
Preferences of Private Clients to the Banking Products - Case Study ProCredit Bank

Authors: **Vjosa Zeqiraj**, MA in Economics, vjosa_life@hotmail.com;
Florentina Xhelili Krasniqi, Faculty of Economics,
University of Prishtina, florentina.xhelili@uni-pr.edu;
Rahmije Mustafa Topxhiu, Faculty of Economics,
University of Prishtina, rahmie.topxhiu@uni-pr.edu

The paper is aimed at researching customer preferences towards products and services, in particular researching preferences of private clients towards products and banking services. The research for preferences towards products and services is conducted based on data from the Central Bank reports on the banking sector, from ProCredit Bank reports that was taken as a case study and survey of private clients of ProCredit Bank.

Special role is dedicated to the factors that influence to consumer's preferences and their choices, in particular the analysis of the factors that most influence in private clients preferences towards electronic products and services, loans and deposits.

The customer is always aimed at the optimal choice, so he chooses a product or service which prefers and supports financially.

Keywords: consumers, preferences, budget constraints, banking products, the optimal choice.

Introduction

Consumer preferences show how a consumer decides on a product to another product, respectively how the consumer can rank two or more

products depending on the benefit these products bring to him. The consumer always prefers a product that gives greater pleasure, respectively greater benefit, but due to budget constraints must choose a product or service which prefers and supports financially.

In today's modern economy, people are much more likely to choose diverse products than they had in the past and this applies to the banking market that today offers more products compared to previous years.

Commercial banks today pay particular importance to meet the requirements of their clients, offering them different products for the fulfillment of their demands. Among the banking products offered by commercial banks are: current accounts, savings accounts, deposits, loans, cards, electronic products and services, etc.

For the management of companies and financial institutions it is very important to identify client's preferences toward products that they offer, in order to improve their products continuously.

The literature review

People have always chosen or wanted different things; this is explained by the fact that people have different preferences or tastes. Consumer preferences are very important factors that influence the growth or reduction in demand of a product or service. For example if the preference for a service or product increases, the demand for that service or product will increase and vice versa if the preference for a service or product decreases, the demand for that product or service will decrease. However according to economists as preferences change is slow also the impact on demand is relatively small [1]. Customer desires or demands are unlimited but customers in general face the problem of limited income or limited assets. Customers who have inherited wealth or have higher incomes more easily do not meet their requirements unlike customers who haven't inherited wealth nor have low incomes. So the choice that the consumer prefers is affected by various factors but the main factors are consumer income and the prices of products or services.

Preferences describe what an individual like and doesn't like. Measuring preferences is difficult because individuals have different preferences for the same product or service for these reason economists to measure the preferences they refer utility [2].

Consumer choice is essential because consumers should choose on the occasion of the decision for the consumption of goods. The individual must decide what to do and what not to do, for example if you go to a big store that offers a number of products no individual can buy all since there is no opportunity or need, but he has to decide what to buy [3]; similarly will act in the choice between banking products offered by different banks.

In Kosovo there are 10 commercial banks licensed by the Central Bank of Kosovo which is an independent public institution and the primary objective is to promote and maintain a stable financial system and an efficient payment system. Only two banks are domestic while other banks operate as subsidiaries or branches of banks abroad [4].

Despite the difficulties, the banking sector in Kosovo after the war is successfully developed [5].

ProCredit Bank operates in Kosovo since 1999 and is among the first banks in Kosovo which in the beginning was named as MEB (Micro Enterprise Bank) [6].

In recent years in the banking sector there was decrease in the interest rates of loans and deposits. Through the following tables and diagrams will appear their changes and the impact on private loans and private term deposits in the banking sector and in particular in ProCredit Bank.

Table 1: The effective interest rate for loans in the banking sector (December 2011-December 2015)

Banking sector	2011	2012	2013	2014	2015
The effective interest rate	13.90%	12.90%	11.10%	9.20 %	7.70%

Source: Central Bank of Kosovo, Monthly Statistical Bulletin no. 172, December 2015.

The data table shows that during the period 2011-2015 has been continuously decreasing of the interest rate loans in the banking sector.

