

## The Quality of Banking Services through the Perception of Customers

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### Abstract

The two ways that lead to the providing of profits in a financial institution are the cost-efficiency and the differentiation. The banking services that are effective contribute with both the ways because the satisfied customers tend to remain in the organization for a long time to benefit from the services (Heskett et al., 1997). Moreover, the cost to keep the existing customers by improving the services is significantly lower than the cost to attract new customers. As a case study are taken into account the services that the banks offer in Shkodra. For the study is used an analysis based on data collected from the questionnaire which was addressed to the customers of the commercial banks, which operate in Shkodra. From the questionnaire was analyzed the real level of the banking services in Shkodra. These services are seen in terms of their diversity and quality level of services that they offer to attract customers. The study also highlights the gaps that these banks have in their services under the contemporary conditions.

**KEYWORDS:** Albanian banking system, bank services, customer satisfaction, information technology, service quality.

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### Introduction

Researchers have founded that the quality of services is widely recognized as a key factor in the success of any business (Parasuraman et al., 1988), so, the banking sector does not constitute an exception. The quality of the service is widely used to evaluate the performance of the banking sector (Cowling and Newman, 1995). The banks have realized that the customers would be loyal to their, if the customers receive greater value from their bank services than from the competitors (Dawes and Swailes, 1999), in this way the banks can provide huge profits if they are able to position themselves better, than their competitors. Therefore, the banks are focused on the service quality, and they use it as a competitive strategy (Davies et al., 1995). Generally, the banks provide services of the same nature (Lim and Tang, 2000) and they try to capture the innovations of the competitors immediately. This implies that the consumers can perceive the differences in the quality of the services (Chaoprasert and Elsey, 2004). The customers also have appreciated the performance of the bank in particular on the basis of the personal contacts and from the interactions (Gronroos, 1990). The quality of the services is basically composed by two dimensions (Gronroos, 1990; Lehtinen and Lehtinen, 1982). The first one is the technical dimension (Gronroos, 1990) or the dimension associated with the outcome and the second one is the functional dimension (Zeithaml et

al., 1985) or the dimension associated with the process. The issues of the service quality measurement are discussed more during the last 15 years. Chang and San (2005), have studied the relationship between the service quality, customer satisfaction and the profits in the banking industry. Moreover, Zeithaml (2000) found the evidence for the impact of service quality on the economic benefit and Heskett et al., (1997) also states that a direct and strong relationship exists between service quality, customer satisfaction and profitability. The findings of the study have reinforced the theory that the consumer satisfactions are linked to the performance of the banks. The global banking industry is changing rapidly. The banking organizations are constantly working to improve the quality of the service to increase customer satisfaction, by contributing in higher benefits in the economic. The quality of service has an impact on the performance of the organization (Poretla and Thanassoulis, 2005), in the consumers' choices and to the promptings for their loyalty (Newman, 2001; Szymigin and Carrigan, 2001; Caruana, 2002; Ehigie, 2006); moreover also enables to the companies to increase the sales (Levesque and Mc Dougal, 1996; Kish, 2000, Duncan and Elliot, 2002), to expand the market involvement (Fisher, 2001); to improve the customer relations and their images (Arasli et al., 2005; Baumann et al., 2007; Cronin et al., 2000; Ehigie, 2006; Nguyen and Leblanc, 1998; Wang et al., 2003). A bank differentiates from the competitors by offering high quality services. The quality of the service is one of the most attractive areas for the researchers over the last decade in the banking sector (Avkiran, 1994, Stafford, 1996; Angur et al., 1999; Lasser et al., 2000; Bahia and Nantel, 2000; Sureshchandar et al., 2002, Gounaris et al., 2003). The main purpose of this study is to find data on how consumers perceive the quality of the service and if they are satisfied with the services provided by the banks that operate in Shkodra. From the analysis of data of the survey, it is noted that the consumers believe that the banks have to do more for the perception of the needs of the consumers about the quality of the service. The study also highlights the gaps that had the banks that were involved in the study in their services. In the today, competitive market in order to compete successfully the banks should focus in the understanding of the attitudes, needs and the patterns of behavior of the market (Mylonakis et al., 1998).

