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FACTORS AFFECTING THE IMAGE OF E-BANKING CUSTOMERS IN ALBANIA (THE CASE OF GJIROKASTRA REGION)

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Abstract

Rapid expansion of e-banking in Albania in recent years has instigated many banks to design effective marketing strategies in order to promote e-banking services to its customers. The purpose of this study is to show the impact that the number of years with the bank, number of transactions, income and employment status have on customers image to banks. The study is based on primary data. The data were analysed using the analysis of variance where it was found that monthly income and employment status are important factors that affect the average image of customers to bank, while the number of transactions with the bank and number of years with the bank are not factors that affect the average image.

Key words: image, income, employment, transactions, e-banking

JEL: G21, D14

Introduction

The concept of e-banking system has been defined in many ways (Daniel, 1999). According to the definition given by Abid et al. (2006), it is defined as "Any use of information technology, communication and electronic means by a bank to conduct transactions and that interact with interest groups".

Karjaluoto (2002) defines e-banking as a construct consisting of several distribution channels, while according to Daniel (1999), e-banking is the provision of banking information and services by banks to customers through various delivery platforms that can be used with various terminal devices such as a personal computer, a mobile phone, telephone or digital television. E-banking consists of any system that uses electronic signals.

Customers can interact with the banking site 24 hours a day, seven days a week. E-banking can improve a bank's efficiency and competitiveness, so that existing and potential customers can benefit more and facilitate transaction. This increased level of convenience offered by the bank, when combined with new

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services, can lead to the expansion of the bank's target customers beyond those of traditional markets.

Numerous advantages for banks offered by e-banking are: mass adaptation for each user, innovation of new products and services, more effective marketing and communication at a lower cost (Tuchila, 2000), the development of non-core products such as securing and producing stocks as an expansion strategy, improving the market image, responding better and faster to market evolution (Jayawardhena & Foley, 2000). As a result, financial institutions are therefore becoming increasingly aggressive in adopting e-banking capabilities that include sophisticated marketing systems, e-banking capabilities, and value-added programs.

In Albania, e-banking services were introduced for the first time by the American Bank of Albania in 2002 through ABA flex. This was gradually followed by almost all banks operating in Albania. In recent years, an evolution of e-banking services has been noticed in Albania as well, as a new instrument that can bring increased benefits if an effective strategy is chosen. Today the development of infrastructure has encouraged almost all banks operating in Albania to take on the challenges of providing these services and to diversify the products and services offered by them.

In the Republic of Albania, at the end of 2020, all banks operating in the market are licensed as card issuers, while 7 of them are also licensed as card acceptors. During 2020, there is an increase by 5.62% of debit card issuance and a decrease by 4.38% of credit cards.

The uses of ATMs and electronic devices at points of sale (POS) have played an important role in conducting electronic transactions. The infrastructure provided by these banks has resulted in an increase in the number of POS (Point of Sale) (increase of 8.50% compared to 2019), while the number of ATM terminals (Automated Teller Machine) has increased to 738, compared with 707 terminals resulting in 2019. Despite the fact that ATMs are mainly used for cash withdrawals, during 2020 we have an expansion of ATM functions that enable deposits and transfers.

"Home banking" services have been used more and more widely in the Albanian market, being used not only for basic account information services, but also for making online payments. In 2020, there is an increase of 13.69% of the volume of "home banking" payments and a slight increase of 8.84% of the value of these transactions, compared to a year ago. The measures taken by the Bank of Albania, as well as the policies of the banks, in the framework of promoting alternative payment methods, are estimated to contribute to the increase in the use of "home banking".

Literature review

Recent years have seen the industry move rapidly towards a click and bricks strategy that emphasizes an online addition to traditional banking services. Banking institutions are using their websites not only to offer classic operations such as transferring funds or account information, but also to offer stock trading, pay bills, credit card applications and investment advice.

There have been two main reasons why banks have invested in providing this service:

First, through this service banks have minimized costs (Robinson, 2000).

Second, the number of branches and employees has been reduced (Karjaluoto, 2003), thus increasing banking efficiency. In other words, thousands of customers can use this service at the same time, without the help of cashiers and bank clerks, reducing administrative work and with it the costs, and consequently, reducing the fees that banks apply to their customers.

In other words, E-Banking is the remote service, through electronic distribution and communication channels, of traditional and new banking products and services, within the activities allowed for commercial banks.