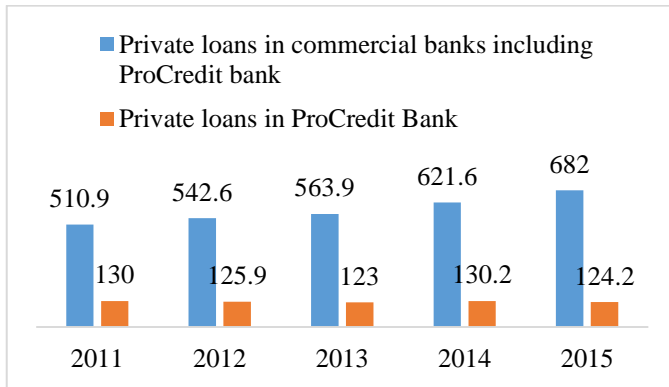


Figure 1: Data on the change of private loans 2011- 2015 (Amount in millions of euro)

Source: Central Bank of Kosovo, Monthly Statistical Bulletin no. 172, December 2015; ProCredit Bank, Financial Statements 2011-2015.

The data presented shows that the decrease in interest rates on loans in the banking sector has led to private loan value increase year after year and this is an indicator of increased preference to loans. ProCredit Bank has also seen an increase of new loans on the basis of reports from ProCredit Bank, but total private loans shows the ups and downs of small considering that the increase or decrease of interest on the loan is not the only factor that affects the growth or reduction of preferences against loans.

Table 2: The effective interest rate on deposits in the banking sector
 (December 2011-December 2015)

Banking Sector	2011	2012	2013	2014	2015
The effective interest rate	3.60 %	3.70%	2.40 %	1.10%	1.20 %

Source: Central Bank of Kosovo, Monthly Statistical Bulletin no. 172, December 2015.

The data table shows that in 2012 there was an increase from 0.10% compared with the previous year but from 2012 to 2015 has been constantly decrease interest rates on deposits in the banking sector.

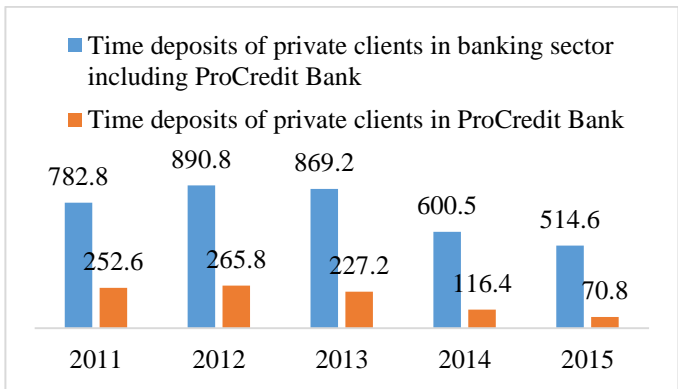


Figure 2: Data on the change of private time deposits from 2011 to 2015
 (Amount in millions of euro)

Source: Central Bank of Kosovo, Monthly Statistical Bulletin no. 172, December 2015; ProCredit Bank, 2011-2015 Financial Statements

The decrease of interest rates on time deposits has influenced private consumer preferences to fall for time deposits, considering that it is not the only factor affecting the increase or decrease in time deposits.

The change of private client's preferences towards some bank products and services in the banking sector and the factors that have influenced the growth of these preferences during the past five years will be presented through the figure no. 3 and 4.

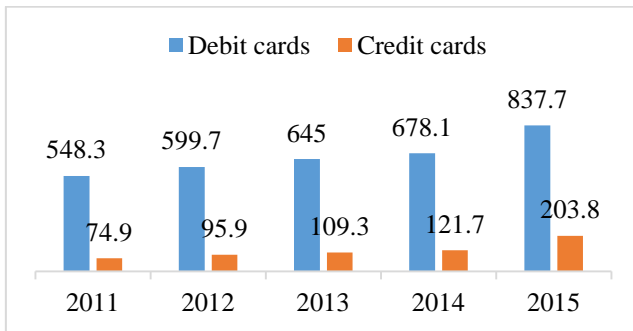


Figure 3: Private cards: debit cards and credit cards in the banking sector (in thousands)

Source: Central Bank of Kosovo, the payment system, in 2014

The figure shows that during the period 2011-2015 there has been continuously increasing of debit cards and credit cards users that is an indicator of increasing banking client's preference towards the use of cards.

