds good if we consider many “global banks” (mainly American, Japanese and West European ones) that operate abroad besides their country of origin. It also refers to numerous products and banking services, which may be characterised as global (because many of them are standardised and they do nor really differ in particular countries; a classic example of that are foreign transactions). Eventually, the general conclusion could be that these days we are dealing with the world’s single “finance business, with only slight exceptions”. Today we are witnesses to the emergence of global production and sales market. Law, advertising, business counselling and financial services were all made international. Regardless of their operation markets, companies (banks) from all over the world try to appear as if they were local entities. Among international alliances and undertakings carried

[4] Ibidem, pp. 101-103.
[5] G. S. Yip: Strategia globalna. Swiatowa przewaga konkurencyjna, Warsaw 1996, p. 21.

out thanks to computers and cutting-edge communications technologies the notion of nationhood is more and more blurred. In the 1970s foreign companies were problematic because they were thought to be outposts of foreign governments and now they are paradoxically said to be ceasing to operate on behalf of their states, shifting jobs abroad, dodging taxes and causing the deterioration of economic independence of their states[6].

A modern surge of internationalisation and globalisation in the banking sector, an irreversible and universal process, has been sparked off by a combination of factors led by Americanisation of the world system. Without further elaboration on the issue of globalisation's origin, we should observe that from our perspective the most crucial are the consequences of globalisation, which translate into costs and benefits and their further distribution among participants of banking and finance market. The issue was subject to discussions (not for the first time) upon signing by 71 WTO member states in December 1997 of a treaty on liberalisation of financial services which was announced by some as yet another wonder in world trade. The agreement concluded following long and hard negotiations and the one that refers to 95% of world's financial service trade is supposed to hasten the expansion of finance and banking markets and furthermore create transparent and more predictable conditions for operation on this market. The principle of this treaty is the agreement by particular states (including Poland) to open their banking and insurance markets to international competition. In recent years, despite the impediments encountered by financial services in the process of international expansion, the number of foreign banks, insurance companies and brokerages operating abroad or providing services for foreign clients skyrocketed. The agreement is to make over 90% of world's financial services fall under WTO regulations which means that the states that violate opening rules will be subject to WTO regulations and any disputes will be settled under WTO rules.

The incorporation of banking and finance sector by world free trade regulations is a historic event and a sign of the times. For many signatories the treaty is tantamount to considerably greater chances of foreign investments, levelling the playing field and creating frameworks of free competition on any market. It is of consequence, however, that the benefits of less developed countries will be dwarfed by those enjoyed by the U.S. or EU countries. It is not a coincidence that the "one-way development" theory occurred: most less developed countries shall open their own markets without any chances of competing on them ("the West is coming to us but we cannot reciprocate").

[6] J. T. Mathews: Ewolucja władzy, "Gazeta Bankowa" 1997, No. 13, p.17.

The importance of the issue of beneficiaries of globalisation and liberalisation of world banking cannot be overestimated. Globalisation and its intensive, dynamic expansion, its vigorous entrepreneurial spirits all evoke contrasting reactions all over the world. The majority of its supporters and advocates can be found in the circles connected with multinational corporations, huge banks, vast media networks and large non-governmental organisations, in other words with the most influential and affluent global class[7]. Their written and spoken opinions on globalisation, new economy, e-commerce, e-business, e-finance etc. are soaked in optimism and self-confidence. The situation is different in Europe where globalisation does have supporters but sceptics and even adversaries are numerous. Europe or most of all post-communist Central and Eastern Europe is concerned about its future. Poor countries are hostile to globalisation. In poor countries globalisation is frequently compared to new colonialism and the notion of free market is not appealing to those who are at a loss to offer anything to this market. This picture leaves many people, circles and institutions wary.

