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IMPACT OF SERVICE QUALITY, E-SERVICE QUALITY AND PRICE ON ELECTRONIC BANKING IMAGE

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Abstract

The banking industry today is moving towards providing integrated financial services due to strong competition and rapid technology changes. Information technology has enabled electronic channels to perform many banking services that were traditionally performed over the counter. Albanian banks are making efforts to think strategically by offering high quality products and services to satisfy their customers as well as to increase the image of banks in the eyes of customers. The purpose of this study is to show the impact that service quality, e-service quality and price have on the image of customers towards banks in terms of e-banking use. The study is based on primary data collected by the administration of 400 questionnaires in three districts of Gjirokastra region. The data were analyzed using regression analysis where it was found that among the three factors included in the model it turns out that the quality of e-service and the quality of service are statistically significant, so their effect on the image is significant, while the price does not turn out to be statistically significant. Albanian banks should consider this effect of service quality and e-service quality on the image in trying to improve the quality of service and e-service through their constituent components.

Keywords: Image, quality of service, quality of e-service, price

INTRODUCTION

The information technology revolution in the distribution channels of the banking industry began in the early ’70s with the introduction of credit card, ATM machines and ATM networks. This was followed by telephone banking, television banking in the 1980s, and the advancement of personal computer (PC) banking in the late 1980s and early 1990s (Giannakoudi, 1999). Information technology has enabled electronic channels to perform many banking services that were traditionally performed over the counter (Giannakoudi, 1999). The banking industry today is moving towards providing integrated financial services due to strong competition and rapid technology changes.

Using e-banking does not mean changing your money usage habits. On the contrary, with the help of information and communication technologies, it is possible to overcome schedules, waste of time and bureaucratic aspects of traditional banking, to manage personal finances faster and more efficiently. Aderonke and Charles (2010) have found that "bank customers who are active users of e-banking use it because it is convenient, easy to use, saves time and tailored to their transaction needs. "Also network security and system security in terms of privacy are the biggest concerns of users and constitute an obstacle to the goals of increasing users".

E-banking services are a relatively new instrument in payment services in Albania. The performance over the years of the volume and value of transactions performed by customers electronically is increasing, but in low percentages. Albanian banks are making efforts to think strategically by offering high quality products and services to satisfy their customers as well as to increase the image of banks in the eyes of customers. Albanian banks consider these changes and try to apply new technologies to gain more market share by using the quality of E-service from the website by offering different types of services such as control of accounts and statements, transfer of funds, placement of fixed deposits, payment of bills, credit cards, loans and insurance payments, application for bank drafts and telegraphic transfers. Clearly, the lifespan of e-banking depends on the image of the bank, the quality of service and the quality of e-service.

LITERATURE REVIEW

Service quality

The most important factors influencing the selection of banks are the components of service quality. All banks offer almost the same services, but to distinguish between banks we need to look at how these services are provided. Zeithaml et al (1996) describe that services have some unique characteristics that make them different from physical products (Zeithaml

and Bitner, 1996). Services are often characterized by their inviolability, indivisibility and heterogeneity (Lovelock, 1996; Zeithaml and Bitner, 1996). Due to the intangible nature of services, it becomes difficult for an organization to understand how its customers perceive and value the quality of its services (Zeithaml, 1981). A study conducted by Stafford, M (1994) attempts to present a list of banking quality characteristics as perceived by customers. He identified the basic dimensions of banking quality and assessed the importance of the characteristics perceived by them. The seven factors include: the relationship between employees and employees / customers, the number of ATMs accessible and at work, the structure of the company, and the four services available. Over 82% of respondents thought that banks provided quality service.

Quality of service means what its customers like and trust. Satisfied customers will come back to conduct banking transactions and give positive feedback to others about banking services, they will be more loyal to their banks. Dissatisfied customers tend to spread negative feedback to other customers (Lewis, 1991; Newman, 2001; Caruana, 2002).

E-Service quality

The elements to measure the quality of E-service are: ease of use, privacy, security, accountability and contact.

- **Ease of use** is an important determinant in the dimension of e-service quality. Researchers have identified ease of use as an important factor in evaluating an electronic service option (Betson 1985). Ease of use is associated with a memorable address, well organized, structured, easy to follow in the catalog, with concise and understandable content, with terms and conditions (Santos 2003).
- **Privacy** refers to the degree to which the website is secure and customer information is protected. This dimension holds an important position in e-services. Customers perceive significant risks in the virtual e-service environment arising from the inability to use their financial and personal data.
- **Security** is freedom from danger, risk and doubt. It includes: a) physical security; b) financial security; and c) confidentiality (Parasuraman et al.1988). Security concerns are related to conducting transactions with pleasure through the Web site (Zeithaml 2002). Security is related to satisfaction, image, trust and thus affects the level of online interaction as well as the frequency of interaction.
- **Accountability** refers to the ability to deal effectively with customer complaints and speed of service (Santos 2003). Banks need to recognize that expanding with the Web site will require a structured and well-orchestrated business process and IT infrastructure to achieve

accountability. Web-based service responsiveness studies reveal that there is a significant positive correlation between speed in service delivery and customer satisfaction (Janda et al. 2002).