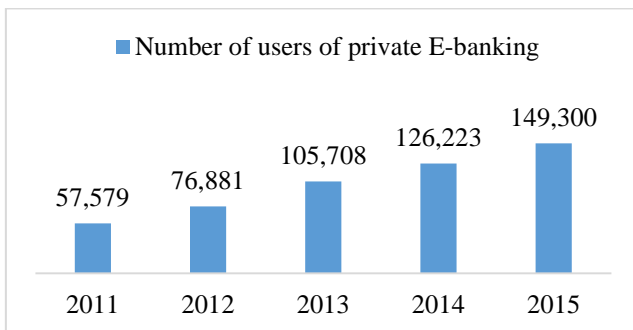


Figure 4: Number of users of E-banking private banking sector

Source: Central Bank of Kosovo, Payment System, 2014; Central Bank of Kosovo, Quarterly Report on cash and non-cash instruments, May 2013;

Central Bank of Kosovo, Quarterly Report on cash and non-cash instruments, January 2014; Central Bank of Kosovo, Quarterly Report on cash and non-cash instruments, January 2015

The figure shows that during the period 2011-2015 there has been growing continuously for private user's ebanking which is an indicator of increasing preference towards the use of ebanking.

Factors affecting the growth of preferences toward electronic products and services especially recently are: the ability for consumers to render their services in every country of the world, the possibility to withdraw money at different ATMs, pay products and services purchased through the card, to perform various transfers and payments through e-banking, lower tariffs for realization of transactions than the bank, don't have to wait in bank queue and other factors.

Research Methodology

The paper is based on data from reports of ProCredit Bank, Central Bank of Kosovo and the reports of various institutions research from which draw information on banking products and services offered in the banking sector in Kosovo, data on the banking sector in Kosovo, data on factors affecting consumer preferences to products and banking services, deposits and loans.

To research the preferences of clients or private customers of ProCredit Bank's towards banking products and services, loans and deposits was implemented a survey with 80 private clients of ProCredit Bank to issue conclusions on consumer preferences towards banking products and the factors that influence their preferences.

Research results

Data on gender, age, profession, consumer's surveyed salary of ProCredit Bank are as follows:

- 41.25% of the respondents were male and 58.75% female;
- 26.25% of the respondents belong to the age of 20-39 years, 41.25% of respondents belong to the age of 30 to 39 years, 20% of respondents belong to the age of 40 to 49 years and 12.5% of the respondents belong to the age 50 to 60.

- 38.75% are economist, 12.50% are jurists, 17.50% are engineers, 5% are architect, 3.75% are teachers, and 22.50% belong to other professions.
- 46.10% of respondents realizing salaries of 300-499 euro; 30.80% realizing salaries of 500-699 euro, 16.70%, realizing salaries of 700-899 euro and 6.40 % realizing salaries from 900 -1100 euro.

The results obtained from the respondent's answers to some questions are presented below.

Results based on client's responses to the question "How many years are you a client of ProCredit Bank?" are as follows:

- 28.75% of respondents are clients of the bank from 1 to 5 years;
- 46.25% of respondents are clients of the bank from 6 to 10 years;
- 25.00% of respondents are clients of the bank from 11 to 16 years.

Results based on client's responses to the question "How much do you know about banking products of ProCredit Bank?" is as follows:

- 21.25% have very good knowledge about banking products;
- 50.00% have average knowledge of banking products;
- 28.75% have sufficient knowledge of banking products;

From the given answers results that the majority of respondents have average knowledge about banking products.

Results based on the answers of respondents to the question "Do you prefer to be served in the bank or you prefer to use electronic services?" are as follows:

The result shows that the majority of private clients prefer to use electronic products and services because they have more opportunity to realize various services more quickly and easily through the use of electronic products and the services.

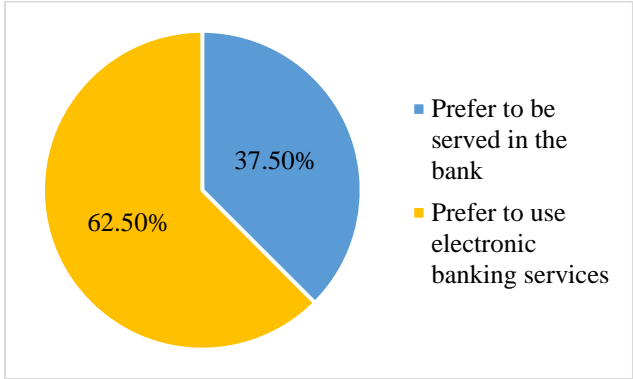


Figure 5: Clients preferences on electronic banking services and the bank
Source: The result of the survey

The figure shows that 62.50% of clients prefer to use electronic services while 37.50% of clients prefer to be served in the bank.