Image

Image has been described as an attitude (Hirschman et al, 1978). Moreover, Kennedy (1977) noted that the image has two main components, functional and emotional. The functional component is related to the tangible dimensions that can be easily identified and measured, while the emotional component is related to the psychological aspects that are the process by which customers compare the different qualities of firms (LeBlanc and Nguyen, 1996; Nguyen and LeBlanc, 2001). According to Kang and Jeffrey (2004), a favourable and well-known image is seen as a valuable asset and in many respects the image has an impact on customers' perception of the firm's communication and operations. Kang and Jeffrey (2004) explained that if a customer has a positive image of the service provider, they tend to forgive the small mistakes made by the service provider. The exact relationship between image and fidelity has remained a matter of debate. Sirgy and Samli (1989), for example, reported a directly positive relationship between image and fidelity. Another empirical study shows how image, perceived quality of service, and satisfaction determine loyalty in a banking environment. Globally the results of a large-scale study show that image is indirectly related to bank loyalty through perceived quality. On the other hand, the quality of service directly and indirectly affects bank loyalty through satisfaction. The latter has a direct effect on bank loyalty. There is some evidence that loyalty can also be determined by image (Murphy, 1996). On the other hand, it has been shown that the relationship between image and loyalty is mediated by evaluative judgments

towards the customers such as perceptions of quality. Erol and El-Bdour (1989) found that, the main criteria in choosing a bank were factors such as bank reputation and image, fast and efficient services, and confidentiality.

Purpose and study objectives

The purpose of this study is to consider the factors related to the customer profile and to assess their impact on the image of e-banking services in Albania (with focus on the Gjirokastra region).

The objectives of the study are twofold: 1) to measure the impact of the following four factors related to the customer profile, namely, monthly income, employment status, number of years with the current bank and number of transactions per month using the analysis of variances and 2) identify the group of customers with low image level towards e-banking services for which banks may consider different promotional policies.

Hypothesis and methodology

The decision to use e-banking is a function of several variables (measured by 7 Likert scales) and personal characteristics. Variables will include image, employment status, monthly income, number of years with current bank and number of transactions per month.

The dependent variable in the study is the image that customers have of the bank with which they operate to conduct their e-banking transactions. Favourable image is a wealth of great value and in many respects the image has an impact on customer perception of the firm's communication and operations. Customers who have a positive image of the e-banking service provider tend to forgive small mistakes made by the service provider and pass this on to other customers. The questionnaire addressed to e-banking customers contained the following questions regarding the image:

1. Banks have reputable, competent and efficient staff.
2. The name of the bank is well known and has a good reputation.
3. Banks offer attractive products and services.

To address the research problems and achieve the main objective, this study will validate the following hypothesis:

Study hypothesis: There are no differences between number of years with the bank, number of transactions, income and type of employment, related to image.

In order to realize the purpose and objectives of the study, a questionnaire was conducted in all three districts of the Gjirokastra region. A total of 400 questionnaires were randomly distributed through physical copy to customers using e-banking services in the Gjirokastra region. The distribution of the

questionnaires according to the districts of the Gjirokastra region was done in proportion to the number of population according to the data of the Census of 2011. The distribution of the questionnaires and their validity according to the districts is presented as follows:

Table 1: Customer participation by districts

District	Population	Percentage to total	Number of questionnaires	Valid questionnaires	Invalid questionnaires
1. Gjirokastra	37,099	51.40%	206	186	20
2. Tepelena	19,606	27.16%	108	91	17
3. Përmet	15,471	21.44%	86	73	13
Total	72,176	100 %	400	350	50

Source: Compiled by author

Based on the statistical methods, the survey data were processed and the findings and verification of the submitted hypothesis were derived.

Data analysis and findings

To measure the impact that the number of years with the bank, the number of transactions, income, employment status have on the image of electronic banking customers, variance analysis was used. Table 2 presents detailed information of the sample composition according to the factors considered.

Table 2: Sample by other factors

	Frequency	Percent
B. OTHER FACTORS		
1. Employment status	**350**	**100.00%**
a) Student	39	11.14%
b) In the public sector	134	38.29%
c) In the private sector	98	28.00%
d) Self-employed	39	11.14%
e) Unemployed	28	8.00%
f) Others	12	3.43%
2. Monthly income (ALL)	**350**	**100.00%**
a) Up to 30.000	132	37.71%
b) 30.001-50.000	164	46.86%
c) 50.001-100.000	47	13.43%
d) Over 100.001	7	2.00%

