



Reflection on Dynamics of the Use of E-Banking Services in Kosovo in the Period 2013-2023

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Abstract

The use of information technology for the performance of banking services through e-banking is a relatively new development in the banking system in Kosovo. The pace of implementation of this service and the customer's reaction to it are evidenced as factors that support the hypothesis for achieving success and expectations for this commitment of the banking system in Kosovo. The current offer, 2023, for e-banking services in comparison with the offer and its realization in 2013 results that it has almost doubled the possibilities and the use of e-banking services by the Kosovar consumer. The identification of the differences between the opportunities offered by the different forms of e-banking services and the identification of the factors that condition the consumer's behavior towards them are valuable information for the design of policies and programs for the continuous development, quantitative and qualitative, of the services -banking in Kosovo.

Keywords: E-banking, Dynamic of development, Kosovo

1. Introduction

Information technology is one of the factors that have important effects on the development of the typology of services offered by the banking system. Through changes in these typologies, banks aim to achieve multidimensional objectives. Among them can be listed the increase in their effectiveness in the financial market, the increase in the profits they can achieve, the provision of a quality service for the consumer, the creation of opportunities for increasing the benefits for the consumer from the process of online administration of his money and therefore, the increase in the number of consumers and the level of their loyalty to the respective bank, etc. (Guraau, 2002; Hudson, 2008; Lila & Tanushev, 2024).

Juan C. Correa et al. (2022) point out that the creation of the most effective opportunities for the consumer of banking services to manage his financial resources as well as possible orients the banking system towards the use of more and more opportunities, techniques and instruments offered by information technology. Meanwhile, it is important to emphasize that this orientation should not be conditioned by the level of economic and social development of the country. The opposite should happen. The efforts and commitment of the banking system to adapt the typology of the services they offer to the demands of the products and the opportunities offered by information technology should be, in every case and for the banking system in every country, a permanent objective (Guraau, 2002; Savaliya & Khasgivala, 2024).

Juan C. Correa et al. (2022) underline that e-banking, being a set of services that are offered only through the use of opportunities created by information technology, for its successful implementation it is necessary for the banking system and banks to design and implement policies and marketing models in accordance with the characteristics and features of all the different groups of their potential consumers. For this reason, it is necessary that any intervention that can be made in the typology of a certain banking service is preceded by a study of its usefulness and effectiveness. According to Sunderaraman et al. (2020) for the implementation of e-banking services, it is necessary for banking institutions to take into account the changes and differences in consumer behavior caused by the digitization process and the spread and use of the Internet, the culture and consumer behavior in the virtual market, the level of the use of equipment provided by information technology, etc

Savaliya & Khasgivala, (2024) point out that E-banking, as a relatively new service, especially in countries that are in the process of economic development, can be realized as a successful service only if the providers of this service are constantly engaged in updating it. This makes it necessary to monitor and study the implementation process of this service with the aim of identifying the problems and challenges faced by this service (Lesjak, 2019).

This paper presents the results of the study of the dynamics of the use of e-banking services in Kosovo in the ten-year period 2013-2013

2. The Methodology of the Study

The study was carried out as a desk-study. The data used are taken from the statistics published by the Central Bank of Kosovo, publications of this bank regarding the implementation of E-banking by second level banks in Kosovo and from works published by different authors from Kosovo and other countries.

In order to judge the dynamics of the process of implementing e-banking services in Kosovo, the data reflecting the implementation of this service in 2013 and 2023 have been compared. The study is focused only on identifying the quantitative changes that occurred during this ten years period. The identification and analysis of the factors that have influenced the dynamics of the implementation of e-banking services are not the object of this study. This methodical approach, in addition to making it possible to judge the performance of this banking service and provide information on the level of commitment of banking institutions, also creates the opportunity to judge the behavior of consumers in Kosovo towards this service.

