Service Quality in the Banking System —

The Case of Tirana Bank

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Abstract

The work environment is constantly changing thus it is a prerequisite for businesses to effectively adapt themselves to increase productivity. Various performance reports have shown that the approach how a bank operates drives its path toward growth or degradation.

The purpose of this research is to provide insights on the role of service quality in the banking system, with a case study on Tirana Bank. Using financial statements as key indicators, we have provided basic information on the growth and development of Tirana Bank in Albania.

Young people in Albania are the generation that understand the positive consequences of practicing emotional intelligence, shifting greater emphasis on how to achieve a worthy presentation between the equally sensitive and uncompromising "client service". Therefore, we have collected responses of a questionnaire submitted by clients of Tirana Bank, gathering as such the necessary information to conduct a study on the importance of service quality in the banking system.

Methodologically speaking, this paper uses a simple regression analysis and Cronbach's alpha model, based on 18 questions posed to 350 clients at different ages over a period of 1 month. Through this analysis, it argues that there is a strong positive relationship between service quality and other influential variables, reliability, security, loyalty, sensitivity, vulnerability and responsibility.

This means that an increase of the above factors leads to the enhancement of service quality, therefore results show that to increase the bank's reputation, bring effectiveness

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to the institution and create increased competition, managers must upgrade it to the most optimal level possible.

*   **Key words:** *Client, Service Quality, Reliability, Loyalty, Responsibility.*

1. Introduction

The work environment is constantly changing thus it is a prerequisite for businesses to effectively adapt themselves to increase productivity. Various performance reports have shown that the approach how a bank operates drives its path toward growth or degradation.

Conditions such as leadership, mindset, long-term goals, critical or analytical mind are the main factors determining the success of a bank. In Albania it is mainly young people who are aware of the positive consequences of practicing emotional intelligence, shifting greater emphasis on how to achieve a worthy presentation between the equally sensitive and uncompromising connection of "client service". Yet, how easy is it to practice such qualities in a country like Albania? It is exactly the purpose of this study to analyze in detail the perceptions and expectations of clients within the field of services provided by an institution in Albania, Tirana Bank.

This study assesses the status of service quality in Albania, which depends on factors related to satisfaction, trust, loyalty, quality of services and client sensitivity. Through the study from the financial reports demonstrating the bank's performance in the market, we have shown how it is positioned and how it operates over years. The reason for choosing to conduct such a study comes as a request from bank clients, consumers and banks officials.

One of key factors for the efficient and rapid growth of financial institutions and especially banks themselves, is to provide a high quality service, since it directly affects the growth of competition, which brings a higher level of service and production, leading to a growing demand from clients and an increase in the bank's revenues.

Various training sessions are recently being held for the development of individual performance, so that the transmission of information and importance of service quality to the client is as accurate and well-presented. Yet, does Albanian society really know what it means to have an individual performance? One of the fundamental principles of Adlerian psychology is closely linked with the principles of Emotional Intelligence: "Thinking about the common good." How can this happen when everyone is supposed to think about themselves? In developed and developing countries such as Albania, major importance is attributed to team-

work. That is where the idea of thinking about common good originates. This is where the philosophy of practicing one of the main contemporary disciplines for joint development and improving the client service quality, originates.

The issue of service organization currently deals with how the result is measured compared to the production process generating the products. Service is an intangible result that possesses no physical features, a form of product being inviolable where it differentiates traders between quality for services and products. With the increase of communication device such as Internet, trends of clients towards perceptions have also changed, and it is this improvement in service quality that is increasing the successive demand of clients.

In 1990 Parasuraman *et. al* defined the service quality as the client's perception on how well a service meets or exceeds their expectations. Therefore, the traders of different organizations as well as bank managers attempt to determine the trends of clients and then develop their dimension of service quality to meet or exceed the trends of their clients. In order for an organization to gain a competitive advantage and enhance service quality, it must use technology to collect information on market demands and exchange it between organizations. Researchers and managers struggle to learn details about service quality components in their organization for obvious reasons which are client satisfaction, added benefit, etc. The need of banks to offer more qualitative services that add value to their activities, have gradually increased globally and locally the conditions of competition.

2. Methodology

For an accurate and detailed study, the aim is to concentrate on a scientific research question:

Is there a link between satisfaction, reliability, security, responsibility, sensitivity and service quality at Tirana Bank?

Focusing on the scientific research question raised, this paper seeks to test the following hypothesis through analysis:

There is a positive relationship between satisfaction, reliability, security, responsibility, sensitivity and service quality at Tirana Bank.