### **Literature review**

The quality is perceived differently by different people. The effort to define the quality as a term has encountered many different opinions, because this term is considered as rather vague and subjective. Different researchers have defined quality of the service based on different theoretical assumptions. The definition of the quality is standardized by the American Society of Quality in 1978, which give this definition: "The quality is the totality of features and characteristics of the product or service that bears its ability to satisfy the emerging needs<sup>1</sup>. According to Deming (1986) the quality includes the lack of defects or the reduction of the variations. Juran (1987) defines the quality as a potential product or service that will be used. Crosby (1979) defends the idea that the quality is the compliance with the demands. "The quality" is defined as "the satisfaction of the requirements of the customers" or "the training to achieve a goal" (Ghobadian et al., 1994). Previous definitions for the quality by Deming (1986), Juran et al., (1974), Feigenbaum (1986) and Ishikawa (1985) are included in this category. In the 1980s, the

<sup>1</sup> From <http://www.asq.org/glossary/q.html>

large organizations were more interested in the developing measures for the quality of the service (Dekeda, 2003). The researchers are trying to develop conceptual models to explain the quality of the service and to measure the quality of the service perceived by the customers in the various industries (Seth et al., 2005). The quality of the service is a precursor of the customer satisfaction. Several authors have discussed the unique importance of service quality in service firms (Shaw, 1978; Normann, 1984) and have shown its positive relationship with the profits, market growth, return on investment, customer satisfaction and the future purchase intentions (Buzzell and Gale, 1987; Boulding et al., 1993; Anderson, 1994; Rust and Oliver, 1994). The banks have understood that the customers will be loyal to them if they offer greater value than their competitors (Dawes and Swailes, 1999), and on the other hand, the banks may aimed at higher profits if they are able to position themselves better than the competitors in a specific market (Davies et al., 1995). Therefore, the banks should focus on the quality of the service as a key competitive strategy (Chaoprasert and Elsey, 2004).

**Services that banks provide to the client.** The commercial banks in Albania provide traditional services to customers: deposits, accounts and transfers. Deposits have been the best known products of the public, but in the recent years, the efforts to minimize cash transactions (transfer of salaries and payments to businesses) through the banking system have brought a rapid development for other services such as loans, overdrafts, debit and credit cards etc.. Today a characteristic of the banking system is that all the banks licensed by the Bank of Albania are of an universal type. The banks with their services help the individuals, private and public enterprises and corporations. This serves to increase productivity, profits and developing more and more of their commercial activity and manufacturing, therefore must be seen as a strong bond between them. The banks direct the "trade of money", but at the same time are its manufacturing industry (Haderi, 2006).

**General features of the Albanian banking system.** In the recent years the Albanian banking system is characterized by significant developments. The increasing in the number of the banks, the restructuring and privatization of the state banks, the establishment of new banks with domestic capital, the increase of the investments in the foreign banks etc., have contributed in the banking system to create a dynamic environment, where all the banks are trying to get a better position in the market. Our banking system consists of 16 universal banks, private and significantly dominated by foreign capital, which constitutes about in 92% of the banking capital. Although a large number of the banks have been present in Albania since 2000, the banking system has been developed mainly in the last 4-5 years. Regarding to the expansion of the banking system within the territory of the Republic of Albania, Tirana remains the country with the largest number of branches and agencies, this can be explained by the high concentration of the population and businesses in this part of the state. The banking system was one of the sectors that were affected more by the effects of the global economic crisis, the crisis was reflected primarily in the financial system, especially during the last quarter of 2008. The public uncertainty about the banking system caused an increased withdrawal of the deposits, especially those in foreign currency. After the withdrawal of the deposits in the period October-November 2008, was appeared a low liquidity in all the banks that operates in Albania.