Continued

3. Number of years with current bank	**350**	**100.00%**
a) Up to 1 year	46	13.14%
b) 1-3 years	89	25.43%
c) 3-5 years	87	24.86%
d) 5-10 years	68	19.43%
e) Over 10 years	60	17.14%
4. Number of transactions per month	**350**	**100.00%**
a) 1	87	24.86%
b) 2-5	190	54.28%
c) 6-10	58	16.57%
d) Over 10	15	4.29%

Source: Compiled by author

Other factors considered in the analysis include employment status, monthly income, number of years with the current bank and the number of transactions per month. Table 2 presents detailed information of the sample composition according to the other factors mentioned above. According to statistics, in terms of employment status 11.14% (n = 39) customers were students, 38.29% (n = 134) were employed in the public sector, 28.00% (n = 98) were employed in the private sector, 11.14% (n = 39) were self-employed, 8.00% (n = 28) were unemployed and 3.43% (n = 12) were others (invalids and pensioners). According to statistics, 37.71% (n = 132) customers of the bank had monthly income up to 30,000 ALL, 46.86% (n = 164) customers had a monthly income of 30,001-50,000 ALL, 13.43% (n = 47) customers had monthly income 50,001-100,000 ALL and only 2.00% (n = 7) customers had a monthly income over 100,000 ALL.

Regarding the number of years with the current bank 13.14% (n = 46) customers had up to one year with the current bank, 25.43% (n = 89) customers had 1-3 years with the bank, 24.86% (n = 87) customers had 3-5 years with the bank, 19.43% (n = 68) customers had 5-10 years with the bank and 17.14% (n = 60) customers had over 10 years with the current bank. Most of the bank's customers 54.28% (n = 190) customers performed 2-5 transactions per month, 24.86% (n = 87) customers performed only 1 transaction per month, 16.57% (n = 58) customers performed 6-10 transactions per month and 4.29% (n = 15) customers performed over 10 transactions per month.

Variance analysis

Study hypothesis: There are no differences between the number of years with the bank, number of transactions, income and type of employment, related to image.

Table 3: Analysis of variance for Image

Source	Sum of squares	Df	Mean square	F-Ratio	P-Value
MAIN EFFECTS					
A: Monthly income	8.37792	3	2.79264	2.16	0.0929*
B: Number of transactions per month	2.26139	3	0.753795	0.58	0.6271
C: Employment status	15.4769	5	3.09537	2.39	0.0377**
D: Number of years with current bank	1.14871	4	0.287177	0.22	0.9262
Residual	432.457	334	1.29478		
TOTAL (CORRECTED)	459.882	349			

Note: *, **, *** indicates that the results are significant at 10, 5 and 1 percent respectively.
Source: According to data processed in the statistical program E Views

Table 3 demonstrates the image average based on the factors of monthly income, average number of monthly transactions, employment and number of years with the bank. Statistics show that there are differences in the average image between groups of customers with different monthly incomes. Fisher test $F = 2.16$, turns out to be significant with value $p = 0.0929 < 0.10$. This result suggests there are statistically significant changes in the average image towards banks referring to customers with different monthly incomes.

Referring to the data on the average number of transactions per month the results show statistically insignificant image differences between the constituent groups. Fisher test statistics ($F = 0.58$, $p = 0.6271 > 0.10$), support the above result thus suggesting that there are no changes in the average image of customers to the bank referring to groups of customers classified according to the average number of transactions per month.

Based again on the data in Table 3 we see that there are differences between groups of customers with different employment status in terms of image towards banks. Fisher test $F = 2.39$, turns out to be significant with value $p = 0.0377 < 0.10$. This result suggests that there is a difference in the average image of customers towards the bank referring to groups of customers with different employment levels.

In terms of image average by customer groups classified by number of years with the bank, it is demonstrated that there are small differences between the constituent groups. Based on the Fisher test ($F = 0.22$; $p = 0.9262 > 0.10$) these

changes turn out to be statistically insignificant. This result shows that referring to groups of customers classified according to the number of years with the bank there is no change in the image of customers to the bank.

The hypothesis is proved only for the number of transactions and years with the bank.