As generally all phenomena or processes also globalisation and liberalisation stand for new opportunities and challenges as well as new risks and threats. Sharing the opinion that in the long run globalisation is more beneficial than detrimental, particularly to those who seek financial services, it should be observed here, following Swiss authors, that the issue of globalisation's consequences does and will cause much excitement resulting in conflicts between its supporters and globalisation sceptics or pessimists[8]. The problem is that following globalisation processes there will be both "winners" and "losers". According to Swiss respondents main winners are international corporations and banks and losers are mainly: farming, employees, crafts as well as SMEs. Globalisation and the increase in the role of competitiveness that is connected with it are among numerous benefits and advantages along with the tendency of prices and costs to go down which is so important for customers. The supporters of globalisation claim that it is neither a triumph of uniformity itself nor the destruction of local cultures and employment. Globalisation's opponents and critics tend to stress its costs. For example Professor R. Petrelli of European College in Brugge is of the opinion that modern globalisation, despite its goals, excludes from the world market people and territories, which are not competitive[9]. Moreover, it does not serve to make available inventions and goods, which have never been shared by most people. Its goal is optimal financial profit achieved also through transferring production to cheap labour markets. The

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[7] This notion was used by R. Kapuściński during the Congress of Polish Culture in December 2000.
[8] „Bulletin. Das Magazin der Credit Suisse", January / February 1998, (different pages).
[9] Współpraca zamiast konkurencji (27th Symposium of Management in St. Gallen), "Rzeczpospolita" 1997, No. 123, pp. 11..

only aim in this pursuit of cost optimisation is competitiveness against opponents. Modern globalisation is virtually a struggle to survive on the market. In the economic system dominated by the American idea of competitiveness with winner-takes-it-all attitude, there is no room for defeated companies ("win or die"). According to R. Petrelli, only 10% of all financial transactions in the world are aimed at financing investments or other activities that enhance the development of industry and trade, whereas 90% of operations are speculative transactions, which bears evidence to a widening gap between "real" and "financial" economy[10]. According to professor Petrelli, the speculative and not "real" economy has been the aim of globalised, liberalised financial system for years now. Europeans should not succumb to the idea of globalisation dominated by the American idea of competitiveness. The future of European societies cannot be build on a struggle-for-survival culture, therefore competitiveness should be replaced by cooperation.

The aforementioned example of globalisation critics' approach confirms the fact that this phenomenon can hardly be assessed in an explicit way. Without trying to outline all aspects of globalisation here (McDonaldisation, Americanisation etc.), we simply explicitly observe that globalisation processes in the world banking and finance sector are a fact which can hardly be overestimated.

Another incentive, or maybe even a tenet or driving force behind transformations in banking, is an unprecedented development of more and more advanced techniques and technologies, mainly IT and telecommunication technologies. One of the symbols of the growing importance and exceptional actuality of these processes sometimes even referred to as technological revolution, is the extraordinary mushrooming of new terms related to "new money" and "new banking". "The network of terms" used by modern bankers has been expanded by[11]„e-money", „e-cash", „plastic money", „microprocessor cards", „e-wallet", „smart cash cards", „e-banking", „virtual banking", „Internet banking", „on-line banking", „telebanking", „24h banking", „non stop banking", „self service banking", „remote banking" and more. It is no accident that at present the opinion that "banks will always exist but banking may cease to be necessary" is widespread or that "modern banking is a permanent construction site" (the latter refers also to the phenomenon of e-finance).

[10] Derivatives trade became independent, giving rise to "financial revolution era", and according to others "finance world emancipated from the real one " (see. H.-P. Martin, H. Schumann: Pułapka globalizacji. Atak na demokrację i dobrobyt, Wrocław 1999, pp. 67). [10] S. Flejterski, B. Świecka: Rynek kart płatniczych. Historia i perspektywy plastikowego pieniądza, Szczecin 1996.

[11] S. Flejterski, B. Świecka: Rynek kart płatniczych. Historia i perspektywy plastikowego pieniądza, Szczecin 1996.

New techniques and technologies do and will play a fundamental role in the transformation of financial and banking services market. Thanks to their popularisation it will be possible to enhance flexibility in the field of defining new products, lowering of costs connected with the performance of repeated processes and the ones that do not bring any added value, the reduction of particular transactions costs and also the improvement of customer service quality. Techniques and technologies also facilitate the expansion of customer information, which enables a detailed and effective sales promotion of particular products and services. They also enhance client service improvement through the development of IT systems directly supporting the operation of branches, the management of high-risk assets through the implementation of neural networks when making decisions and artificial intelligence when curbing scams and the improvement of managing information through reinforcing Executive Information System. Following the implementation of new techniques and technologies the importance of self-service in banking will also grow considerably. There is also the development of virtual banking that allows customers to use banking services any time and anywhere they want. Customers will enjoy benefits of higher flexibility and comfort and banks will be able to cut costs not only through reducing the number of costly branches but also through transferring banking operations service to customers (including liability). Banking has undergone profound transformation from a sector that was once dominated by labour-consuming service development and provision techniques to a capital-consuming sector, which calls for extensive funds necessary to attain the automation of developing and providing financial services.

