

Electronic Cashing and Paying in Public Administration

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In Romania, from financial point of view, the public sector unfurls in every year one third of gross domestic product (GDP). In this context, the financial operations of governmental institutions (entities that have mandate to collect and use public funds) can not be considered as unimportant. The complexity of the operations depends on the financing type and the specificity of the governmental institution. An efficient process of collecting budgetary revenues and spending the sums approved in budgets can be done by abandoning cash based operations and using electronic means of payment. The 3rd millennium technologies permit a high efficiency of financial operations by reducing significantly the costs, diminishing the time of the operation, minimizing the risk of material errors and so on.

The finance of governmental institutions

Public funds are unfurled by governmental institutions, but there are some different mechanisms in order to do it. These mechanisms were adapted to the needs of the system and depend on the way the governmental institutions are financed. Regarding the financing types of governmental institutions, it can be distinguish three main categories:

- Governmental institutions wholly financed from the budget (state, local, unemployment etc. budget) – this kind of institutions do not have own revenues (exceptions are very rare), all the money they need being assured by the public budget (examples of such institutions: ministries, schools). In this category are included the institutions that collect taxes, fees and contributions for different budgets (this revenues are not own revenues, but the institution gets allocations in order to continue its activity).
- Budgetary subsidized governmental institutions – are agencies with own revenues, but the collected sums are very small. In this situation it is necessary to get budgetary allocations (subventions) to cover the expenditure (examples of such institutions: museums, theatres).
- Governmental institutions financed wholly from own revenues – this own revenues could be taxes collected (this situation is rarely met) or fees collected for the services offered in base of a contract. The own revenues of this institutions should cover fully the expenditures. Being a public service supplier, in many cases the beneficiary or the payer of this services is the state, but this thing do not change the category of the revenue (it remains an own revenue). Examples of such governmental institutions are the public universities or public hospitals.

In these three situations, the electronic payments are used differently. Thus, governmental institutions wholly financed from the budget use the electronic means of payment to pay the goods and services bought from other suppliers (companies or other governmental institutions), but also to pay different categories of assistance to their legal beneficiary (pensions, allocations).

Budgetary subsidized governmental institutions could use electronic means of payment to pay their suppliers or to cash their own revenues. Unfortunately, this happens rarely because, usually, the fees are relatively small amounts. In the future will be developed distance selling systems (especially using internet) that will be based on electronic payments.

Governmental institutions financed wholly from own revenues should be the first interested in diversifying the own revenues collection means because these are many and the amounts are relevant. These institutions can not receive budgetary allocations when the own revenues are not collected entirely (as they expect), so this governmental institutions must concentrate to rise the level of revenue collection to almost 100%. This desideratum is more justified if we do not forget the fact that the unused amounts remain to the institution (exceptional situation can be met only at the local subordinated institutions).

Budgetary debts collecting

The majority of taxes and fees are collected by the units subordinated to the Ministry of Public Finance and mayoralities. There are some other institutions that administrate taxes, such as: The Administration of Environment Found or National Securities Commission.

Partly these debts are collected electronically because the most companies pay their taxes to the state using paying orders (the money are send directly from their accounts opened at the treasury or at a commercial bank).

Unfortunately there are companies that prefer to pay cash the taxes and fees because they consider too high the commissions they have to pay to the banks. This attitude can be consider partly justified because, especially the small companies, pay their taxes and contributions related to salaries using ten paying orders, and in case they have a few employees, the commissions are higher than the taxes and contributions.

The population continue to use as main paying form the cash because, usually, do not have accounts at banks, and in case they have such accounts they do not know or want to make electronic transfers.

Unfortunately to fill in a paying order to pay taxes to the state treasury is not quit an easy thing. The Ministry of Public Finance made a computer software that helps to generate paying orders, but it does not mean that it is a very simple thing to fill in a paying order. The software has a list of the local treasuries (about 300 treasuries) and more than ten pages of IBAN codes for every treasury unit. All this information is necessary for the treasury to have correct evidence regarding the sums that are received, but from the point of view of the simple tax payer in many situations is something that can not be understood.

The bettering of the level of electronic collection of the taxes can be accomplished adopting a stimulating policy regarding electronic payment means. A measure should be the diminishing of costs. TransFonD operated a reduction of the commission that it required to operate the paying orders, but this process should continue in the future simultaneously with the rise of the number of operations. Banking products diversification and barcodes usage (including bi-dimensional barcodes) in many fields can facilitate electronic payments. In this way the payers will be less reticent and the institutions that collect taxes and fees will have clearer evidence regarding the payments.

