

## **MONEY TRANSFERS VIA ONLINE PLATFORMS - LOGISTICS FOR BUSINESS DEVELOPMENT**

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**ABSTRACT:** *In this paper I have presented 3 of the money transfer platforms which operate via the Internet. The development of the Internet, electronic commerce and money transfers due to international migration and movement of people directly determines the improvement of money transfer processes, so as to find the best tools for money transfers at minimum costs and high transfer speeds, implying secure trading and personal data privacy. In this context I have compared the three most frequently used trading platforms PayPal, transferGo, TransferWise, also including a presentation of each of them. I have also done a more detailed analysis of the evolution of PayPal in Romania and on the international market due to the high amounts of money and the number of transactions. I have completed the work with a brief presentation of the financial trends and especially of trading via the Internet.*

**KEY WORDS:** *money transfer platforms, Internet Banking, electronic services, PayPal, transferGo, TransferWise.*

**JEL CLASSIFICATIONS:** *G21, G24.*

### **1. INTRODUCTION**

The economy of the countries of the world today is involved in the process of globalization with different intensity, extent and emphasising volatility and fragility. Therefore, the international economic environment is made all the more intensely felt while its national or local components tend to come to light in different aspects, breaking away from others, reaching a magnitude and significance which is specific to the degree of globalization and their entity.

One of the greatest forces of pressure faced by countries' developments and by the international trade union movement is represented by the power and influence of the Internet as part of their response to globalization. The combination of an increase in foreign direct investment with technological changes and information and with the

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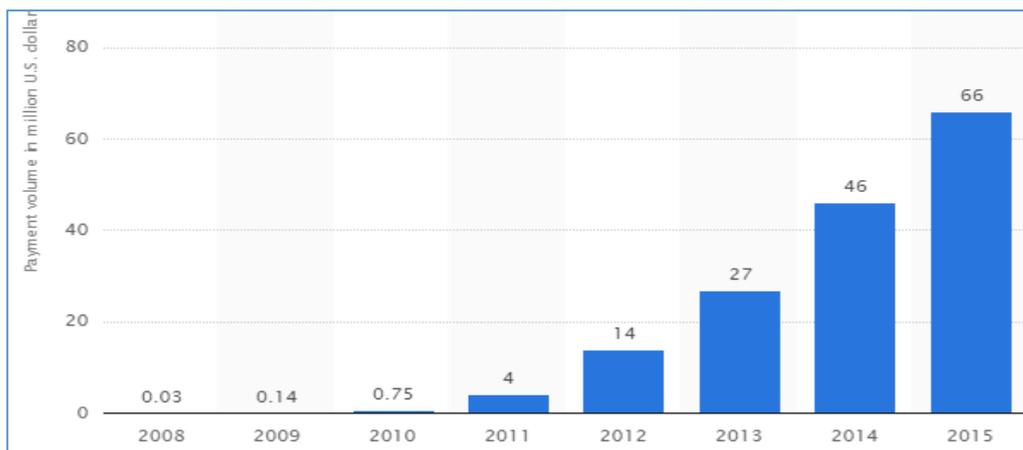
development of international monetary and financial markets have made it possible to develop modern communication and trading tools and to change the international financial virtual space.

The transition to an economy and a society based on knowledge in conditions of a strong development of information technology and communications produces major changes in the field of financial and banking services. Thus, the success of these services under the new conditions is determined by their reorganization and diversification so as to bring not only satisfaction to customers, but also excitement. In this context, electronic banking is one of the necessary and indispensable services of the financial system. It is a kind of "umbrella" covering the process by which clients can carry out financial transactions electronically, without the need to visit the bank (Zamfir, 2007).

## 2. PAY-PAL

PayPal, the world's largest company for processing online payments was established in 1998 and aims to become the most popular service for online money transfers spreading in over 200 countries, with more than 150 million active registered accounts.

PayPal is owned by eBay and, at present, over 50% of the revenue of the largest electronic shops is transacted via PayPal, the evolution of transactions via PayPal is on an upward trend; if in 2001 the amount of transactions via PayPal came to \$750 million, this value increased over 60 times by 2014 reaching \$46,000 mil. Today, there are 143 million users from 203 countries around the globe who can make payments in 26 currencies. As one can observe in Figure 1 shows PayPal's mobile payment volume from 2008 to 2016. In the most recently reported year, the payment provider's mobile payment volume amounted to \$ 102 billion, up from \$ 66 billion in the preceding fiscal period. This presents a 55 percent year-on-year growth.



