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Emotional Intelligence in Retail Banking Employee

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ABSTRACT

The aim of the current research paper is to assess the factors of customer perceived value in the retail banking sector during the period of economic recession. The research method involved the survey conducted with 200 retail customers of commercial banks in Lithuania. In addition, this research specifically examines the perception of value in the transitional economy. The study results revealed that in the period of economic recession the dimensions of emotional (affective) value (i.e., the relia¬bility and security of bank, good psychological climate when contacting with bank personnel) and functional value (i.e., the quality of service provision, the competence of contact personnel) are rated higher by customers. Meanwhile, the factors of social value (i.e., the established long-term relationship, personal beliefs, social integration, the opinion and recommendations of relatives, acquaintances and/or friends) are rated lower.

KEYWORDS : Customer perceived value, Retail banking, Emerging economy, Lithuania.

Introduction:

Regardless of a small size and geographical location Lithuanian economy is an emerging one. Most of existing literature agrees that emerging economy countries are those undergoing rapid growth and the adoption of a free market system (Hoskisson et al., 2000). Throughout the economic transformation period rapid and deep re-structuring in economic systems (Child &Czegledy, 1996) and dereg-ulation in retail banking sector helped to foster intensifying compe-tition (Gardener et al., 1999). Lithuanian banking business in the last two decades has been significantly influenced by the processes of market liberalization and globalization that leads to hyper-competi-tive conditions in market. Retail banking market has been undergo-ing a constant change with the changes of monetary policy, bank mergers and acquisitions, intense competition in growing demand for financial services and dramatic decline in it during the period of 2008-2010. Furthermore, economic recession had a negative effect on the bank customer value perceptions, satisfaction and loyalty in the Baltic countries (Titko& Lace, 2010). In the period of economic reces-sion customers re-evaluate the services provided by the banks. Banks, in their turn, re-evaluate their customers distinguishing the profit-able ones from unprofitable and offering different services to these segments as the "one size fits all" marketing management approach is not working any more. Thus the financial institutions' products, services, and marketing communication need adaptations.The re-searchers have produced many programs for prevention of stress and improvingemotional balance among employees in developed coun-tries, they are far lacking in developingcountry like India. In India, the numerous reforms' programs are just limited to improve thefinancial performance, innovation of new products, improve the building infra-structure,promotion of modern practices etc., but they are yet to start any reform program, which is relevantto employees' psychological problems. Banking sector is backbone of any economy, so this study-focused on the new yet equally important concept of emotional intel-ligence among bankemployees.

Literature Review:

In order to ensure the content validity of the questionnaire, it was examined in two stages byundertaking an exploratory study: first by two professor from the field of marketing andtwo managers of banking industry. Based on the feedback from the panel, some modi-ficationswere incorporated and the final questionnaire was prepared. Secondly, a 'pilot survey' for pretestingthe questionnaire was conduct-ed in case of twenty respondents. After the pilot survey,again certain modifications were introduced in the questionnaire and finally modi-fiedquestionnaire was used for the detailed study. During editing stage of the responses, it was foundthat some of the questions in the questionnaires were incomplete and thus was not included in thes-tudy and finally only 100 respondents were retained for the purpose of analysis.Rathi (2008) studied relationship between Emotional Intel-ligence (EI) and Occupational Self-Efficacy by examining 112 scientists of research organizations, using the emotional intelligencescale de-veloped by Hyde, Pethe and Dhar and occupational self-efficacy scale developed byPethe, Chaudhari and Dhar Correlation and regression analysis have revealed that emotionalintelligence has a positive rela-tionship with occupational self-efficacy and is found to be one ofits significant predictors. The study implies that people with higher emo-tional intelligence aremore effective employees as compared to those with lower emotional intelligence.

Panda (2008) investigated the relationship between Emotional Intelligence (EI) and perceivedstress among 31 male and 31 female management students in a business school. Correlationanalysis has proved that EI is negatively correlated with perceived stress. t-test on the mean resulthas revealed that there is no gender difference for EI and perceived role stress amongmanagement students.

Vishwanathan (2008) investigated the effect of EI on academ-ic performance of students,applying a methodology which seeks to reduce, if not eliminate, objections to the traditionalmeasures of study on that linkage. A suitably-designed instrument, administered to more thantwo hundred students, has disclosed that there indeed could be a significant linkage betweenstudents' emotional disposition and their scores in exams.