Results based on clients responses to the question "If you want to be served in the bank, show the reasons by choosing one or two of the answers listed below?" are as follows:

Based on the responses of customers surveyed showed that the two main reasons are:

- feel safer when their services are carried out by staff of the bank.
- the bank has branches in many neighborhoods and it allows you to realize those services most in need in the neighborhood where they live.

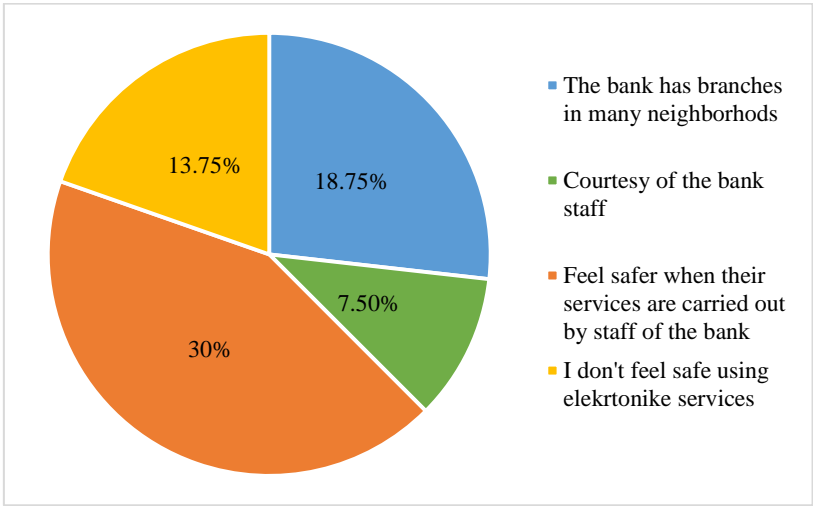


Figure 6: Reasons why customers prefer to be served in the bank
Source: The result of the survey

The figure shows that the reasons why private clients prefer to be served within the bank are: 30% feel safer when their services are carried out by staff of the bank, 18.75% prefer to serve in the bank because the bank has branches in many neighborhoods, 13.75% prefer to serve in the bank because they don't feel safe to use the electronic services and 7.50% prefer the staff. Results based on clients responses to the question "If you prefer electronic services, indicate the reasons by choosing one or two of the answers listed below?" are as follows:

Based on the responses of surveyed customers have result that two main reasons are:

- can realize all transactions at any time and place;
- don't have to wait in bank queue;

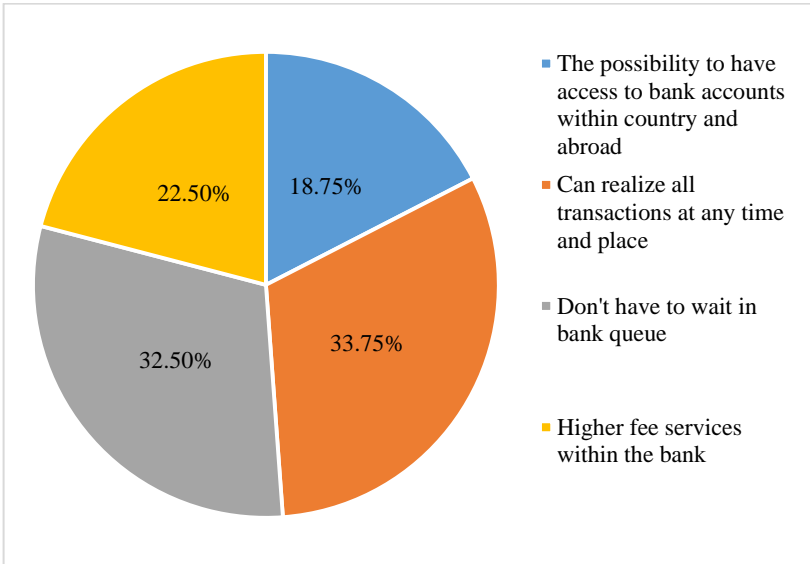


Figure 7: The reasons why customers prefer to be served in the bank
Source: The result of the survey

The figure shows that the reasons why customers prefer the electronic services are 33.75% of customers prefer to use the electronic services because they can realize all transactions at any time and place, 32.50% customers do not want to wait too long in the bank, 22.50% prefer electronic services as service charges within the bank is higher than the service charges of electronic services, 18.75% prefer electronic services since they enable access to bank accounts and abroad.