The application of new techniques and technologies is not a goal in itself. The main reason for that is the pursuit of the reduction of banking operational costs, whereas we can assume that the lowering of high technology costs will be followed by a further reduction in automated banking operations. The fact that the costs of a banking operation concluded via the Internet are much lower than the costs of the same operation by the teller counter (sometimes concluding operations in branches means long queues) could initially lead us to the conclusion that branch banking is disappearing and that it is an anachronism. It is not so obvious though, at least initially. It is a fact that a client (corporate or individual) is free to choose a multi-channel access to a bank. It is a fact that technologies of banking products generation and distribution will develop. The opinions that the development of retail banking through the network of branches or sub-branches is obsolete or even a kind of dead-end street are counterbalanced by the opinions that e-banking, self-service banking (phone, ATM internet etc.) are an important but merely complementary channel of “banking”. E-transactions should be taken into account in the case of standard operations (cash drawdown, transfer, deposit etc.), whereas in the case of more complicated operations demanding personal contact, rethinking, counselling and discussion branches or sub-branches will remain long indispensable. Those who claim that for the time being clients need physically existing service products in close vicinity of their jobs and homes seem to be right, hence it is not possible now to develop retail operation without a large network of branches and sub-branches.

The acknowledgement of the need for further existence of branches and sub-branches – both in short and medium perspective and both in corporate and retail terms – is not tantamount to the acceptance of their current shape ("the same but not quite the same"). In the past the theory of finance held that certain institutions always provided certain services. R. Merton proved that it is not necessarily true. He referred to his approach as "functional perspective" to make it distinct from "institutional perspective". What is important is the function and not the institution in charge of it. Nowadays, in the era of the Internet, which has transformed the shape of business, hardly anyone can associate given services with institutions in giant structures[12].

According to Anatol Gershman, head of Andersen Consulting's Strategic Technology (IT) Research Centre, we already have at our disposal technologies which can replace typical brick and marble 19th century temples of banking with 20th century "banking laboratories", "technobanks" [13]. The existence of the former stems from people's habits. Practically, there is no real need for the existence of traditional banking facilities, which offer retail banking products. Modern technologies enable us to avoid painstaking visits to a bank and waiting for our cash to be dispensed. Those banking products that can be offered in a remote fashion through e.g. a computer terminal or next generation ATMs - according to A. Gershman - may not be available in branches. The cheaper computer equipment is – and it becomes cheaper day by day – the more common remote services become. In terms of economics, as A. Gershman emphasises, remote banking is much cheaper and more effective than teller service. This is the profit that can be shared between the bank and the customer. Similarly, the most physical manifestations of financial means will also disappear, i.e. banknotes and coins

[12] N. Dunbar: Alchemia pieniądza. Historia Long–Term Capital Management i mitów z nim związanych, Warszawa 2000, pp. 95-96.
[13] Nadchodzi zmierzch świątyń bankowości. Dialogues with A. Gershmanem, "Bank" 1997, No. 10, pp. 71-72

because advanced technology makes them obsolete. Practically, even now – were it not for people's attachment – the shift towards non-cash trade could become reality.