- **Contact**, in the context of e-services, refers to concise, useful and current information (Abels et al.1999). Researchers recommend providing detailed and rich information, using simple words and phrases that are easy to understand. (Santos 2003). Website content is positively related to satisfaction, image and trust and thus affects loyalty to banks.

Image

According to Kang and James (2004), a favorable 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 James (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. 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 client 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 OBJECTIVE

The purpose of this study is based on the current state of e-banking in Albania to measure the impact that service quality, e-service quality and price factors have on customers image to banks.

In view of the above purpose, the paper has as its main objective: Measuring the impact that the quality of service, the quality of e-service and price factors have on the image of customers to banks (with a focus on the Gjirokastra region).

METHDOLOGY

Since the influence of factors related to the quality of services, the quality of e-services and the image of customers towards banks in terms of the use of e-banking in Albania and the

relationship between them, has remained largely unstudied, this study is natural. A quantitative treatment was applied to test the conceptual framework. The applied instrument for the study (questionnaire) and the research variables are discussed below.

The decision to use electronic banking services is a function of several variables (measured in 7 degrees according to Likert) and personal characteristics. Variables will include: image, service and e-service quality dimensions and price.

Study hypotheses

To address research problems and achieve the main objective, this study will confirm the following hypotheses:

Image does not depend on service quality, E-service quality and price factors

Sample selection

The minimum number of observations needed to be considered in this study was calculated according to the formula proposed by Tabachnick and Fidel (2007). This formula takes into account the number of independent variables for calculating the sample size valid for the study. (N> = 50 + 8m, where N is the minimum number of sampling observations and m = number of independent variables (Tabachnick & Fidell, 2007), p. 123).

A total of 400 questionnaires were randomly distributed through physical copy to customers using electronic banking services in the Gjirokastra region. The distribution of questionnaires by districts of Gjirokastra region was done in proportion to the number of population according to the 2011 Census data. The distribution of questionnaires and their validity by 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**

Data collection

The district banks were visited by us to maximize participation. Participation was voluntary and out of a total of 400 questionnaires distributed, 350 were usable (n = 350). Thus

the response rate is 350/400 = 87.5%. Data management is realized in two phases. The first phase consists of cleaning and dumping data in the Eviews program and the second phase, analyzing the data. The data entry in the program is performed based on the data encoding, according to the respective variables.

Data analysis methods

Our study has a three-dimensional character: descriptive, exploratory and causal. The basic method of work is that of analysis and synthesis. Primary data is used for the realization of this work.

To measure and evaluate the impact of service quality, E-service quality and price on the image of electronic banking customers, a questionnaire was conducted in all three districts of Gjirokastra region. Based on the statistical methods and classical econometric models (linear multifactorial regression) as well as in the analysis of the components of variance, the processing of the survey data was performed and the findings and confirmation or not of the hypothesis were presented.

The variables we received are of a mainly ordinary nature (ie the interviewees can be ranked according to the values of the variable from 1-7), but also of the nominal scale (gender, area, education, employment, marital status) and the scale in form ratio (age, income, number of years with the bank, number of transactions per month).

Limitations of the study

There are some limitations to conducting this study in relation to data collection and analysis which are provided below:

First: In the study it was assumed that respondents have the same level of internet use skills. Second: One of the limitations of analysis or modeling is the nature of the variables; generally the variables used are measured on an ordinary scale, which violates one of the assumptions of the classical model that variables should be measured on an interval scale; this implies to some extent the relevant findings, so these should be taken as approximations and accepted with reservations. Third: All the results of the questionnaire are based on the subjective answers of the respondents, who may or may not have been realistic in their answers.

ANALYSIS AND FINDINGS

To measure the impact of service quality, e-service quality and price factors have on the image of customers to banks was used classical econometric models (linear regression multifactorial). Table 2 presents the information of sample composition by personal factors.

Table 2. Sample by personal factors

	Frequency	Percent
A. PERSONAL FACTORS		
1. Gender	**350**	**100.00 %**
a) Female	186	53.14 %
b) Male	164	46.86 %
2. Age	**350**	**100.00 %**
a) below 18 years old	5	1.43 %
b) 18 -25 years old	88	25.14 %
c) 26 -35 years old	97	27.71 %
d) 36 -5 years old	68	19.43 %
e) 46 -55 years old	64	18.29 %
f) More than 56 years old	28	8.00 %
3. Marital status	**350**	**100.00 %**
a) Married	195	55.71 %
b) Single	132	37.71 %
c) Widowed	8	2.29 %
d) Divorced	15	4.29 %
4. Education level	**350**	**100.00 %**
a) Low education	13	3.71 %
b) Secondary Education	96	27.43 %
c) University education	211	60.29 %
d) Postgraduate education	30	8.57 %
5. Area of residence	**350**	**100.00 %**
a) Urban areas	287	82.00 %
b) Rural areas	**63**	**18.00 %**