The specificity of local budgetary debts collecting

The local taxes and fees are collected partly by the local authorities. In the latest years it was used a mechanism of allocation of defalcated amounts and cotes from some taxes collected at the central budget (throughout the subordinated units of the Ministry of Public Finance). Thus, after the money is transferred in the accounts of the state budget, this are distributed to the local budgets using some criteria established by the law. In 2006, the State budget act established the following defalcated amounts and cotes from the revenue tax and VAT that will be transferred by the Ministry of Public Finance to local budgets:

Table 1

Indicator	Amount
Defalcated cotes from revenue tax	6.912.000.000 RON

Defalcated amount from VAT	9.703.485.000 RON
TOTAL	16.615.485.000 RON

Source: State budget act on 2006

The amounts from the table above are, from the point of view of tax collecting at local level by the local public authorities, flows that are transferred in local budget's accounts without any extra expenditure on behalf of local structures. This does not mean that there are no budgetary costs in order to collect taxes and fees, but these costs are supported from state budget and treasury budget.

The used mechanism (the taxes are collected in unique accounts and from here there are distributed to local budgets respecting the legal stipulations) made possible an efficiency rise in collecting taxes and simplified the work in following the debtors at the general consolidate budget. These taxes are partly revenue of the state budget and partly revenue of the local budget (at county level and municipality level). The classic way require three different paying orders to transfer the taxes to the beneficiary budgets: state budget, county budget and municipality budget. It is quit difficult to process three paying orders instead of one. Moreover, the state can not influence administratively in favor of some localities. When Romania used this system of paying with tree different paying orders there were several other problems too: the companies tangled the cotes used for every budget, so when they discovered the mistake they asked for regulations between the budgets. In this way the budgetary execution becomes more difficult. Consequently, the actual method used in Romania has a high level of efficiency because it simplifies the collection procedure.

Governmental institution's payment operation

The governmental institutions must use the electronic payments very often to pay the goods and services they buy. The Romanian legislation allows cash payments for governmental institutions only for salaries and other small expenditures that are not justified throughout electronic transfers.

The most important cash payments of the governmental institutions are those related to salary payments (if the institutions do not make options to use banking cards). The second category where cash is used is represented by the payments of different rights for persons who cash the amounts directly from the institution's pay office. Other payments made in order to pay goods having a small value are irrelevant in comparison with the categories mentioned above.

When certain governmental institutions must pay social assurance or social assistance rights established by law such as pensions or allocations, they can ask the Romania Post Company to help them. From the governmental institution's point of view this practice reduces considerable the cash operations because this will be done by a third party.

A major difficulty faced by governmental institutions is related to the fact that, usually, they have many accounts at the treasury. In this way it is possible a better control of the treasury department on the institutions' operations. I consider it would be sufficient to evidence separately the operations in the institution's own accounting and not to have so many accounts at the treasury. In this way the treasury's activity would be simpler.

Externalizing cash operation

In order to reduce cash operations, many governmental institutions have chosen to externalize (totally or partly) the cash and paying operations. This means that a third party was mandated to collect taxes in its name against a commission, and to pay the amounts to different categories of social beneficiaries. The advantage is doubled by the facilities offered to the payer/beneficiary person: more paying possibilities, the timetable offered is more generous, the distance that must be make is smaller and so on.

The most constant partners of governmental institutions are the institutions from the financial and banking system, and also the post. Banks current specific activity (an especially the activity of the Romanian Savings Bank) permitted to collect taxes and fees in many cases. The strong points of these institutions were the vast branch network (in urban areas the bancarization level is over 98%, and in rural areas we can find at least one bank at four villages), the tens of years tradition and the specialist that are employed.

The externalization is based on a rigidity of public administration which could not change the system after the new social and economic conditions and which were not be sufficiently prepared to deal with the new conditions. The decentralization process determined the majority of important changes, including the decentralized tax collecting process.

The Romanian Post Company offers distribution services of amounts directly to the beneficiary's address. This service is important because there are many persons that can not move or have major locomotion problems. The state budget act on 2006 establishes that the commissions paid to the Romanian Post Company can not outrun 1.35% from the distributed amounts. The beneficiary is not obliged to receive the money throughout the post because it's up to him/her to choose banking transfers in current or card account.