**The characteristics about quality banking services today.** During their activities, the banking service providers have spent money, time and resources to meet the demand for high quality service and to notify the clients for the service. Also have been carried heavy costs to train the employees for the "customer care", but it should be noted that there is still work to do, because the banking sector operates in an increasingly dynamic environment and depending on variables that are constantly in changing. In the banking industry, today there is an increasingly growing competition, the diversity of the services and the customer demand for high quality, should necessary have a full integration of all the links that contribute to the quality of the service as human resources, operations, marketing and financial management. During the 2012's, the banking activity has continued its growth. This increase is coupled with the deepening of the financial intermediation by expanding product offerings, a geographic expansion of the services covering a larger territory and by expanding the customer base, to both the existing and new locations. On the basis of the observations made, it was found a continued effort of the bank operators to provide a wide clientele, through an increased competition in all the banking services offered. The competition is an important aspect of the banking system because, as in any other market affects in the efficiency and quality of the products that were offered. Moreover, the level of the competition in the banking system also has its impact on other sectors of the economy. For this reason, the empirical evidence shows that a high level of the competition in the banking system provides an accelerated growth in those economic sectors which are financed by the banks. In addition, a more competitive banking system is considered crucial for the economic growth in the developing countries<sup>2</sup>. Also, it is argued that there is a reverse relationship between competition and stability in the banking sector. The banking sector is regarded as a sensitive sector and with a high social cost, in case of bankruptcy. Referring to Vives (2001), it is noted that countries that have a high competition in the banking sector can stimulate the banks to get a higher level of risk, which increases their probability of failure. Consequently, a system with a moderate level of the competition would be more suitable for the developing countries, as in the case of these countries is more difficult to maintain the stability in conditions of high competition. In conclusion, it can be says that the optimal level of the competition in the banking system is not unique, but it depends entirely on the level of the economic and institutional development of a country. Based on the studies of the Bank of Albania, it is noted that the level of the competition in the banking market is comparable to that in the markets of the region. Besides the romanian and croatian banks, the Albanian banks seem that operate in a higher competitive environment than the banks in other countries of the Eastern Europe<sup>3</sup>. The banking system is characterized by a high level of concentration. Despite the number of the banks, their activity has been increased and the concentration indices are higher than in the most countries of the South-Eastern and European Union. However, based on a more sophisticated methodology, the competition in the banking sector is considered to be at a moderate level, which is also suitable for the level of the development of Albania<sup>4</sup>. From an empirical perspective, it is noted that the competition in the banking system is

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<sup>2</sup> Bank of Albania, Annual Report, 2012.

<sup>3</sup> Ibidem.

<sup>4</sup> Ibidem.

improving. The banking sector has developed in many directions as the expansion of the banking networks in important urban areas and beyond, providing diversified services to all the banks, also to intensify the marketing through the media, etc..

**Information Technology.** Permanently, the banking institutions rely on collecting, processing, analyzing and providing information to meet customers' needs. The banking institutions have put emphasis on the evolution of the information technology and the impact that it has on the banking institutions, to meet the customer demands quickly and to create a successful competitive advantage. In the recent years has been a tendency to use and adapt technologies that enable automation of the process of obtaining information, to facilitate the performance of the work, to increase their accuracy and the speed of service delivery, and therefore to improve the quality of the service. Through, technology of information are made new services, is changing the cost of the structure, the customers have become more sophisticated in their demands and significantly is increased the competitive pressure. New forms of services provided through the development of information technology are internet banking, online banking, smart cards and ATMs, that meet the customer demands for more comfort and high quality services. A key element affecting the implementation of quality and thus affects the total growth of quality in the banking services is the management component. While banks understand the importance of the service quality, its implementation can be as difficult as complex. Therefore, the implementation process of quality starts with the commitment of managers to achieve it.

**Findings and Discussion.** This paper is based on a thorough knowledge of the situation in the country and the climate of banks in Albania and especially in Shkodra - the current state of the banking services and the recognition of the stakeholders that operate in the country. In support of the theoretical base is made a practical study to address the quality of the services that the banks offer, the perception about the quality by the customers and the expectations for quality that the customers should give. The organization of the research work has begun through the secondary data collection during June 2013. During this period is made a preliminary processing to determine the data needed for the research.

**General information for the surveyed clients.** The questionnaire was designed in the beginning with some general questions to identify the nature of the customers, who use the banks. These questions relate to the clients age, their education, the frequencies of use of the banks, the services they currently have used, etc.. About 50% of the customers that tend to perform their actions through the banks belong to the age group from 40 to 59 years. From the questions asked during the survey, it was observed that a good part of the customers that use the banks were business owners and family members of immigrants. While 34% belong to the age group from 25 to 39 years, who were mostly state employees who receive the salaries (mandatory action by public institutions), and customers who open their personal accounts. Regarding the education of the clients who use the banks is found that most of them are with middle education by about 56%, which means that the high level of education is not a determining factor for the use of the banking services, but also because many of the leaders of the businesses that have