3. The e-Banking Service in Kosovo in the Period 2013-2023

As pointed out by Haxhosaj & Kume (2024), the banking system in Kosovo, although it is a relatively new system, possesses all the characteristics of a national system built on strong and promising foundations to coexist and cooperate with the global financial market. It is a system that possesses all the necessary performances to guarantee the good administration of the finances of the country, businesses and individuals (Sejdija, 2017; Nuha 2019)

The Banking Network System of the Republic of Kosovo has developed significantly after 2008. Currently, the system functions as a formal and complex network extending throughout the country. At the head of this system is the Central Bank of the Republic of Kosovo. Among the main supervisory duties of this bank is the regulation and supervision of payment instruments. This duty is defined in article 22, point 2.3 of the Law "On the Central Bank of the Republic of Kosovo" according to which the bank has the duty "to regulate and supervise the circulation and quality of payment instruments". The bank is responsible for determining the conditions, requirements and procedures that must be implemented by second level banks in all cases where they will offer services that require the use of electronic payment instruments. The Central Bank draws up the rules for the way of reporting information that reflects the transactions that are carried out through and using information technology. It monitors and evaluates the implementation of regulations. The central bank is among the main institutions responsible for the construction, maintenance and updating of the database and for the drafting of materials that reflect the dynamics of the implementation of e-banking services in Kosovo.

Cards are among the main instruments used by the consumer to carry out financial transactions with his bank deposit. In Kosovo, Visa, MasterCard and local cards are used, which are issued by second-level banks with the decision of the Central Bank. The number of these cards, the number of terminals where these cards are used to carry out the transaction or to get the information that the consumer wants for his bank deposit, as well as the total number of transactions that are made during a year, are indicators that can be used to judge for the dynamics of the use of e-banking services.

3.1 Dynamics of cards and the number of terminals for their use

During the period 2013-2023, banking institutions report a significant increase in the use of e-banking services, which are made possible through the consumer's device with an electronic card.

In Kosovo, three types of cards are used - Visa, MasterCard and cards produced by the banking institutions themselves, called local cards. The number of electronic cards in 2023 is reported to be about 105 percent greater than their number in 2013. The biggest increase is the use of MasterCard, with about 281 percent more in 2023 compared to 2013.

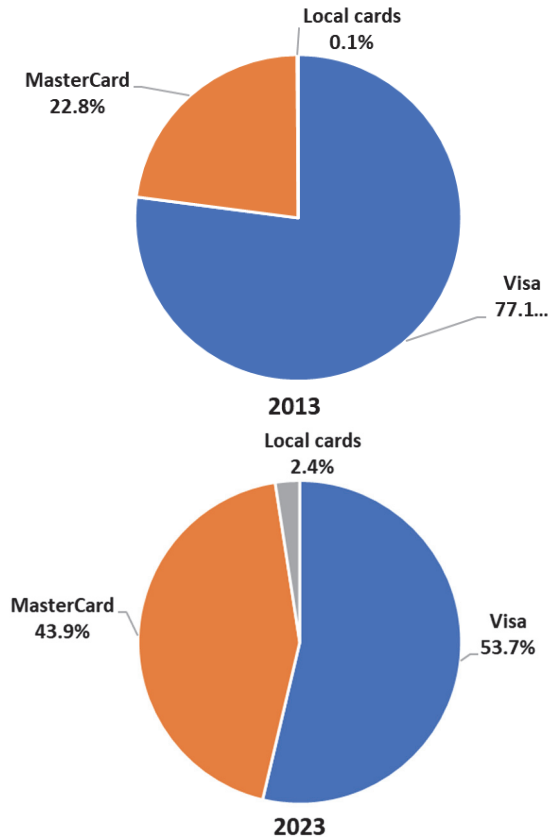


Figure 1: Structure of card types

Source: CBK (2013, 2023)

In 2023, compared to 2013, the percentage of Visa cards to the total number of cards used by consumers of e-banking services in Kosovo has decreased by about 23.4 percentage points, while the percentage that occupies has increased by about 21.1 points in the total number of cards we use MasterCard. (Figure 1)

The consumer of e-banking services in Kosovo has a greater preference to use debit cards than credit cards. This is a sustainable preference during the entire ten-year period, 2013-2023, taken into analysis (Figure 2).