According to statistics, 53.14% of bank customers (n = 186) are female, and 46.86% (n = 164) are male. Most of the customers 52.85% (n = 185) belong to the young age group 18-35 years, more specifically 25.14% (n = 88) age group 18-25 years and 27.71% (n = 97) age group 26-35 years. Other participants are: 1.43% (n = 5) of the age group under 18 years, 19.43% (n = 68) of the age group 36 - 45 years, 18.29% (n = 64) of the age group 46 - 55 years and 8.00% (n = 28) of the age group over 56 years. In terms of marital status, the majority of customers 55.71% (n = 195) were identified as married, 37.71% (n = 132) were identified as single, 2.29% (n = 8) were widowed and 4.29% (n = 15) are identified respectively divorced. Regarding the level of education, statistics show that the majority of customers considered or 60.29% (n = 211)

are customers with higher education, 27.43% (n = 96) customers with secondary education, 8.57% (n = 30) customers with postgraduate education and only 3.71% (n = 13) bank customers with lower education. According to statistics, the majority of bank customers considered 82% (n = 287) are customers of urban areas and only 18% (n = 63) customers of rural areas.

Regression Analysis

Hypothesis: Image does not depend on service quality, E-service quality and price factors

Table 3. Summary of model for image with the method of least squares

Dependent variable: **IMAGE**				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.950899	0.279934	3.396866	0.0008
E-SERV. QUALITY	0.194948	0.072695	2.681713	0.0077***
SERVICE QUALITY	0.594910	0.074278	8.009186	0.0000***
PRICE	0.074573	0.042150	1.769208	0.0777*
R-squared	0.469060	Mean dependent var		5.639934
Adjusted R-squared	0.464444	S.D. dependent var		1.149404
S.E. of regression	0.841154	Akaike info criterion		2.503310
Sum squared resid	244.1011	Schwarz criterion		2.547494
Log likelihood	-432.8276	F-statistic		101.5972
Durbin-Watson stat	1.532498	Prob(F-statistic)		0.000000

Note: *, **, *** indicates that the results are significant at 10, 5 and 1 percent respectively.

The final model derived from the multivariable analysis appears as follows:

IMAGE = 0.950899 + 0.194948 E-SERVICE QUALITY + 0.594910 SERVICE QUALITY + 0.074573 PRICE + ε

The value of the Durbin – Watson test turns out to be equal to 1.532498. This value is within the allowable range (1.5-2.5) and indicates that in the model autocorrelation is not present. The above data show that the model as a whole is significant as a statistic (F = 101.5972; Prob F = 0.000000 <0.05). In this way we conclude that the established model is statistically significant based on the error of the first type a = 0.05 or on the 95% confidence level.

To measure the strength of the dependent variable (image), and the independent variables included in the model (E-service quality, service quality and price) the R^2 correlation coefficient, adjusted for degrees of freedom, is considered. According to the statistics presented in the summary table of the model it is noticed that 46.44% of the variance of the dependent variable is explained by the independent variables. The remaining 53.56% belongs to other factors (including random ones) that are not included in the model.

Among the three factors included in the model, it turns out that the quality of E-service and the quality of service are statistically significant, so their effect on the image is significant (valid), while the price is not statistically significant. This is confirmed by the test values t and the probability p values that for each variable result respectively $t_{\text{e-service quality}}$ =2.681713, $p(t)_{\text{e-service quality}}$ =0.0077<0.05; $t_{\text{service quality}}$ =8.009186, $p(t)_{\text{service quality}}$ =0.0000<0.05; t_{price}=1.769208, $p(t)_{\text{price}}$=0.0777>0.05 . The most important factor turns out to be the quality of service, because if the quality of service improves by one degree then it is expected that the image will increase by 0.5949 degrees.

Consequently, we can say that the above hypothesis is proved only for price with probability at least 95%.

Analysis of variance components for Image

Table 4. Analysis of variance components for Image

Source	**The sum of the squares**	**Df**	**The average square**	**Components of variance**	**Percent**
TOTAL (corrected)	459.882	349			
Quality of service	315.142	156	2.02014	0.509839	38.49
Quality of E-service	143.407	172	0.833762	0.5005	37.79
Price	0.888445	2	0.444222	0.290739	21.95
ERROR	0.444889	19	0.0234152	0.0234152	1.77

The table of variance analysis divides the image variance into 3 components, one for each factor. The purpose of such an analysis is usually to estimate the amount of variability contributed by each of the factors, called variance components. In this case, the most contributing factor to the variance is the quality of service. Its contribution represents 38.4931% of the total image variation. Another influential factor is the quality of the e-service that represents 37.79% of the total image variation.

CONCLUSIONS

The purpose of this study is to show the impact of service quality, e-service quality and price on the image of customers towards banks in terms of e-banking use. The multivarialble analysis was also used in the study in purpose to determine the relationship between the dependent variable image and independent variables service quality, E-service quality and price. Among the three factors included in the model it shows that E-service quality and service quality are statistically significant, while price does not appear to be statistically significant. It was also found that the most important factor turns out to be the quality of service, because according to the model, if the quality of service improves by one degree then it is expected that the image will increase by 0.5949 degrees. Albanian banks should consider this effect of service quality and e-service quality on the image in trying to improve the quality of service and e-service through their constituent components. This will not only help retain their existing customers, but also increase the number of new customers.

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