Banking services will always be necessary, but their character is changing and will be changing. Most likely employees such as tellers who perform routine duties will not be necessary; now machines do it equally well or even better. A spectacular invasion of ATMs, which are by no accident referred to as "smart cash boxes" or "automated tellers", a special kind of terminals which mostly enable plastic cards (ATM, cash) users to draw down cash, is the most intriguing phenomenon in modern world banking. The swift qualitative and quantitative development of ATMs (and ATMs networks) is part of a bigger process: a-couple-of-years-old process of elimination of cash money by non-cash money, mainly plastic money, and also the development of e-banking. The introduction of IT and telecommunication technologies to banking has sparked off the development of new banking products, services and activities. It results in the situation in which bankers have to and will have to attain higher levels of professionalism (counselling positions, etc.). Currently, there is a tendency to fuse a product and a service or even turn a product into a service (the principle of "non-stop service"). The studies of artificial intelligence, interactive TV, sensors that allow to communicate with a computer using one's voice are underway. The list of technical and technological innovations that are in use or which are very advanced becomes longer and longer. From our perspective what is important is the fact that as a result of such state-of-the-art solutions and new possibilities the status of branches is under constant change, mainly in terms of the number of staff (the disappearance of highly staffed branches, several dozen or more employees, and the emergence of cheaper service distribution channels – or even branches with a dozen or so employees, a kind of "banking boutiques" or "multimedia kiosks" with scarce staff). In practice it could lead to a classic consequence, i.e. the reduction of employment in banking sector, both in head offices and local branches. In recent years sector-related magazines have been feeding us information on the scope of banking sector employment reduction in American, Asian and West European banks (in principle it would prove difficult to decide to what extent implemented and planned staff reductions, often affecting thousands of banks, were or will be brought about by new technical and technological advances and to what extent they were caused by general restructuring changes which are aimed at cost reductions pursuant to the imperatives of "lean banking" strategy).

There is yet another issue that should be of interest to us, namely the issue of the consequences of technical and technological progress that is intermittently interwoven with the issue of globalisation. The phenomenon in question is that of the "decline of financial geography". The issue is twofold. Firstly, in the process of geography (distance) shrinkage – introduced by technical and technological advances – distance becomes less important and does not constitute a barrier to banking services, as a result the banking services market is expanding. More often local banks seated in the same city or country cease to be regarded as competition, whereas international banks become serious competition. Conversely, thanks to the use of computers and cutting-edge communications technologies in global financial transactions, the notion of national markets and boundaries becomes even more blurred. However, traditional "geographical space" is by no means tantamount to "cyberspace"[14]. The international banking and finance system, with myriads of computer screens scattered all over the world, is the first e-market of the world. E-cash is only one of many manifestations of the developing global economy related more to cyberspace than political geography. According to the American Department of Treasury, new communications technologies "have successfully eliminated the significance of national borders on e-highways". E-commerce may blur the relations between a profitable activity and a particular place of its operation. E-commerce can be characterised by the lack of actual, physical location where transactions are made. This location is somewhere in the nebulous world of "cyberspace".

E-cash may consequently lead to central authorities facing problems connected with monitoring the economy. Boundaries surrounding national markets and countries will be more and more "permeable", less and less significant. Stephen J. Kobrin, and not only him, asks a fundamental question: whether upon the dawn of the 21st century a territorial sovereignty will be still regarded as the foundation of controlling policies and economies? Under omnipresent globalisation as well as technical and technological revolution the borders in the world financial system will probably continue to exist but will be determined by the areas of economic might (e.g. the Triad) rather than geographical and/or political groups or regions. A key problem regarding the issue in question is the control over international money transfers, control over money in particular national economies and finally the answer to the question of ownership status of particular banks (the ratio of own and foreign or international capital).

In 21st century the issue of e-finance will be one of the most fundamental and controversial questions in terms of globalisation processes. The discussion will continue to focus mainly on the issues of borders and soothing the negative effects of globalisation, i.e. the issue of the so called "humanitarian globalisation" or "friendly globalisation" (G. Ritzer who was mentioned earlier was not erring when he wrote about the so called "iron cage of McDonaldisation"). It seems that neither easy-going optimism nor "gloomy prophesying" are

[14] S. J. Kobrin: Pieniądz elektroniczny, "Gazeta Bankowa" 1997, No. 37.

justified here. We could share a common opinion that the process of e-finance is not a panacea in itself: it is necessary for the development and growth but it is not enough. Generally, from the perspective of post-communist countries, including Poland, the so called new economy, e-commerce, e-business, e-finance, etc., could pose a “deadly threat” which might make these countries secondary or even marginal. However, the above mentioned phenomena may also stand for extraordinary opportunities (see table 1).