Results based on the responses of clients in question "Will the reduction of interest on the loan affect that you apply for the loan even if you do not need the loan?" are as follows:

The result shows that to the majority of private clients reduced interest will influence them to apply for loans even if they do not need.

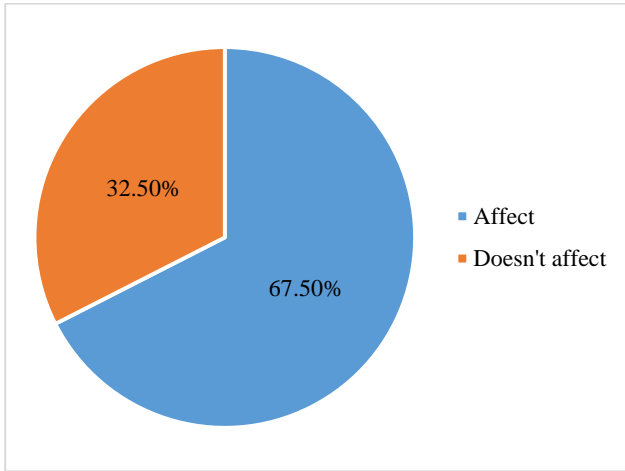


Figure 8: How does the reduction of the interest on the loan that you get credit when you do not need?
Source: The result of the survey

Based on responses to customers has resulted that 67.50% of respondents think that the reduce or decrease of the interest rate on the loan will affect that they prefer getting loan in this period when the interest is smaller even if they don't need a loan in this period. As to the rest of respondents 32.50% interest rate reduction will not affect the growth of their preference to get loans when they don't need to obtain loan.

Results based on the responses of clients in question "You need credit but interest is high, what would you choose? They are as follows:

The result shows that most private customers will wait until decrease interest to take credit even though they need the loan and the rest will receive credit if they had to buy a house or flat, or need the loan and cannot wait.

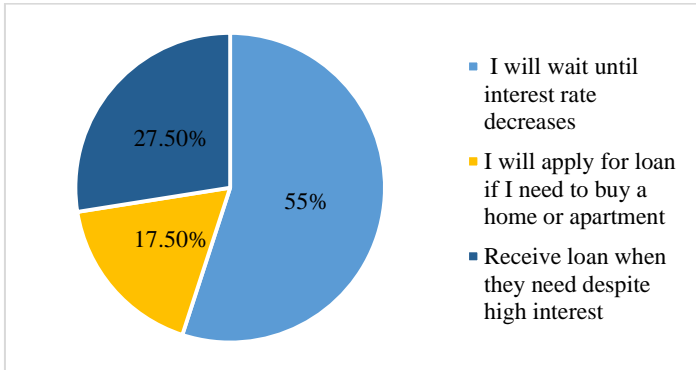


Figure 9: What would you choose if the loan interest is high but you need the loan?

Source: The result of the survey

The figure shows that 55% of respondents prefer to wait that interest loan falls, 27.50% of respondents will receive credit when they need despite high interest, and 17.50% of respondents receive credit if you should buy a home or flat although interest is high.

Results based on the responses of clients in question "Bank increases interest in savings. Will this affect you to increase your savings?" they are as follows:

Based on the responses of clients it showed that to the majority of respondents increased interest rate in savings will affect the growth of their preference to save, and to the rest the increase in revenues will lead to growing preferences to save rather than increase in interest. In this case with savings is implied also the money saved to earn interest from the bank.