Source: [www.statista.com](http://www.statista.com)

**Figure 1. PayPal's annual payment volume from 2008 to 2015 (in million \$)**

In Romania PayPal was launched in 2007, counting over 550,000 users by 2014, out of which 10,000 are business accounts. Free PayPal Top-Up service is available in eight of the biggest banks in Romania (CEC Bank, Romanian Commercial Bank, Transilvania Bank Romania, UniCredit Tiriac Bank, Raiffeisen Bank, VolksBank, Bank Leumi and Alpha Bank). It enables customers, who do not want to use card details, to transfer money from your bank account into the PayPal account and to make online payments. The bank account must have a minimum of 3 Euros available and a maximum of 2,000 Euros.

In Romania, in 2015 there were 135 online shops which accepted PayPal payments, most of them specializing in clothes and footwear and general goods (eg. elephant.ro), and others selling cosmetics and jewellery, gifts and watches.

The purpose of money transfers via PayPal is to make payments for products or services purchased on e-Commerce sites from abroad which enable this method of payment. The amounts transferred by Romanians via PayPal differ depending on the products ordered from a few Euros in the case of digital products up to hundreds or thousands of Euros or dollars in the case of gadgets. Moreover, PayPal is also used to receive payments resulting from the sale of goods or services or for collecting certain fees; its advantage is that it is an easy and secure method to receive or make payments without revealing any personal or banking details of the user.

Account Benefits	Personal	Premier	Business	Student*
Send money	✓	✓	✓	✓
24-hour fraud surveillance	✓	✓	✓	✓
Customer Service availability	✓	✓	✓	✓
eBay Tools	✓	✓	✓	✓
Merchant Services	Limited	✓	✓	Limited
Accept credit or debit cards		✓	✓	✓
PayPal Debit Card	Limited	✓	✓	✓
Multi-user access			✓	

Source: [www.e-banking.ro](http://www.e-banking.ro)

**Figure 2. PayPal account benefits**

Obviously, the increasing number of PayPal users is determined by some advantages: the security of money and of the account is based on the fact that when shopping online and setting the payment via PayPal, it does not require personal card details; a growing number of businesses around the world accept payment through PayPal; guarantee for receiving goods; buyers are protected if they buy goods up to the value of 5000 USD per year.

The upward trend of the volume of transactions is determined by the profile of PayPal users and by their field of activity. The most important users of PayPal are those who sell services over the Internet, those who have an e-Commerce site or engage in affiliate marketing or simply want to transfer money and don't have a card or do not want to enter card details on a shopping site.

The portfolio of services offered by PayPal places it in the top of online payment services due its easy access and to the fact that it is accepted more and more as an online payment instrument.

In comparison with opening a bank account, a PayPal account does not incur any fees: account opening fee: 0; account maintenance fee: 0; transaction fee: 0; transferring money from your bank account into your PayPal account: 0; transferring money from one account to another: 0 if you transfer the money into another PayPal account.

However, one of the disadvantages of PayPal is banking fees when withdrawing funds from your PayPal account into your bank account or credit card; you will be charged at least € 2 for each withdrawal. PayPal transfer fees may be paid by the sender or by the recipient depending on the choice.

Monthly Sales	Price Per Transaction*
Romania	U.S. Dollars
€0.00 EUR - €2,500.00 EUR	5.2% + \$0.30 USD
€2,500.01 EUR - €10,000.00 EUR (Merchant Rate qualification required)	4.7% + \$0.30 USD
€10,000.01 EUR - €50,000.00 EUR (Merchant Rate qualification required)	4.5% + \$0.30 USD
€50,000.01 EUR - €100,000.00 EUR (Merchant Rate qualification required)	4.2% + \$0.30 USD
> €100,000.00 EUR (Merchant Rate qualification required)	3.7% + \$0.30 USD

Source: [www.paypal.com](http://www.paypal.com)

**Figure 3. Transaction Fees for Cross-Border Payments Europe**

In general, the transfer fee is between 3-5% of the amount transferred plus a fixed transfer rate. In Romania transfer fees are between 3.7% and 5.2% plus a fixed rate of 0.30 USD per transaction. Actually, fees can be avoided; the system circuit is easy, quick and free of charge if transactions are made only between PayPal

accounts. This is due to the fact that more and more companies pay their suppliers via PayPal, which in turn, can shop on the Internet from online stores that allow payment via PayPal; perhaps the most well-known online store is elefant.ro.

### 3. OTHER ONLINE TRANSFER SERVICES

**TransferGo** allows cross-border transfers in 36 international currencies at a rate much smaller than other tools such as Western Union, Moneygram or even Paypal.