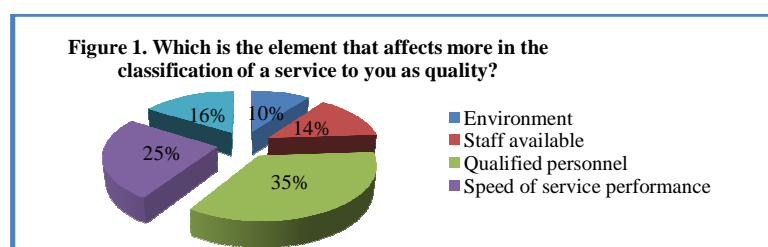
relationships with the banks are with the secondary education. While only 32% are highly educated, who conduct transactions with banks, mainly for the withdrawal of payroll. About 57% of the clients are businesses that use the banks because they conduct transactions for the development of their activities, while 39% are individuals, and only 4% are corporations. The services offered by the banks are diverse, so they create numerous choices for the customer. Thus about 33% use the bank for opening a bank account and 20% for getting a loan, the services that constitute the basis of the activity of a bank. While 16% of the respondents have visited the bank for using the credit and debit cards, since, this service is become a necessity for different payments. About 11% of the clients have used the bank to do a transfer, which is mainly used by the businesses to liquidate quickly the national and international payments. While only 9% used the bank for the payment of utility services, this the percentage is small because the customers have not yet gained this culture, but still ran into long queues. About 49% of the respondents are clients from 1 to 5 years, 18% are clients for less than 1 year and only 25% have relationships with the banks more than 5 years (where 8% of them are over 10 years). Regarding to the frequency of the contacts with the commercial banks, 34% have frequent intercourse (despite the fact that most of them are new clients). When the respondents were asked which factor has contributed to select the bank where they perform various transactions, they clearly express the importance of the oral communication (Word of Mouth) in choosing the bank, and they have recommended the bank to the others with 40%, while 24% of them have decided to choice the bank in basis of the advertising in the media, to assessing how much were important the advertising in their choices. And only 8% of the customers have chooses their bank in base of the location, because it was located close to home, their office, etc..

**The characteristics of service quality provided by the banks.** The quality of the customer services is related to the: i) provision in its proper order, and ii) timely fulfillment of the customer needs. According to the customers answers, the banks offer services that meet their needs with 51% of the evaluation. But only 10% believe that the services are offered with other additional elements, the banks do not use an indirectly way to attract the consumers, such as various offers. Clients of different banks have different opinions about the features of the services they receive from the banks where they operate, for example:

- The customers of the United Bank of Albania consider that the services that the bank provides meet the needs of the customers;
- The customers of Alpha Bank say that the services are provided by a qualified and friendly staff;
- The customers of the National Commercial Bank believe that the services provided meet their needs etc.

Regarding the elements which are used by the bank to become a loyal customer, about 26% responded that the bank keeps them informed in electronic form or by mail for new services offered. While 42% responded that the bank did not take any action in regard to customers, to make them loyal customer, therefore, the banks are indifferent and did not use such policies.

**What customers expect from the services provided?** This group of questions aims to get information regarding the importance given to the clients. For information about customer requests for a service, a significant proportion of respondents believe that customers should be encouraged to make suggestions, between conducting of periodic surveys to identify customers' needs. When the respondents were asked which factor affects more (in order of importance) in providing a high quality service, the customers put in the first place the qualified personnel by 35%, since they felt that the employees are the greatest asset of an organization and that they are a key element in the delivery of high quality service. In the second place of importance, the customers placed the speed of service delivery by 25%, which means that the service delivery in time can eliminate the queues for the customers. From the results, it is noted that customers do not give importance to the environment. The data are presented in the figure 1.

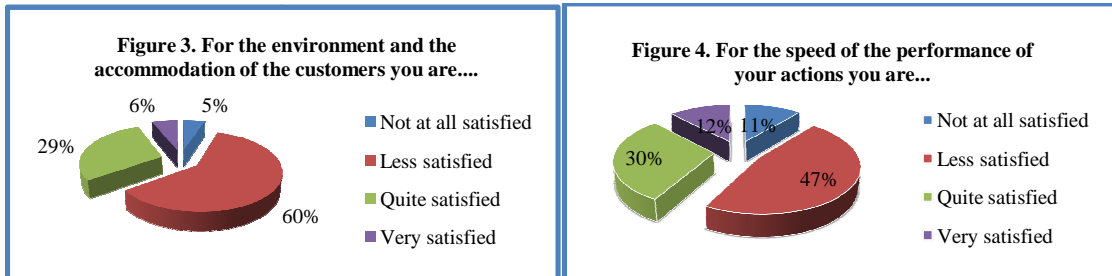


Source: Authors, (own calculation).

