

Impact of Employee's Behavior and Efficiency on Customer Satisfaction in Banking Sector of Pakistan.

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Abstract

Banking sector in Pakistan has been one the fastest growing segment of economy for the past decade and grew 16.1% in 2016. Tremendous growth is the result of management policies and contribution of employees. Performance of employees and integration of knowledge about the customers' needs are key factors for success, and banking sector heavily depend on it. Employees of service sector are directly related with customers and every aspect of employee's behavior, attitude and efficiency effect on customer satisfaction. Employees of bank have huge burden of responsibilities as they have to complete their task with creation of good image of the organization at same time. Therefore, the success of banks is related with efficiency and behavior of employees. Based on this fact, this research paper is designed to develop the relation of behavior and efficiency of employees with customer satisfaction. Information has been acquired through in-depth interview of branch managers and questionnaires responded by customers. Overall, analysis of data revealed that there is a strong relation of employee behavior and efficiency on customer

satisfaction. Results indicate that good behavior and efficiency of employee affect customer satisfaction and organizational performance. The banking sector of Pakistan is in good position and generally customers are satisfied.

Key Words: Behavior, efficiency, performance, customer satisfaction.

Introduction

The significance of financial sector cannot be denied and banks perform economic activities as part of it. The banking industry has been facing unprecedented challenges like a vibrant market environment, fierce competition, economic uncertainties, technological advancement and demanding customers etc. Customer satisfaction is increasingly becoming a corporate goal as more and more companies strive for quality in their product and services (Bitner and Hubbert, 1994). Many innovations have modified the retail banking businesses, mainly due to new forms of commercialization and distribution of banking services (Verhoef et al., 2002; Sweeney & Morrison, 2004). The traditional product-oriented banks has been changing towards more customer-oriented practices by focusing on customer satisfaction, loyalty and retention. In order to acquire competitive edge on competitors, a firm needs to offer superior qualities of services which leads towards loyal and satisfied customers. Titko and Lace (2010) emphasize that the competitive power and survival of a bank lies in the degree of its customer satisfaction. Front desk employees have direct interaction with customers, so their behavior affects customers' perception about bank.

Statement of Problem

In Pakistan banking sector has been the fastest growing sector of the economy; and, as a service sector related with efficiency of employees and satisfaction of customers. Philosophy of modern management science considers the customers as kings and their satisfaction as a baseline standard of performance of employees. Based on this fact, research is important for understanding of customers' need and their feedback about efficiency and behavior of employees of bank. The information identified from the research study will bring changes to policies of banks and provide

better understanding of customer satisfaction. This research will fill the gap of knowledge in this regard in Pakistan and provide information to management of banks.

Review of Literature

Success of organization generally depends on performance of employees and integration of knowledge about the customers' needs as they affect customer satisfaction. Service quality has been increasingly recognized as an important factor in the success of any business (Parasuraman et al., 1988); and, the banking industry, in this case, is not exceptional (Hossain & Leo, 2009). Customer satisfaction is essential for the success of organizations; including banks like other sectors of the economy. (Armstrong & Seng, 2000; Lassar et al., 2000; Bloemer et al., 1998). When customers of bank believe that they are getting more benefits and service quality from their banks as compared to other banks, their satisfaction level and retention increase with their banks. In a study, Leeds (1992) found that service quality and professional conduct of bank employees increased the level of customer satisfaction and resulted in decrease in customer attrition. A research by Haron, S., Ahmad, N., and Planisek, S. (1994) concluded employee's behavior, friendliness and efficient customer care are key factors in bank selection decision by customers. Avkiran (1994) found that service quality of a bank is important factor in customer satisfaction based on contact to the banker, communication system, credibility and employee conduct. In highly competitive, complex and dynamic environment the very slight differences which exist in financial services and products together with an increasingly demanding customer had led to a great transformation of the banking institutions (Beerli et al., 2002; Richardson & Robinson, 2007) Jamal and Naser (2002) found out that customer satisfaction is based not only on the judgment of customers towards the reliability of the service but also on customer's experiences with the service delivery process. Each experience leads to a further evaluation and an accompanying emotional reaction by the customer (Molina et al., 2007). Westbrook and Oliver, (1991) postulate that satisfaction is when a consumer cognitively compares actual performance with expected performance.