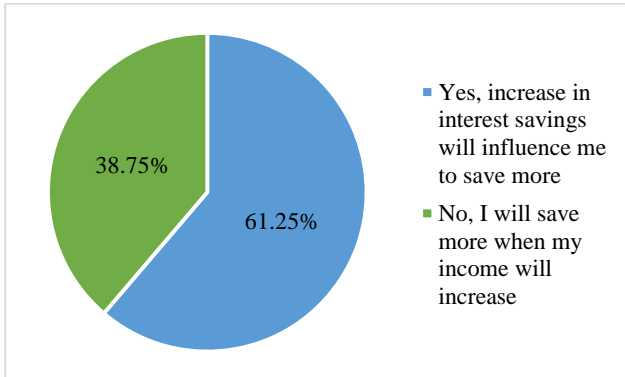


Figure 10: A growth in savings interest will affect you to save more?

Source: The result of the survey

The figure shows that to the 61.25% increase in interest would influence to save more and to 38.75% increase in interest will not influence them to save more as the percentage of clients surveyed could save more if their revenues would increase.

Conclusion

Today due to globalization and technology development each time more and more preferably use technology products and services offered in the diversified world market for consumers. Even in Kosovo banking sector development of contemporary modern technology has increased the preference to diverse products and services that facilitate the implementation electronic banking services. Among the main factors affecting consumer preferences are: customer's own personality, knowledge of the product or service is scheduled, fashion, place of residence, family and many other factors.

In researching the preferences of private clients of ProCredit Bank has found that most clients prefer the use of electronic products and services due to the benefits of their use. As the main factor that has increased the preferences for products and electronic services are: reception at the bank, lower tariffs for transactions conducted through electronic services, the possibility to realize numerous requests at any time and in any place. As regards loans they are preferred by clients when interest is lower but not the only factor affecting the demand for loans. While deposits are preferred

when interest is high considering the impact of other factor such as revenues, etc.

Banking customers or clients should be familiar with their preferences and get as much information on products and services offered in the banking sector in order to choose appropriate products and services for them, namely products and services that will bring greater satisfaction and benefit.

Commercial banks should continue to inform and advise clients on products and services that are most suitable for them and bring greater benefits, because through proper information banks will affect customers choose the right products and services. When clients are once satisfied with the offered products it will affect the increasing preference to that bank as well as the products offered by that bank.

Preferences over time may vary due to the change of new products and services offered in the market, changes in age, change of residence, etc. Change of preferences has an impact on the demand of product or service, if the preference towards a product or service increases the demand of customer for that product will increase and vice versa.

References

- [1]. DR. Craig A. Depken, *Microeconomics Demystified*, New York: The McGraw-Hill Companies, 2006, p. 42.
- [2]. H. R. Varian, *Microeconomics*, Tirana: Onufri, 2000, p. 63.
- [3]. R. W. & K. G. Paul Krugman, *Essentials of Economics*, New York: Worth Publishers, 2010, pp. 4-5.
- [4]. «The Central Bank of Kosovo, » 2015. [Online]. Available: <http://bqk-kos.org/index.php?id=20>.
- [5]. I. Riinvest, «Banking Sector: Help or barrier, » Forum 2015, Pristina, 2015.
- [6]. «ProCredit Bank Kosovo,»2015. [Online]. Available:<https://www.procreditbank-kos.com/sq/Struktura-e-bankes>.
- [7]. «Quarterly report on cash and non-cash instruments,»2015. [Online]. Available: http://www.bqk-kos.org/repository/docs/SistemilPagesave/Tre_mujor.pdf

-
- [8]. «Monthly Statistical Bulletin No. 172,» Central Bank of Kosovo, Pristina, 2015. [Online]. Available: <http://www.bqk-kos.org/repository/docs/2015/BMS%20nr%20172%20shqip.pdf>
- [9]. «The payment system,» The Central Bank of Kosovo, 2014. [Online]. Available: <http://bqk-kos.org/repository/doc/SistemilPagesave/2013%20ALB.pdf>
- [10]. «Quarterly report on cash and non-cash instruments,» the Central Bank of Kosovo, 2014. [Online]. Available: <http://www.bqk-kos.org/repository/docs/SistemilPagesave/TremujorI.pdf>
- [11]. «Quarterly report on cash and non-cash instruments,» the Central Bank of Kosovo, 2013. [Online]. Available: <http://www.bqk-kos.org/repository/docs/SistemilPagesave/Tremujor.pdf>