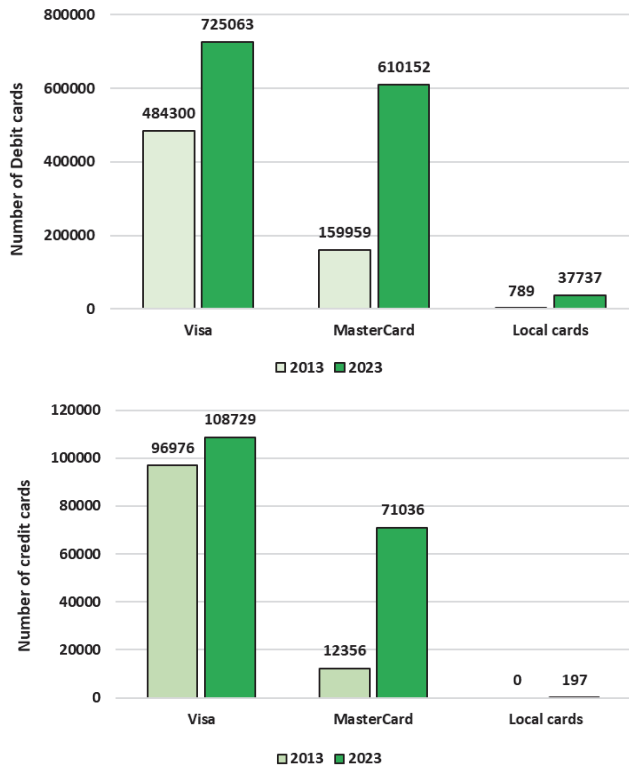


Figure 2: Dynamics of the number of cards by type
Source: CBK (2013, 2023)

During the period 2013-2023, the number of debit cards/1 million inhabitants has increased by about 123 percent, while for credit cards an increase is reported in 2024 compared to their number per 1 million inhabitants in 2013, by about 68 percent (Figure 3).

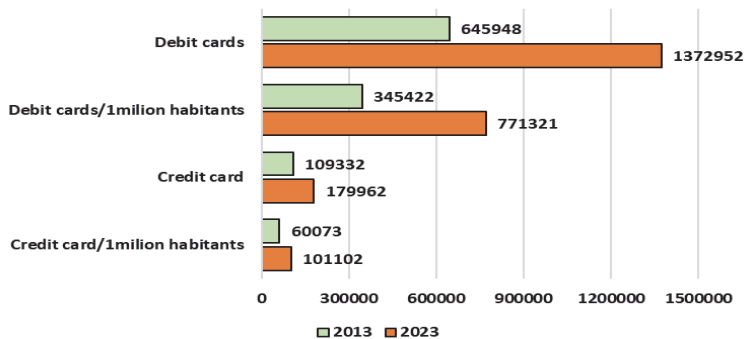


Figure 3: Total number and number/1 million banor of debit and credit cards
Source: CBK (2013, 2023)

The growing consumer demand in Kosovo to use e-banking services has motivated second-tier banks and institutions and actors operating in the market for the sale of goods and services to invest in creating conditions and opportunities to meet this consumer demand. The consequence of this investment is the significant increase in ATM and POS equipment. (Figure 4)

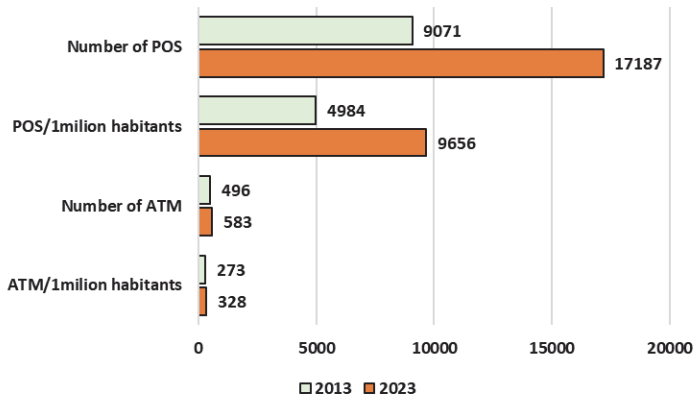


Figure 4: Dynamics of the number of terminals in the period 2013-2023

Source: CBK (2013, 2023)

The number of ATMs in the period 2013-2023 has increased by about 17 percent and their number per 1 million inhabitants has increased by about 20%. Meanwhile, the number of POS has increased by about 89 percent and their number per 1 million inhabitants has increased by about 93 percent (Figure 4).

Compared to other countries, Kosovo in 2013 was ranked as the country with the lowest number of ATMs/1 million inhabitants, while in 2023 it is surpassed only by Albania (Figure 5).

POS service in Kosovo in 2013 was offered in 4984 POS/1 million inhabitants, while in 2023 the number of POS in Kosovo is reported to be 9656 POS terminals/1 million inhabitants. As can be seen, after 10 years, Kosovo, although a country with a relatively new national banking system, reaches and exceeds the level of POS services offered in 2013 by countries such as Hungary, the Czech Republic, Serbia, BIH and Albania (Figure 6).