Customer Satisfaction, brand loyalty and profitability are linked to one another (Roger Hallowell 1996). Customer satisfaction as the top priority is objective by which any firm seek for long-term relationship with customer. Customer satisfaction maintain and increase the number of customers

for bank. A study on customer satisfaction by Khattak and Rehman (2010) revealed that there is a significant and reasonable role of customer satisfaction in organizational strategies of the banking industry. Customers are the sources of income for the banks and customer satisfaction is very important for retaining existing customers and attracting new customers. A study by Zeithaml (2000) proved that there is a significant and positive relationship between performance of banks and customer satisfaction, the study was conducted for both Islamic and Conventional banks. In retail banking context where the contacts with customers are one of the most core business processes, customer satisfaction is becoming the key for success (Belas & Gabcova, 2014; Belas, Cipovova & Demjan, 2014; Chavan & Ahmad, 2013). One of the key factors determining customer satisfaction is the customer's perception of service quality.

An article with title "Factors Affecting Customer Satisfaction in Banking Sector of Pakistan" by Sabir R I. et al. (2014) discussed the factors affecting customer satisfaction in banking sector of Pakistan and found out the relationship among service quality, customer satisfaction and customer loyalty. Research design of the study was quantitative and surveys research method had been used in this study. Data is collected from four different cities: Sahiwal, Arifwala, Okara and Pakpattan. Data was collected through structured questionnaire from 72 respondents. Results of this study show that there is significant relationship between service quality attributes and customer satisfaction. It also revealed that positive relationship exists between customer satisfaction and customer loyalty. This study concludes that service quality leads to satisfaction of customers and creates loyalty. Uddin and Akhter (2012) published an article with title "Determinants of Customer Satisfaction of Banking Industry in Bangladesh". This study aims to investigate, through the development and operationalized constructs of service quality, service charge, perceived value, and customer satisfaction and its determinants of the banking industry in Bangladesh. An exploratory factor analysis and structural equation modeling is used to analyze data. Measurement model and structural model indicate that service quality and fair service charge both have positive direct impact on customer satisfaction in a banking industry. Bank managers are recommended to formulate operations and marketing strategies that focus on desires of customers to enhance level of satisfaction.

Research study conducted by Awan HM, Bukhari KS, Iqbal A. (2011) with title "Service quality and customer satisfaction in the banking sector: A comparative study of conventional and Islamic banks in Pakistan" was published in the Journal of Islamic Marketing. The purpose of this paper

is to investigate the service quality and its relationship to customer satisfaction among the customers of conventional banks and Islamic banks. A modified SERVQUAL scale is utilized to ascertain the functional dimensions of service quality specific to the banking industry and service context under study. The research examined the differences in service quality satisfaction and its impact on the behavioral intentions of customers. A field survey was carried out with the help of a questionnaire. Data were collected from 200 customers conveniently drawn from three major conventional banks and three Islamic banks located in urban areas of Pakistan. Data were analyzed using the analytical hierarchy process to identify service quality and customer satisfaction-related factors for Islamic and conventional banks. By using factor analysis, 52 measurement items with a factor loading greater than (0.5) were identified to form five service quality dimensions which are empathy, service architecture, convenience service encounter, employee service criteria and customer focus as far as analysis of customer satisfaction five dimensions are responsiveness, competency, safe transaction, competitive services, knowledge for banking industry. Results from regression analysis of the relationship between multidimensional service quality dimensions and one-dimensional customer satisfaction factors also validated the importance of service quality aspects for behavioral intentions for customers from conventional banks and Islamic banks.

As identified in the literature review service quality towards customers leads to satisfaction and retention. In light of the above discussion, hypothesis is developed for research study

Hypotheses

Service quality attributes significantly affects customer satisfaction. Many researchers used service quality attributes as a measure of customer satisfaction. In this research hypothesis is developed on different attributes of employees e.g. behavior and efficiency of employee and customer satisfaction therefore, following hypothesis is designed in the light of above discussion.

H₁: Customer satisfaction is significantly influenced by behavior and efficiency of employees of banks.

H₀: Customer satisfaction is not significantly influenced by behavior and efficiency of employees of banks.

Research Methodology

Keeping in view, the importance of customer satisfaction and its relation with behavior and efficiency of employees, this study was conducted to analyze the situation of banking sector in Pakistan. In order to find out the relationship of employee behavior and efficiency, research methodology was developed. The survey research design method was used in this study. Primary sources were middle and first line management of banks and customers. Questionnaire was used in collecting data from the participants. Secondary sources were publication of State bank of Pakistan, research journals, newspaper, magazines, books and websites.