Figure 4. Money transfer between 2 accounts via transferGo

Debit card Bank transfer	Bank transfer	Next day	2,232 EUR Total Cost 61.95 RON	transferGo ★★★★★ 1,126 reviews	ZERO transfer fees on 1st transfer Go to TransferGo <a href="#">More information</a>
Bank transfer	Bank transfer	2 days	2,219 EUR Total Cost 120.00 RON	the FX firm. CURRENCY EXPERTS ★★★★★ 200 reviews	Go to The FX Firm <a href="#">More information</a>
Bank transfer	Bank transfer	2 days	2,224 EUR Total Cost 100.00 RON	WorldFirst We're changing money	Go to World First <a href="#">More information</a>

Source: [www.tawipay.com](http://www.tawipay.com)

Figure 5. Comparative approach on [www.tawipay.com](http://www.tawipay.com)

The method of transfer by this system is shown in Figure 4 and consists of 2 local transfers: pay €300 into the local TransferGo account from Italy which will be transferred into the client's account from Romania, converting the €300 into RON (via

a second transfer). The main disadvantage for TransferGo users is the fact that not everyone can open a bank account abroad and in comparison with PayPal it offers fewer facilities and services. However, there are some advantages to using this service, one of them referring to transfer fees and, as shown in the figure below, in order to transfer €2200 via TransferGo one needs to pay only 61.95 RON, while other online platforms, such as FXfirm or WorldFirst charge double fees and the transfer period is longer.

**TransferWise** is a money transfer service based on a platform financed by British billionaire Richard Branson and developed by one of the people who founded Skype. Even though TransferWise is a money transfer service similar to TransferGo, there are many differences between the two systems, such as: in the case of TransferWise processing takes longer, that is to say 3 days as compared to TransferGo where the transaction is cleared within 24 hours, TransferWise does not have a Romanian-language site, instead it is available in more countries than TransferGo.

### 3. COMPARATIVE APPROACH ON THE ADVANTAGES OF USING ONLINE PAYMENT SERVICES

The evolution of Internet has enabled the rapid development of *online payment services*, which are flexible and fast. Thus, in order to make a choice of any of the services used for frequent or rare payments on the Internet, one must compare their advantages.

**Table 1. Comparative approach on the advantages of using online payment services**

			 TransferWise
How long does it take for the transfer to clear?	The transfer from one account into another is done almost instantly, at any hour; it takes a few minutes to update the amounts in accounts, and this period depends especially on the speed of the Internet and the browser used.	Transfer between accounts is made within 24 hours on working days.	The transfer is cleared in 3-5 working days, and in some cases it may take longer.
Method of withdrawal	Money can later be transferred into a bank account or on a card.	The money is transferred directly into the recipient's bank account and it can later be withdrawn from an ATM using a card attached to the bank account or from the bank's pay desk.	Withdrawal from bank account

Method of payment	One can send money to another person only knowing their email address without bank approval or without having a card.	The opportunity to transfer money free of charge, between two local accounts from different countries	There are two local transfers and it avoids an international bank transfer.
Location	Money is transferred from a PayPal account into another PayPal account, regardless of its geographical location	Transfer is possible between TransferGo accounts, similar to local transfers.	The service is available in more countries, unlike TransferGo.
Exchange rate	The exchange rate is not an advantage for PayPal and any transaction is charged an exchange fee where applicable.	The exchange rate is more advantageous than in traditional banks.	Currency is converted by the recipient's bank or by the bank where the recipient wants to withdraw the money from.
Transaction fees	Transaction fees can be paid by the recipient	Fees are insignificant (€ 0.99 for a transfer to Romania, or 9 RON for a transfer from Romania abroad). The first two transfers are free of charge.	TransferWise does not charge any fee for money transfers

#### 4. CONCLUSIONS

In the context of a daily life marked by rapid changes and competition due to the emergence of new entities, financial services must adapt quickly and they must develop accordingly, allocating time and increased resources to innovation. Technological innovation and competition among existing banking organizations have allowed a greater range of banking products and services to become accessible and possible via the Internet.

In comparison with the traditional means through which banks provide services within their branches, e-Banking uses the Internet to provide customer with common financial service (opening of accounts, fund transfers and electronic payments, etc.).

Thus, as regards money transfers, due to increasingly high-performance computing platforms, one can observe the following trends:

- the development and strengthening of messaging services for payments and financial investment products through innovation and the introduction of the newest technologies;
- extending the offer for payment infrastructures, through diversification of services, supporting the adoption of ISO 20022 standards and penetrating the online domestic payments segment.

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