About 32% of respondents express the dissatisfaction to other customers, when the services that the banks offers to them are not in the right way. While in 30% of the cases responded that they would complain about the staff of the bank for a service that it is not performed properly. But with only 4% the customers does not take any action for a service gap.

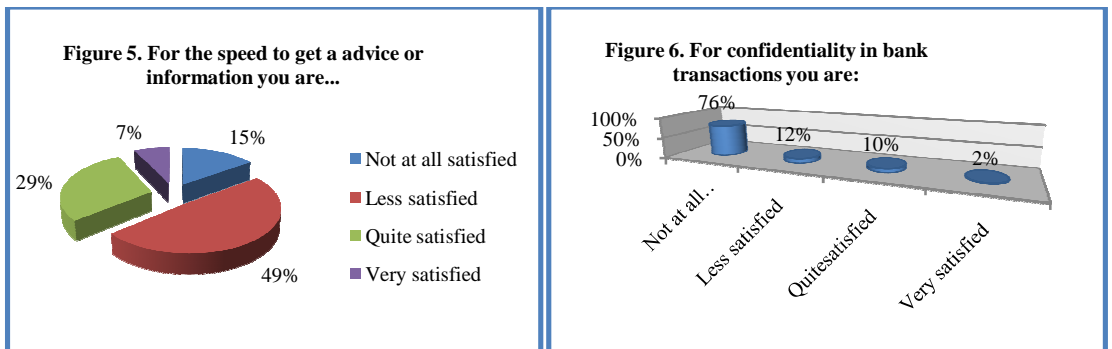
**The improving of the quality in services.** In this section, the answers of the questions are directed to the respondents, which are estimated with a level scale (very satisfied, quite satisfied, less satisfied, not at all satisfied). According to the questionnaire responses, about 60% of the bank customers are less satisfied with their environment and accommodation, because the environment of the banks is small and uncomfortable. Some of them say that: "Staff does not take any action as providing tea, coffee etc., where the process of waiting is long". While only 29% are very satisfied, they feel that the environment is cozy enough for quick actions. The data are presented in the figure 3. About the working hours of the banks, most of the respondents with 67% are not satisfied with the work schedule of the banks, because none of the banks that is operating in the market does not perform transactions during the afternoon, that would be very favorable for individuals but also for businesses. Regarding the ease of performing actions, in about 55% of cases people are quite happy, so in general there are no obstacles in the implementation of actions such as account opening, savings withdrawals, etc.. When customers are asked about the speed of performing the banking services, 47% of respondents are less satisfied because the waiting periods are relatively long, despite the fact that the action that is being taken is not complicated. While only 42% of respondents

are (very satisfied and quite satisfied), which means that in total does not exceed the dissatisfaction to the delays caused. The data are presented in the figure 4.



Source: Authors, (own calculation).

When the customers are asked how they evaluate the speed to get the information or advice, about 49% of the customers are less satisfied with the speed of the staff, and the banks staff has justified this result by the long queues of customers. This can be regarded as a defect of the organizational structure, which should increase the number of employees in each office. The data are presented in the figure 5. For many individuals who use banks for the transactions of their economic activity, more important for them is the confidentiality. Regarding to the confidentiality, about 76% of the respondents are totally dissatisfied and troubled by this fact. It is a very significant percentage, and the motive of this percentage by the respondents opinion, comes only from the negligence of staff. On the other hand, only 2% are very satisfied with the confidentiality of banks. The data are presented in the figure 6.



Source: Authors, (own calculation).

Regarding to the functioning of the apparatus of ATMs, customers of the banks by about 45% say that they are quite happy with its usage. The withdrawal through the ATMs is one of the most important services of banks, especially in the periods of withdrawal of the salary, therefore, the operation at any time of the day of these machines is seen as a necessity by customers. But another very important element for the functioning of ATMs, has to do with having money in it, 46% of the respondents are less satisfied with the amount of cash in the ATMs, according to them there are numerous cases where there are no enough money in it to make a withdrawal (especially in weekends). As for the willingness of the consultants, 51% of the respondents are very satisfied at the time that they have the need for a clarification. While only 4% of the clients have expressed the



appreciation 'not satisfied' for the willingness of the banks advisers. For the transparency in the procedures of credit that banks have, the interviewees are expressed as less satisfied with 53%, they say that there are endless of documents to be submitted and compiled, and the loan approval takes many time. While only 3% of the respondents are very satisfied with the procedures of the loan, these respondents are the clients who have received small loans without collateral and without rotating controls, therefore, we cannot qualify this result as an objective opinion.