Instruments

Data collected from questionnaires was analyzed to evaluate the relation of customer satisfaction and attributes of employees. The research was carried out on sample of 200 bank customers with the use of structured questionnaires. Closed-ended questions was used on 5 scales. The scale as well as the questionnaire are designed according to the existing literature and experts' opinions. The field study is conducted in different branches of banks by making strata and customers are selected on convenient sampling. Keeping in view the importance of employee behavior toward customers, questionnaire was used to evaluate the value of customer in eye of managerial and front desk employees in banking sector as they have direct contact with customers and their behavior influence on satisfaction level of customers. Confidential treatment of information was assured and data was used only for academic purpose research.

Data Analysis

Data analysis was done by applying statistical tools. The tables (Tables 1-4) and the figures (Figures 1-4) were created to evaluate the customers' feedback about employees of banks. Mean value was calculated to interpret the results. Data collected through the Questionnaire shows the trend as follows:

1. Level of Satisfaction Regarding Behaviour of Employees

The behavior displayed by employee towards customers in the process of service provision effect on customer's perception about organization and employees. Jones and Dent (1994) found that a smiling face has a beneficial effect on customer satisfaction. A large number of studies have indicated the importance of friendly type behaviors (friendliness, familiarity, caring, politeness, responsiveness, trustworthiness, helpfulness, and understanding) of service staff to improved service outcomes and long-term relationships (Sparks, 1994). In order to analyze the relation of employee's behavior and customer satisfaction data was collected by questionnaires. Specific question was asked about behavior of employees and customers. Overall analysis indicate that generally employees (managerial and front desk employee) are given proper attention to customers.

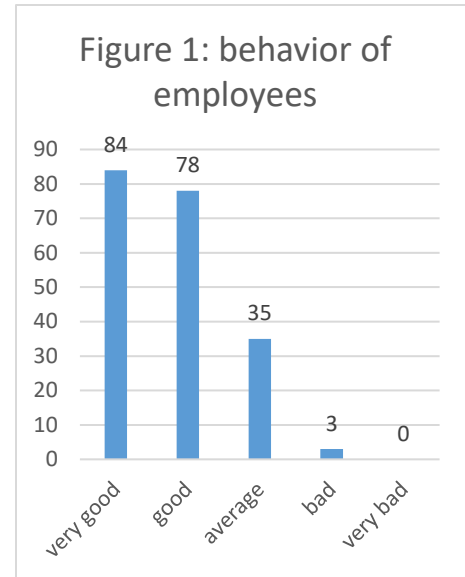
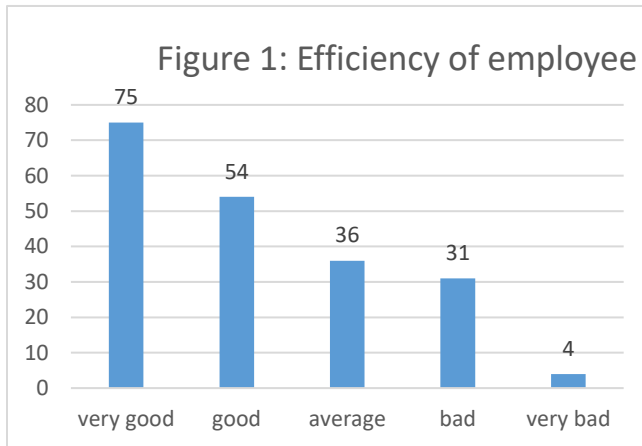


Figure 1 is based on the frequencies of responses of participants about behaviour of employee as indicated in the Table 1. Figure 1 show that 84/200 (42%) customers felt that very good behavior is exhibited by the employees. 78/200 (39%) reported the behavior of employee to be good, and 35/200 (17.5%) replied it as an average (Figure 1). It means majority of the customers (42+39=81%) are well satisfied, only 17.5% believe they are treated just fairly and 1.5% are dissatisfied but surprisingly no one claim for harsh behaviour or inappropriate manners. Analysis of response indicate that customers are satisfied from the behavior of employees which means management and employees of bank show courtesy to customers. Generally people do not have negative image of bank in this regard. -1.21 mean value shows customers are highly satisfied from behaviour of front desk employees. Mean value indicate mostly customer lies between very good to good behaviour from front desk employees. To identify the link between friendly employee behaviors and customer satisfaction study was conducted by Lemmink and Mattsson (1998) concluded that personal warmth displayed by employees toward customers significantly and positively related to service quality perceptions and customer satisfaction. State Bank of Pakistan also give clear instruction to bank to behave in courteous way to customers. The customers of bank constitute

as one of the most important assets and banking institution should preserve and continuously expand it. As customers are significantly important, it is essential for the banks to satisfy their needs and wants by efficiency of employees.