The purpose of this research is to analyse and highlight the profitability and costs of the bank, whereby elaborating these elements we discover the factors and elements boosting the bank's effectiveness and productivity. Taking as an example Tirana Bank and its data, we reach conclusions based on financial reports showing various financial factors.

Information regarding the balance sheets and statements of income and expenses of companies is provided by the National Business Center (NBC),

which contains an integrated electronic data system, wherefrom it realizes the connection between different counters/help desks by supporting interested entities or individuals, thus facilitating the accurate data provision. Its main purpose is to facilitate the procedures and registration of designated entities, as well as to inform in real time those who are interested.

Analysts analyse the company's financial statements to be more confident and have a deeper perception of financial decision making. To make data analysis as easy as possible, we can use their conversion into financial reports and by examining data we provide an overview of how the company performs, compared to other years as well as its performance compared to other companies in its industry. Although there are thousands of reports that can be counted, it is a very small subset where we will focus to achieve proper results.

Below, by horizontal and vertical analysis, we have expressed the changes from 2018 to date. Horizontal analysis enables data comparison over a period to discover trends and dynamics of changing positions of financial reports. According to the horizontal financing rules, long-term related instruments must be equal to permanent and long-term resources, and in this case automatically cash and short-term related assets are equal to short-term resources on the other hand. Vertical analysis also shows the bank's performance over years based on financial reports.

Further, in addition to operational work, we know that pronouncement/declaration of products and services on bank performance have a key role. Therefore, the rest of study focuses on how to manage staff having a direct relationship with the client and what clients think about this service and whether they believe the bank is taking right steps and meets all relevant conditions.

The questionnaire is addressed to a sample of 350 people, clients of Tirana Bank, who have completed the questionnaire in full privacy. Then we analysed the extracted data and drew conclusions by using multiple regression analysis.

3. Literature Review

Quality of service is one of the key factors for measuring and determining success in the industry, as it has a favorable impact on customers. Merchants themselves are the ones who measure the fact in increasing the quality of service, because they agree that it is an element that contributes effectively to customer satisfaction and brings increased competition in organizations *(Parasuraman, Zeithaml and Berry, 1985; Mersha, 1992 ; Avkiran, 1994; Marshall and Murdoch, 2001).*

Since traders accept and insist on the fact that the quality of service, as it becomes the most critical factors in the success of any business, it is a mandatory factor for maintaining and improving the level of competition. Traders should

ensure up to 100 percent delivery of superior service values to their customers, where it is worth noting here companies that are active in the banking sector *(Parasuraman, Zeithaml and Berry 1985, 1988)*.

Over the past two decades, regulatory, structural, and technological factors have significantly changed the banking environment worldwide *(Angur et al., 1999)*. And as a result of the massive changes that have noted, the banking environment has made the market feel more competitive, making the market more aggressive. In such a situation where the environment is changing constantly, it is precisely the quality of service as a critical measure of organizational performance, which continues to attract the attention of banking institutions and remains at the forefront of service and practical marketing literature *(Lasser et al., 2002)*. The reason for such a high interest in the quality of service, is explained by the fact that it has a direct relationship with increased customer satisfaction and loyalty, greater willingness to recommend it to third parties and improved retention at rates. standards of customer reception *(Levesque and McDougall, 1996)*.

Through his study observed the development of five dimensions of quality service which were vulnerability, reliability, security, responsibility and sensitivity *(Van Iwaarden et al., 2003)*. Emphasizing these dimensions, Van Iwaarden mentions that in order to be more efficient in terms of banks' performance, we need to have as many customer service staff, up-to-date equipment and a comfortable environment that accommodates the client to high standards. An assessment at the right customer levels, using direct contact between the customer and the employee, brings about increased customer satisfaction (*vulnerability factor)*

The other dimension belongs to the degree of *responsibility*, which represents the willingness to help customers, offering them a quality service in a fast way. Bring to attention here HSBC which has incorporated SMS notification to cardholders for more than a decade now. *(HSBC, 2011)*.

Credibility is the key point for the mutual relationship of bank clients and client bank as it is precisely reliability, the main reason why clients choose banks for their investment funds. Due to the reputation they possess, banks always promise a high level of security over customer transactions. Understanding the needs of each individual client such as, knowing the expected retirement age of clients, annual income, hobbies, are the best orientation to realize the provision of the right service for each client.

Security is a key element in the relationship between the two parties, as customers can save a lot of money and it is precisely the employees, who must give a clear explanation for each complicated product such as insurance, funds, limits, in order to customers feel safe about the services provided by banks.