**What banks expect in the future from their customers?** When the customers are asked, if the bank with which they are operating is the appropriate, 51% of them believe that it is the right bank, which means that banks are trying to meet the expectations of the customers, and are trying to satisfy their needs by serving services oriented to quality. About 56% of customers turned back into the bank, where they made before different transactions, which means that the bank has made possible to keep the existing customers, so it mean that the banks are trying to implement the policy of maintaining the customers. Newman (1995), Dawes and Swailes (1999) have showed that for the maintaining of the existing customers it costs five times less in time, money and resources for the bank, than to attract a new customer. In relation with the above question, the customers respond positively with 58% that are loyal with the bank who they operate, so the bank through the fulfillment of the customer needs tends to turn them into loyal customer. Newman (1996) noted that an increase of 5% in the rate of customer loyalty, brings an increase in benefits from 25 to 28%. When the respondents are asked if they perform all the payments through the bank, about 68% of them responded that they do not perform all payments through banks, because the cost of various payments is relatively high.

**The conclusions of the survey.** By the conversations conducted with the bank customers, as well as taking into account the data obtained by the questionnaire were reached the following conclusions :

As can be understood from the analysis of the questionnaire, in general, consumers of the banks, so, the public is oriented to the deposits and loans, because all the banks has put the emphasis in these two services, as and offering more diversified packages, trying to better meet the different needs for different consumers. It is important to note that these two services have improved the people lives. If some years ago was nearly impossible for thinking about the loans, or better say, the loan was a privilege, today almost all banks offer very diverse packages related to the loans. Today it is given more importance to the diversification of the credit package, by doing many studies and gathering information, in cities and rural areas, the packages of loans are tailored for the needs of the customers, for the interest rate and the periods. For certain loan amounts, it does not require any mortgage or documentation, even those can be obtained within a day. In connection with another banking service, such as bank deposits, that is also created by banks the possibility for an individual or company to have a very diversified portfolio, of its investment, starting from the interest, time intervals, or their types. This service has facilitate the survival, welfare and safety for the customers, since security is a key element of public welfare. From the questionnaire analysis, it was found that banking services and their quality are an infinite space to explore, but that are very important in

the developing of the economy in general, and to the public welfare that benefits from the banking services. The focus of the banking industry is to realize its benefits and the customer satisfaction for the services that they offer is moved, from *price to quality*.

### **Conclusions**

The albanian banks offer almost the same services for the albanian customers. The services are not at the levels required by the customers. On the market there is a gap between services, quality and customer satisfaction. The banking system of Albania is quite competitive, but it is relatively new, because there are many banks which operate in this small country. A very good way to satisfy the consumers is by giving priorities to the services that they use, and trying to identify the appropriate consumers for their use. The banks must use the statistics, to tell consumers how well, they are meeting their needs. A question might be "What these indicators show for the level of the performance and what consumers think about the work of the banks?" or "What can be done to improve them?". In our banking system there are not evidenced banks with particular object of the activity, because the commercial banks nowadays tend to maintain the same activity. The banks struggle to put the emphasis to be differentiated from the competition through the quality of their services, and through the ways that they carry out the service delivery. The quality of services is used by the banking sector as a competitive advantage, the only way to withstand the competition, since the trends of Albanian economy are focused on the rapid expansion of the banking network, offering the new services, using the advanced technologies etc.. The increased number of branches, loans, deposits, and the expansion of the use of the banking services, shows that the albanian mentality is in developing and it is in growing the credibility for the banking markets. Most of the bank customers consider the service quality as a strong competitive advantage, all banks have implemented the quality programs and have continued to applied them. Through the implementation of these programs, the aim is to achieve the competitive quality, to increase the customer satisfaction, employee satisfaction and profits.

### **Recommendations**

The banks are mostly concentrated in the big cities, but they have branches even in rural parts, in order to provide services for this customer segment. The primary challenge for the banks to satisfy the expectations of the customers is about the ability to had a professional staff for serving the customers. This is why banks should invest in training and educating the staff, especially the frontline staff, thus affecting in the quality improvements. The update of the information technology is constantly important. The promotion of a service by the banks should be based on the real characteristics of the service because just in this way the customers expectations can be met or can be overcome. The banks should give more attention to their environments, because it affects the quality improvement and makes possible the "consumption" of the product by the customer in a pleasant manner.

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