2. Level of Satisfaction Regarding Efficiency of Employees



Banks are competing intensely in a highly competitive environment to offer quality oriented services according to customers' expectations. Modern trends are interested in measuring employee's reactions by shaping the revolution of the personnel management as it began to look at employee's satisfaction as a key component elements of motivation at work

and addressing the factors that influence job satisfaction as a key positive relationship of work performance achievements (Zoghbi, 1998). Customer is directly related with front desk employees in bank and observe their efficiency and create image of bank in their mind. If employee look indolent and inefficient then customer will think to switch to another bank. As shown in table 2 and figure 2 the efficiency of employees as reported by the respondents was found to be very good in 75/200 (37.5%) replies and 27% (54/200) considered it to be good. Data collected through questionnaire clearly indicate that 64.5% (37.5%= very good, 27%= good) customers view the employees are efficient. 18% (36/200) seems employees are working in average style and do not look much enthusiastic, while 17.5% (35/200) of customers are believing employees are not efficient and customers are dissatisfied with efficiency level of front desk employees. Mean value -.083 reflects most of customers are a bit satisfied in this regard. However, 36% of customers are not much satisfied and 18% are indifferent among them. This is an alarming situation for bank management as they can shift either side and in case of shifting toward dissatisfied zone is not good sign for management. Inefficiency of employee can reduce number of customers, reputation and profitability of bank. Getting service right is more than just a nice to do; it's a must do," said Jim Bush, Executive Vice President, World Service. American consumers are willing to spend

more with companies that provide outstanding service 78% of consumers have bailed on a transaction or not made an intended purchase because of a poor service experience. It means efficiency of employee influence of customer satisfaction and retention. Energetic working environment impact on Customer's perception about banks. Usually customer measure the efficiency of employee by the speed of working and majority believe that efficient employee work quickly.

3. Speed of Service at Counter

The banking sector has been able to thrive by focusing on the quality of customer service as expectations of customers are changing quickly, and the speed of customer service is becoming critical in present era. Researchers suggest that service quality is very important, but the speed of service often dominant all other aspects of customer service. In busy world every customer wants fastest service in banks. Speed of service at counter as estimated in the present study is shown in

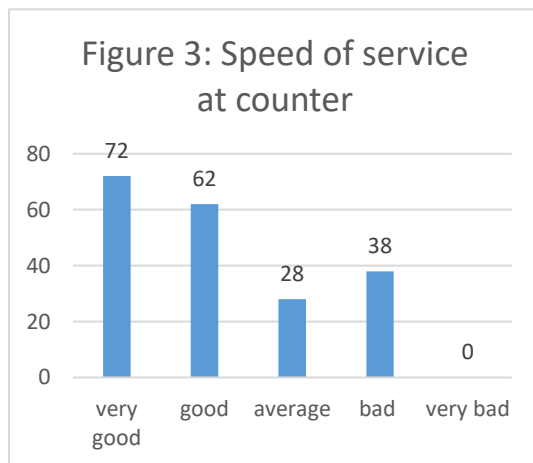
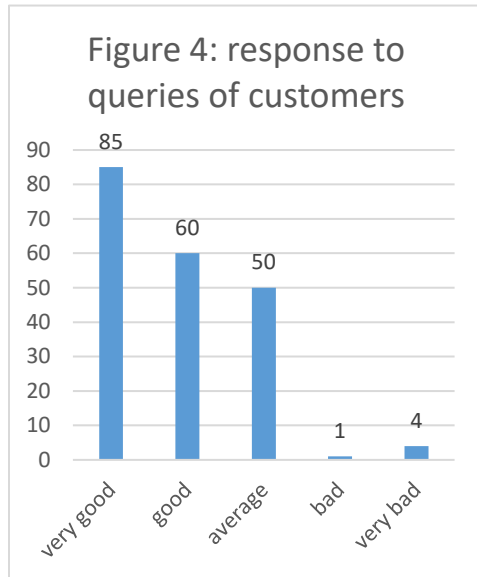


table 3 and figure 3. Very good and good replies were obtained from 72/200 (36%) and 62/200 (31%) customers respectively. Timely performance by bank employees is essential for customers and data collected for study shows that 67% (36%=very good, 31%=good) of customers think they are getting speedy service at counter of banks. 14% (28/200) believe it is average speed and not too fast nor too slow and they are indifferent, 19% (38/200) are dissatisfied and their

experiences are not good (Figure 3). Time is very important factor for everyone so bank management should not overlook the importance of speed at counter. -0.84 mean indicate mostly customers are satisfied by the speed of service at counter. Around 33% (in which 14% feel average speed & 19% are dissatisfied) are not highly satisfied it mean improvement is required for provision of speedy service at counter. If front desk employee take long time to serve the customer then efficiency will effect and customer will be dissatisfied.