Electronic payment means

The most used electronic payment mean is the paying order. Beginning with spring 2005 it is functional the Electronic Payment System witch intermediates transaction to the treasury and commercial banks. In this way, the operations between their clients are made electronically in a very short time independently from the locality where the accounts are opened. The operations are processed in a few seconds in case of important value or urgent paying orders and a few hours to the rest of paying orders (but not later than the next working day).

Paying orders are used especially by companies to pay their taxes and fees to the budget, but also by governmental institutions to their payments. To have a clear and accurate evidence of taxes, fees and contributions collected to the budget, the Ministry of Public Finance made a computer software which generate the paying orders used in relation with the treasury. This paying order has, besides the specific elements commonly used between companies, supplementary elements that helps the tax office to identify the payment and the payer. Also, the software offers assistance to establish the correct IBAN associated with the tax and beneficiary treasury.

POSs (abbreviation from Point of Sales – initially this kind of terminals were used only to pay the goods and services bought from a store) can be used to collect taxes, fees and contributions, but they have the disadvantage that require the presence of the payer at the institution's pay-office. Although it has the advantage of non-cash payment mean, this type of terminals are rarely used by payers because the relatively small amounts, not always excellent phone connections with the card issuing bank, and the tens of seconds waiting necessary to finish the transaction seems sometimes unjustified.

Large number POS terminals were mounted at the local revenue offices from the municipalities, and only a few similar terminals at the institutions' pay-offices. Unfortunately there are cases when the terminals were withdrawn by the bank after a period of time because those were not used at all. In general, it is recommended to use POS when the amount of the fee is established by the institution particularly in every case based on the documents presented by the payer (for example in cases of building authorization issued by the municipalities).

There is an other possibility: the mobile POS terminals which permit to collect the fees without being necessary to organize a proper pay-office. In many situations the governmental

institutions offers services in open areas such as parks or parking spaces. In these cases a mobile POS terminal represents an elegant, safe and civilized solution to collect fees.

The institutions that collect small fees and tariffs (a few Romanian lei-s per transaction) can use off-line POS terminals. These kinds of terminals are not permanently bounded to the card service provider. In this conditions the machine record the operations in its memory without checking the money stored in the card. This kind of terminals permit important savings reducing communication expenditures (the information stored is unloaded periodically, usually once a day), but it determine no paying risks because it is possible that some persons not to have sufficient money. I consider that this risk is moderate because there are means to recover in the future the eventually debts (at least partly) when the debtor will transfer amounts in his/her card or will appeal to a similar service supplied by the same institution. The terminal will alert the institution's clerk about the fact that the used card created problems at a previous transaction. An other possibility to fight against the debtors is to record them in the database of the credit office because such a fraudulent transaction can be considered a banking incident and must take adequate measures.

More and more banks permit to the card holders to use the payment means on the internet in maximum security conditions (at least till now this systems could not be broken). In this context, the Ministry of Communication and Information Technology works at an internet portal to facilitate the payment of traffic fines using cards. I consider that cards should be used more often on internet transactions, especially in the situations when the public sector offers services that are not delivered physically. Such a service is the e-learning portal used for on-line teaching. An other example could be the on-line booking of theatre tickets.

An other possibility to use card in payments is ATM transactions. Some commercial banks developed partnerships with municipalities to accept local tax payments throughout the ATM network. The system permits payments at any hour and at any ATM of the partner bank. The cardholder should record himself only one time, in this way the bank can associate to the card account the parameters of the fiscal evidence of the buildings, fields or vehicles. The ATM payments can be used only for taxes that have nominal fiscal evidences.

Lately, the banks have ATM that accepts cash. In this context, the public institutions can use these facilities to collect some fees. Even the Academy of Economic Studies from Bucharest permits for students to pay throughout these ATMs the scholar fees reducing in this way the cash collected by its own pay-offices.

The financial and banking institutions as intermediate units assure tax collecting helping the governmental institutions to work less with cash. Postal payments or banking transfer represents usual ways of payments. There is an other modality represented by using fiscal and judicial stamps, both of them being indirect ways of tax collecting.

Conclusions

The governmental institutions use frequently electronic payments, but unfortunately this means are used only in legally imposed situations. The modern payment systems should represent an opportunity for every governmental institution.

The new financial and banking technologies offered especially by commercial banks must be adapted to governmental institution's activity in order to permit the maximization in this filed.

The public managers should not manifest reticence regarding new technologies. Contrary, the public managers should align the activity of their institutions to the new tendencies.

The potential offered by the internet is too little used in present. This universe that is developing every day offers a very chip and efficient resource, and who use it will certainly win.

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