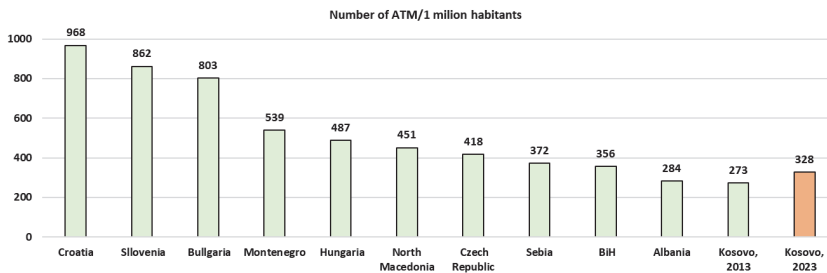


Figure 5: Dynamics of the number of ATM terminals in the period 2013-2023

Source: Kosovo Banking Association (2014), CBK (2024)

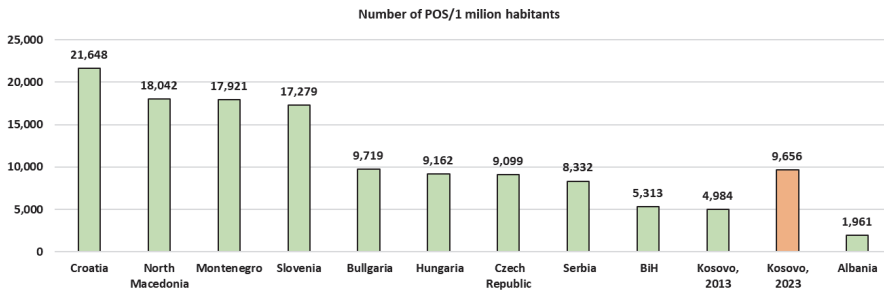


Figure 6: Dynamics of the number of POS terminals in the period 2013-2023
Source: Kosovo Banking Association (2014), CBK (2024)

3.2 Dynamics of the use of e-banking services

The data presented in Figure 7 show that in Kosovo, consumer behavior towards e-banking services does not support the hypothesis that the greater the access and opportunity to use these types of services, the greater the frequency of their use by the consumer. The data reported for 2023 show that although the opportunity for access for consumers in the age group >55 years old is significantly higher than for consumers in other age groups, the number of transactions carried out during this year by consumers in this age group is lower.

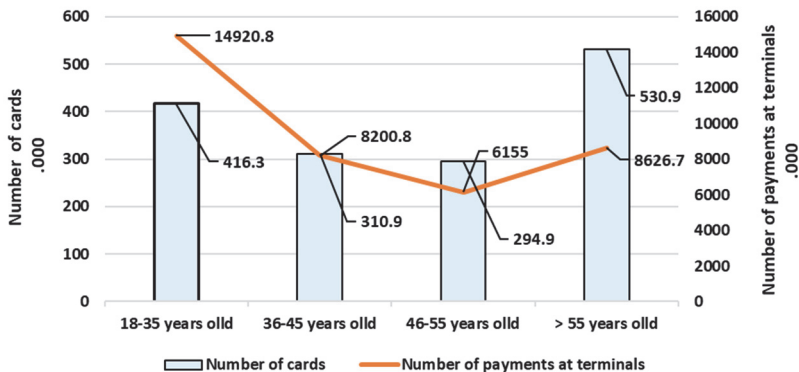


Figure 7: Number of cards and payments at terminals made by consumers of different age groups. Year 2023.
Source: CBK (2024)

Consumers belonging to the 18-35 years old age group result as the most frequent users of e-banking services. These consumers have carried out about 39 percent of all transactions made through ATM and POS in 2023. This is a situation that is not difficult to explain and is not the result of any particular feature or characteristic of the behavior of consumers of e-banking services in Kosovo, in contrast to that of consumers of these services in other countries. The presence of this approach and behavior of consumers in Kosovo towards e-banking services is a basis and impetus for banking institutions that offer these services, to analyze them with the aim of identifying the factors that influence their appearance.

In order to understand and judge consumer behavior towards e-banking services as objectively as possible, it is necessary, in addition to the above information, to also use data that reflects the frequency of use of these services, detailed according to the type of service and the value of the transaction carried out through it.