The final dimension is *sensitivity* , represents the individualized attention that firms offer to its customers and aims to retain customers to use the banking

service *(Van Iwaarden et al., 2003)*. The realization of a friendly service towards the customer, gives him the right satisfaction to enter the bank as well as to maintain a long relationship with him. Employees need to show understanding of the client's needs and always be ready to solve their problems, key factors for success in the service industry.

4. Analysis and Interpretation of Results

Client satisfaction provides a substantial link between cumulative purchase and post-purchase phenomena, in terms of change of the position, repeated purchase and brand loyalty. Service quality has a positive impact on client satisfaction. Client satisfaction is defined as the attitude resulting from what clients believe should happen (expectations) as opposed to what they believe has happened (performance perception). Satisfaction reinforces the perception of quality and encourages repetitive purchases, found that vulnerability, reliability and empathy are important for client satisfaction, but observed that responsiveness and safety are more important.

Client satisfaction is positively related to client loyalty and organizational profits. However, the cost of attracting one client can be five times higher than the cost of keeping the current client satisfied, because loyalty must be developed over a long period of time by meeting (and sometimes exceeding) client expectations. As already stressed, loyalty is a multi-dimensional structure that includes both positive and negative responses.

As the global world has suffered and continues to do so in recent years, the approach to a loyal client becomes even more sensitive and important, which is the basis for tougher economies and stronger competitiveness. Regression results show a positive relationship between increased service quality and client loyalty. Studies conducted by various authors have demonstrated *a positive relationship between Client Safety and Quality of Service.*

From the analysis performed, based on data obtained from the questionnaires addressed to Tirana Bank clients, we see that an increase in client security leads to better quality of service. *Credibility* is the key point for the client-bank or bank-client relationship as the main reason why clients choose banks for their investment funds. Due to the reputation, banks always promise a high level of security over client transactions. Understanding the needs of each individual client such as knowing the expected retirement age of clients, annual income, hobbies are the best orientation to realize the delivery of the right service for each client. *Both sensitivity and vulnerability have a positive impact, a direct link to service quality.* They represent the individualized attention that companies offer to their clients and aim to maintain clients to use the banking service *(Van Iwaarden et al., 2003).*

The implementation of a user friendly service gives the client the satisfaction to enter the bank, as well as to maintain a long relationship with it. Employees need to show understanding of the client's needs and always be ready to solve their problems, key factors for success in the service industry. From all the above analysis we understand that service quality is a vital component in terms of the bank's reputation and performance in the market. Thus, all the influencing variables, especially those having a direct impact such as the above factors, become the key point of success or bank's failure in the market.

If key factors such as client loyalty and satisfaction, sensitivity, loyalty, reliability, as affected by product quality, service quality and company reputation, are properly managed, then we face a well-organized institution and ready to compete in the market. We also observe the same with Tirana Bank. Whereby from the analysis we understand that variables have a positive relationship, proportional to the quality of service and that bank managers have attached due importance in both internal management and external interpretation.

5. Conclusions and recommendations

This study explores the link between satisfaction, reliability, security, responsibility, sensitivity and quality of service at Tirana Bank. Quality of service is the whole essence of how a bank operates efficiently in the market and for a long period of time. The big dilemma of bank managers is how to achieve the optimal level of efficiency and return to a level acceptable to clients, as they are the key to the institution's position in the market. During the operation and confrontation, many competitors have found the key of success by drawing the links between service-client interaction.

From the analysis we confirm the hypothesis, concluding that there is a positive relationship between satisfaction, reliability, security, responsibility, sensitivity and quality of service at Tirana Bank. The relationship examined by Cronbach's alpha model and that of linear regression between influential variables such as reliability, security, empathy etc. and service quality, found a positive relationship between them. The study showed that the higher the service quality at the bank, the more the client loyalty increases, leading to increased productivity and profit for him.

For banks to operate efficiently and have the longest possible operation in the market, it is recommended for managers of banking institutions to increase the quality of service to the most optimal value possible. Therefore, in order to achieve the highest possible point of client satisfaction, managers must create and increase the quality of service, in order to benefit from an increase in consumption and client referral (Arasli, Smadi and Katircioglu, 2005).

As Parasuraman et al. stated in 1990, traders and bank managers should attempt to identify client trends and then develop their service quality dimension to meet or exceed their client trends by enhancing communication device such as the Internet and it is this improvement in service quality that increases the successive client demand.

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