Table 4: Table of averages and confidence intervals for the Image (90.0%)

Levels	Frequency	Average	Standard error	Lower limit	Upper limit
Overall average	350	5.64			
Monthly income (ALL)					
a) Up to 30.000	132	5.45456	0.0994672	5.25892	5.6502
b) 30.001-50.000	164	5.73171	0.089237	5.55619	5.90722
c) 50.001-100.000	47	5.85111	0.166693	5.52325	6.17897
d) Over 100.001	7	5.619	0.431935	4.76945	6.46855
Number of transactions per month					
1	87	5.46743	0.123056	5.22539	5.70946
2-5	190	5.72105	0.0832697	5.55727	5.88483
6-10	58	5.66674	0.150713	5.37031	5.96317
Over 10	15	5.53333	0.296359	4.95044	6.11623
Employment status					
Unemployed	28	5.39282	0.215196	4.96956	5.81609
In the private sector	98	5.61907	0.115027	5.39283	5.84532
In the public sector	134	5.74628	0.0983696	5.55279	5.93976
Student	39	5.94877	0.18234	5.59013	6.30741
Others	12	5.58333	0.328717	4.93678	6.22988
Self-employed	39	5.22221	0.18234	4.86356	5.58085
Number of years with current bank					
Up to 1 year	46	5.38407	0.169511	5.05066	5.71747
1-3 years	89	5.63299	0.121866	5.39329	5.87268
3-5 years	87	5.72418	0.123259	5.48175	5.96662
5-10 years	68	5.69116	0.139419	5.41694	5.96538
Over 10 years	60	5.67218	0.148423	5.38025	5.96411

Source: According to data processed in the statistical program E Views

Conclusion

The purpose of this study is to consider the factors related to the customer profile and to assess their impact on the image of e-banking services in Albania (with a focus on the Gjirokastra region). The factors considered were the number of years with the bank, the number of transactions, the monthly income and the employment status.

From the analysis of variance it was found that monthly income and employment status are important factors that affect the average image of customers to the bank, while the number of transactions with the bank and the number of years with the bank are not factors that affect the average image. In general, high-income customers have a higher average image, due to the convenience that these types of services offer, while in terms of employment status, it turned out that students and employees in the public sector employees turned out to have a higher image than other categories of customers classified according to employment status. Among the reasons why students turned out to have a higher image for e-banking services we can mention that the younger generation gets used to technology faster, often use mobile payment as a means of payment, shop online more often, etc.

Regarding public servants, the Albanian government has played an important role in actively promoting e-banking. The government has been trying to change the situation since 2003, causing state administration employees to receive their salaries directly from their current bank account, which also guarantees their free provision of debit cards. This was a driving force for people to open bank accounts and in the meantime was one of the first steps towards using electronic payment instruments.

These findings are in convergence with Chan (1997) study which identified that income was the single most important variable affecting the use of credit cards. Empirical results of the positive impact of income on the adoption of e-banking are also found in the studies of Al-Ashban and Burney (2001), Stavins (2001) and Karjaluoto (2002). Stavins (2001) also studied the relationship between employment status and the choice of e-banking services, where he identified that customers with high status (profession) were more likely to use e-banking services, so employment status is positively related with the choice of e-banking. The results of this study show that banks should pay more attention to increasing the image of e-banking customers. This will not only help retain their existing customers, but also increase the number of new customers.

Managerial recommendations

Based on the results of this study, banks should pay more attention to increasing the image that customers have of banks regarding e-banking services. Based on the above analysis and conclusions we recommend:

1. Banks should make greater efforts regarding the promotion of e-banking services. In this context, banks should increase cooperation with civil society, the Ministry of Finance, the Directorate of Prevention and Money Laundering, the Directorate of Taxation, the Bank of Albania, etc., in order to raise public awareness to reduce the use of money physical (cash) and the realization of payments electronically.

2. E-Banks should make efforts for aggressive marketing campaigns. Specifically, banks should aim to increase the image of employees from the private sector, the self-employed and other groups according to the classification of employment status. Likewise, greater efforts should be made to increase the image of low-income customers in order to increase their participation in e-banking.

3. Bank managers need to value the importance of having a reputable, competent and efficient staff as important factors influencing customers' image of banks.

4. Bank managers should maintain their good image and reputation. They should consider it as a bank asset because image has an effect on customer trust and loyalty. When a customer has a positive image in mind regarding the bank, the small mistakes made by the banks are forgivable by the customer.

5. An open-minded business culture which values technological development and is ready to implement new advanced solutions, offering attractive products and services is another aspect that should be embraced by the banking system in Albania for the development of e-banking. Implementing e-banking is not a campaign, but a long-term process which should be seen as an investment and not an expense.

6. The Bank of Albania should conduct regular examinations in the banking system to ensure that the technical infrastructure, transparency towards the customer and all risks associated with the provision of such a service are addressed in accordance with the regulatory framework of the Bank of Albania and international best practices.

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