Validating the EUCS Model to Measure the Level of Satisfaction of Internet Users in Local Banks in Italy

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ABSTRACT
In this study, the EUCS model has been used for measuring online banking user satisfaction in the local banking sector. The authors focused on Italian co-operative banks. The study involved the submission of a questionnaire to a sample of 600 retail consumers of small-sized co-operative banks. The model was tested with SEM techniques. The findings reinforce EUCS theory for internet banking satisfaction with large sample size, and provide evidence about the psychometric stability of the EUCS tool for measuring online banking user satisfaction in the local banking setting. The study will be useful to policy makers and banks to better understand why internet banking is not the favoured channel for service delivery in Italy and which are the main factors able to increase the acceptance of the online banking channel.

KEYWORDS
Co-Operative Banks, Customer Satisfaction, EUCS, Internet Banking, Local Banks, SEM, Italy

INTRODUCTION
In the current competitive scenario, companies achieve better performance levels if they are able to increase their efficiency, provide high quality products/services, and improve the relationship with their customers. Long-term customer loyalty has become fundamental in service markets (Bowen & Chen, 2001; Henning-Thurau, Gwinner, & Gremler, 2002; Yuen & Chan, 2010). In the banking sector, increasing the value perceived by clients is considered crucial to improve customer satisfaction, value creation, and performance levels. The increased competitiveness and similarity of provided services have pushed banks to better identify the determinants of customer satisfaction (Ferreira, Jalali, Meiduté-Kavaliauskiene, & Viana, 2015; Fraering & Minor, 2013). Thus, understanding customer needs has become an imperative in order to measure the behavioural intentions of the clients (Yuen & Chan, 2010; Zeithaml, 1998). A successful banker should be able to anticipate customer needs, by providing high quality and more efficient services to increase customer satisfaction.

Today, customers have multiple channels to get the information they need, research products and services, manage their accounts, resolve issues, and interact with their banks. Thus, the selected channels can have a relevant impact on customer satisfaction and bank performance (Huber, Magin, & Herrmann, 2015; Kaura, 2013; Levesquee & McDougall, 1996; Luiz Henrique & Augusto de Matos, 2015, Sayani, 2015). The online banking channel, in particular, has rapidly evolved in the last decade, both for clients and banks. From the customers point of view, internet banking has become a source of a complete set of banking services, when it only provided product information just a...
decades ago. From the banks' point of view, as customers demand more products and services to be available on the online channel, internet banking has evolved from a merely tactical to a strategic tool to increase customer engagement and satisfaction (Al-hawari, 2015; Jalali, Ferreira, Ferreira, & Meidutė-Kavaliauskiene, 2015; Marakarkandy & Yajnik, 2013; Zhu & Chen, 2012). Banks are expected to increase their online marketing success by leveraging all the tools available in the net age. As stated by DeLone and McLean (1992), one of the most important determinants of information systems (IS) success is user satisfaction.

This topic acquires particular relevance for the local banking model due to its local character, the small-size of the banks, the traditional high retention rates and the characteristics of their customers. The present paper focused on local banks in Italy. Italy, together with Austria and Germany, is one of the historical homelands of the local banking model. They accounted for 80% of all European Less Significant Institutions (LSIs), the vast majority of them being small co-operative banks (Véron, 2014). In terms of number of institutions, LSIs represent about 96% of the European banking industry (Dombret, 2015). About 90% of Italian LSIs are local banks and over 70% of them are co-operative banks (ECB, 2014). However, external and internal pressures have been dramatically changing the local banking model and the traditional relationships between local banks, households, and companies that have characterized the Italian banking market of the last decades.

The accelerated path to European banking and capital market union, new rating models, the bail-in tool, and the recent local banks scandals have threatened customer loyalty and retention towards local banks. Across the world, financial institutions have been increasingly investing in new digital technologies, which they expect will fundamentally change how they attract and retain customers (Durkin, Mulholland, & McCartan, 2015; Krishnan, 2014). Most banks have been embracing this digital evolution that makes it easy for customers to conduct a wide range of banking activities while on the go, developing apps and interactive tools, and using the power of social networks to develop their brands and entice consumers to share personal information. However, online banking penetration in Italy reached just 26% in 2014 (Eurostat, 2015), far behind the leading European countries (Iceland 91%, Norway 89%, Finland 86%) and the Euro Area average penetration rate (45%), with an incidence of IT expenditures of just 5% for small-sized banks, four times less than larger banks (KPMG, 2014). The percentage of population using mobile banking reached just 16% (Globalwebindex, 2015). This suggests that in Italy bank clients received extremely personalized services at the local branch. The reluctance showed by bank customers to accept electronic banking channels has led to a very low usage of online banking tools. In this context, understanding which factors will increase user satisfaction of online banking is on the top of the agenda for local banks. Internet banking and an easier and more efficient access to soft and hard information will help local banks to keep up with consumers’ rapid embrace of wireless interconnectivity and strengthen banks’ interactions with them (Berger & Udell, 2006).

In this study, the End User Computing Satisfaction (EUCS) model has been used for measuring online banking user satisfaction in the local banking sector, and which are its most relevant contributors. We focused on Italian co-operative banks with their particular features (local character, small-size, traditional high retention rates, characteristics of their customers, mainly in terms of age, needs, and experience) to address the request by Pikkarainen, Pikkarainen, Karjaluoto, and Pahnila (2006) and Marakarkandy and Yajnik (2013) to validate the EUCS tool for internet banking satisfaction in different countries and with larger sample size to enhance the generalizability of the findings. This study will be useful to policy makers and banks to improve strategies for enhancing the use of online banking in the local banking sector.

The study involved the submission of a questionnaire to a sample of 600 retail consumers of small-sized co-operative banks. Data were analyzed with multiple statistical analysis techniques based on confirmatory factor analysis and Structural Equation Modelling (SEM) based on a latent structure model with explicit causal relations, developed by LISREL (Linear Structural RELationship) statistical packages 8.8 (Jöreskog & Sörbom, 2001).
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