4 Response of Bank Employees Towards Queries Of Customer



Effective communication is necessary for queries of customers. Success of communication network largely depends on understanding and interpreting these queries and then working out to provide the best solution. The Customers prefer banking services that solve their issues immediately. They have different questions and expect prompt replies from bank employees. Usually employees give attention to customers and most of employee replies in appropriate time and detailed answers as data collected through questionnaire indicate that 42.5% (85/200) believe response of employees is very good and 30% (60/200)

considered it good. 72.5% (42.5%=very good, 30%=good) customers feel positive about their queries about bank policy, product, loan facility and explanation of brochures etc. 25% (50/200) views it as average while 2.5% (5/200) i.e. very minimal customers are dissatisfied from response of bank employees. This is depicted in table 4 and figure 4. Mean value is -1.10 which shows mostly customers are satisfied from feedback of employees. Customers get proper information and replies for their questions. Customers can be satisfied by the quick response with a positive feeling towards the respondent (bank employees). Intelligent dealing with queries is very important as small misunderstandings could convey wrong perceptions. In banks of Pakistan employees are well-informed about policies of bank and satisfy their customers in case of any inquiry.

Conclusion

Relation of customer satisfaction and quality of service is very strong so banks need to focus on service quality as a core competitive strategy. Customer satisfaction plays an important role in creating customer loyalty because when the expectations of the customers are continuously being met they feel delighted and this lead towards customer loyalty, increases the profitability, growth and reputation of the bank and distinguishes it from the competitors in banking industry.

Overall, data indicate that majority i.e. 81% (42%=very good, 39%=good) of customers are satisfied with behavior of employees and believe employees treat them in very courteous way as far as efficiency concern 64.5% (37.5%=very good, 27%=good) are satisfied and others are indifferent or dissatisfied. Customers visit bank, make call or e-mail for their queries and get proper feedback from employees.72.5% (42.5%= very good, 30%=good) about their replies of queries.

67% (36%=very good, 31%=good) of customers are quite satisfied and believe they get quick service at counter in bank. Result generally indicate that customers of bank are satisfied and banks have good image in eye of customers. The results of behavior and efficiency of front desk employees on customer satisfaction in study for banking sector of Pakistan, confirm concept that higher levels of quality leads to customer satisfaction. Efficiency of employees, good behavior, response to queries, speedy service at bank counter and respect of customer create satisfaction in customers. Good performance also attract new customers and retention of existing customers.

Recommendations

- In digital era, customers want more self -service options then bank should provide them.
- Bank should arrange seminars and workshop for customer awareness about E-banking as it will be beneficial for customer by reducing number of visit to banks as well as employees will gain lower burden of work.
- Bank should adapt modern ways of communication with customers like live chat, toll-free numbers or inbound call centers etc.
- The bank officials should adopt various forms of advertisement in order to give timely information about the new product/ services to the customers.
- The management of the bank should regularly run research activities in order to achieve maximum level of customer satisfaction.

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Appendix

Table 1: Behaviour of Employees

S.no	Characteristic	Code	F	Fx	Percentage (%)
1	Very good	-2	84	-168	42
2	Good	-1	78	-78	39
3	Average	0	35	0	17.5
4	Bad	1	3	0	1.5
5	Very bad	2	0	0	0
	Total			-246/200	
	fx/x			-1.23	

Table 2: Efficiency of Employee

S.no	Characteristic	Code	F	Fx	Percentage (%)
1	Very good	-2	75	-150	37.5
2	Good	-1	54	-54	27
3	Average	0	36	0	18
4	Bad	1	31	29	15.5
5	Very bad	2	4	8	2
	Total			-167/200	
	fx/x			-0.83	

Table 3: Queries of Customers

S.no	Characteristic	Code	F	Fx	Percentage (%)
1	Very good	-2	85	-170	42.5
2	Good	-1	60	-60	30
3	Average	0	50	0	25
4	Bad	1	1	1	0.5
5	Very bad	2	4	8	2
	Total			221/200	
	fx/x			-1.10	

Table 4: Speed of Service at Counter

S.no	Characteristic	Code	F	fx	Percentage (%)
1	Very good	-2	72	-144	36
2	Good	-1	62	-62	31
3	Average	0	28	0	14
4	Bad	1	38	38	19
5	Very bad	2	0	0	0
	Total			-168/200	
	fx/x			-0.84	