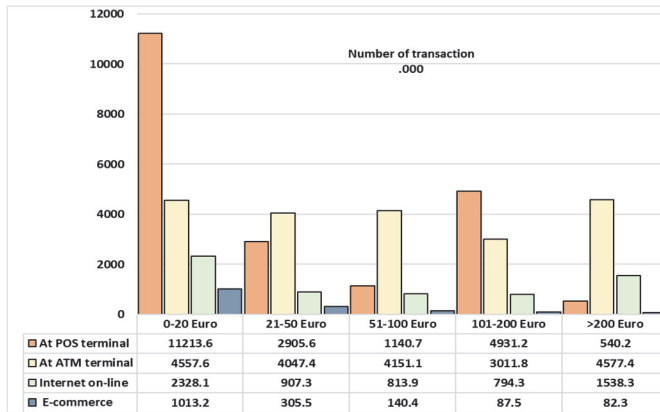


Figure 8: Number of transactions carried out by value and e-banking method
Source: CBK (2024)

Figure 8 presents data on the number of transactions carried out through four of the channels offered by the e-banking system in Kosovo, grouped by transaction value. As can be seen, low-value transactions, up to 20 Euros, carried out through POS terminals are the most frequent. They account for about 23 percent of all transactions carried out during 2023 through the four channels shown in Figure 8. The increase in transaction value significantly, almost exponentially, reduces the use of POS terminals. This is an expected situation given that this e-banking service is the product of cooperation between second-tier banks and operators that offer goods and services, among which operators that offer retail sales predominate.

The low frequency of transactions with values of more than 200 Euros through e-commerce highlights the need and the opportunity that exists to increase the frequency of this service, as a way to increase income from the service for the bank and to increase the efficiency in the development of the business activity carried out by the user of this service. The number of financial transactions for the sale and purchase of goods and services carried out as e-commerce services is about 54 percent more in 2023 compared to 2013 (CBK, 2024). This is an increase that, compared to the increases recorded for other ways used by consumers in Kosovo to carry out financial transactions, is smaller.

Among the e-banking services offered by second-tier banks in Kosovo is the opportunity for consumers to make online payments via the internet. This type of service during the ten-year period 2013 -2023 has been characterized by increased consumer interest in it. During 2023, about 89 percent more online payments were made compared to the number of payments made during 2013. The use of this method of making payments during this period has experienced the greatest increase, about 124 percent more, among consumers belonging to the 18-35 years old age group (Figure 9).

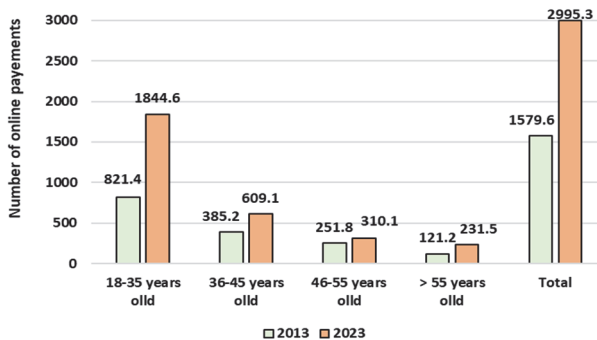


Figure 9: The dynamic of on-line payment made by consumers of different age groups.
Source: CBK (2024)

The results given above show that the banking industry in Kosovo is increasingly oriented towards the provision of e-banking services. These services are being developed in line with contemporary developments. The rates evidenced in the dynamics of their dissemination and use show that the consumer of banking services in Kosovo is ready to react to changes in the services offered by banks. Despite the fact that there are differences between the manner and level of reaction of consumers, conditioned by their age and by the characteristics of the path and instrument used to carry out the transaction they want, the consumer's access to e-banking services in Kosovo is a driving factor for its further development and dissemination.

4. Conclusions

Although the banking system in Kosovo, as an independent national system, is relatively new, its developments are oriented and are being implemented in accordance with the requirements for the construction and functioning of a system aligned with the banking systems of developed countries. The orientation of this system towards the use of information technology as a basis for the development of e-banking services is an argument in favor of this determination.

During the ten-year period 2013-2023, the offer of e-banking services by second-tier banks and the use of these services by consumers in Kosovo evidence their development with positive growth rates, which have reached the doubling of their values.

Identifying differences in the behavior of consumers belonging to different age groups towards the various services offered by e-banking is valuable information for the design of policies and programs aimed at increasing e-banking services in Kosovo.

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