According to a recently published study by Gartner Group titled “The Internet Economy - Revolution to Evolution”, the most important issues that should be taken into account by the countries which strive to establish the foundations for healthy e-economy are[15]:

- awareness and education – high and stable interest in the Internet, as well as higher and growing computer literacy,
- market economy – ethical competition, limited intervention of the state and an unobstructed transfer of goods and services across borders,
- legislative basics – legislature eliminating limitations of Internet access, as well as regulations recognising the status of e-commerce,
- telecommunications infrastructure – liberal telecommunications market with free competition and also the transparency of agreements on mutual access to networks,
- popularisation of access terminals – Internet access is more available thanks to cheap and common devices (phone, TV attachments),
- suitable settlements system – cash cards or e-wallets have to be easily accessible and safe to use.

The above list is by no means complete, there are many more requirements to be met in order to participate in the e-race[16]. In this context the opinion expressed by J. Chambers from Cisco, an American company, that: “those who refuse to join the Internet revolution immediately are dragging their country into the abyss”[17] is by no means a surprise. Some time earlier P.G. Gyllenhammar, a well-known Swedish manager warned that: “...if in the global economy a given country fails to be the best at something it becomes a colony. Its material and intellectual resources will be drained, the best researchers, youth and businessmen will also be exploited”. According to many analysts, ignoring e-economy may jeopardise the competitiveness of a region, enterprise, institution (e.g. higher education facility), employees.

[15] Z. Zwierzchowski: Lawinowy e-biznes, “Rzeczpospolita” 2000, No. 267.
[16] One of the most intriguing issues is that of e-commerce taxation (for more see W. Szpringer: Handel elektroniczny – konkurencja czy regulacja?, Warsaw 2000, pp. 40-41).
[17] Wir, die Grossen von morgen, “Manager Magazin” 2000, No. 12.

The Internet economy irreversibly and fundamentally changes the approach towards business, also financial business. Whether post-communist countries manage to face new challenges or whether they catch up with the Triad countries in a predictable future depends on the dynamics of business development. The Internet may be the engine of economic growth and development in Poland and could result in an "internet-led growth" in our country. However, this is only a chance for success and not the ultimate guarantee. The following years will determine the position of Poland in the ranking of countries developing the new economy. Will we join "the first world" or remain on its outskirts? Are we threatened by the status of "colony" in the 21st century "global Internet village"?

Table 1. Fundamental implications of the process of „digitilization" of financial industry

LEVEL OF ANALYSIS		COSTS/THREATS	BENEFITS/CHANCES
MACRO	**RICH COUNTRIES OF TRIAD**	- Internet crime (piracy, hackers) - Irrationally big scale of investments in Internet (A. Greenspan)	- Borderless global market - Higher efficiency in allocation of resources - Benefits resulting from the leader position in e-finance (mainly USA)
	POST-SOCIALIST COUNTRIES (including Poland)	- Relative underdevelopment of communication and Internet infrastructure - Risk of marginalization	- Chance for intelligent imitating of technological progress in the TRIAD countries resulting in faster catching-up in development („spillover effect") - Development of education in computer science for the benefit of the „new economy"
MEZZO	**SECTORS SEGMENTS INDUSTRIES**	- „lean banking" - „creative destruction" (gradual demise of mature industries)	- Development of sectors of the „new economy" - Market transparency - Lower transaction costs
	REGIONS SUBREGIONS	- Relative underdevelopment of regions dominated by the „old economy"	- New geography of regional growth – subregions dominated by the „new economy"
MICRO	**ENTERPRISES AND NON-FINANCIAL COMPANIES**	- Costs of investments in Internet technologies - Barriers of Internet access for small and medium size enterprises (SME)	- Cost reduction in financial transactions
	BANKS AND OTHER FINANCIAL INSTITUTIONS	- Costs of investments into new software and hardware - Competition from quasi-banks and „non-banks" - Intrabanking competition („cannibalism" – elimination of a „mother company" by its „daughter companies")	- Cost reductions - Increase in available information and faster access - Development of Customer Relationship Management (CRM)
	HOUSEHOLDS (CLIENTS)	- Relatively low, although increasing, number of Internet users - Barrier of faith in the security of e-finance - Problems with adjustment to modern banking technologies (mainly older generation of clients)	- „Democratization" of the financial market - Higher transparency of the financial market - Benefits for the clients (price, quality, speed) - Increase in clients' purchasing power

Source: Stanisław Flejterski

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