Hypothesis & Objectives:

In the survey of Spanish retail banking customers, Izquierdo et al. (2006) classified the dimensions of customer perceived value into the following three categories:

1) Functional value, which is obtained as a greater utility from bank-ing service through the brand's quality, reliability, warranty, add-ed services and the personnel professionalism;
2) Affective value, which is such when the customer, while using bank services, perceives both social and emotional benefits, gained from the frequent contacts with bank personnel, prefer-ential treatment, emotional links, identification and social inte-gration;
3) Saving value which is created when the customer perceives the bank offer as more cost attractive (better economic conditions, lower search and information costs).

The banking sector with six dimensions (functional value of the in-stallations of the establishment (bank entity); functional value of the contact personnel; functional value of the service (quality); functional value price; social value; emotional value) and state that functional value of the service is the most important while creating customers' loyalty when emotional value is the second factor in the order of im-portance. Table 1 presents a summary of selected articles to illustrate

multidimensionality of customer value construct.

H1: Emotional value is rated higher than functional value.
H1a: Emotional value is rated higher than the price.
H1b: Emotional value is rated higher than the service quality.
H1c: Emotional value is rated higher than the contact personnel competences.

Hypotheses Development:

As it was mentioned above, the multidimensional perceived customer value approach considering the three dimensions of the construct, namely, functional, social and emotional, has been taken for the basis in this paper (Sandstrom et al., 2008; Woodruff, 1997; Sweeney &Soutar, 2001; Roig et al., 2006; Ruiz-Molina & Gil-Saura, 2008). Although interpersonal influence is positively related to customers motivation to act according to the expectations of others (Bearden et al., 1989), when the social influence is not so important, behaviour is predicted by functional value or personal satisfaction (Mourali et al., 2005). Rather than focusing exclusively on delivering functional value to the customers, in service markets that accompany high-involvement products organizations should develop emotional value, since it is very important in customer perceptions (Gounaris et al., 2007).

Retail financial market contains certain service-specific characteristics compared to other industries. Aspects such as intangibility, risk, uncertainty, customer involvement, trust, confidentiality, and personal relationships play a very important role. It is observed that while commercial banks compete among themselves using such instruments as technological solutions, creation of new low-cost sales channels, finding merging and acquisition options, low level of banking services and product differentiation as well as insufficient focusing on the importance of bank and its retail customer relationship has been noticed (Beerli et al., 2004; Ferguson &Hlavinka, 2007; Foo et al., 2008).

Results & Discussion:

Comparison of value dimensions means showed that the highest mean scores fall under the category of functional value of the contact personnel competences (5.44). This indicates that retail banking customers particularly appreciate professionalism and competences of the bank personnel, whereas social value dimension factors were graded with the lowest (4.62) scores. Emotional value (5.38) is rated higher than the price (4.69) and then the installations of the bank entity (4.95). The hypothesized evaluations are significantly different (p=0.000), therefore hypotheses H1a and H1d are accepted.

The outcomes of this survey have revealed that in economic recession period emotional value is evaluated higher by banking customers than price value and value of the installations of the bank establishment. It is obvious that the factors that determine emotional value, such as positive atmosphere created in bank division, relaxation and security, trust and satisfaction in executed financial transactions are more positively evaluated than financial benefits criteria (the level of service fee, interest rate). These results contradict the earlier findings of Köksal&Özgül (2007), which claim that customers in the period of economic recession become more price conscious and which forces the financial service providers rethink their pricing strategies. It could be suggested that price is not a high rated factor because of complexity of banking service.

Discussion:

THE FINDINGS OF THE STUDY INDICATE THAT DURING THE PERIOD OF ECONOMIC RECESSION EMOTIONAL AND FUNCTIONAL VALUES ARE HIGHLY RATED CUSTOMER PERCEIVED VALUE FACTORS.RESEARCH FINDINGS REVEALED THAT THE FACTORS THAT DETERMINE EMOTIONAL VALUE, SUCH AS POSITIVE ATMOSPHERE CREATED IN BANK DIVISION, RELAXATION AND SECURITY, TRUST IN BANK PERSONNEL AND SATISFACTION IN EXECUTED FINANCIAL TRANSACTIONS ARE SIGNIFICANTLY HIGH-RATED. THUS, FINDINGS SUPPORT BARNES &HOWLET (1998) STATEMENT THAT BANK MANAGERS SHOULD EVOKE IN CUSTOMERS POSITIVE EMOTIONS WHILE USING FINANCIAL SERVICE PROVIDED.

The findings of the research also indicated that commercial banks should pay more attention to service quality and contact personnel competences' development. The study shows that there is no significant difference between the perception of the emotional value and contact personnel competences: both these values are equally evaluated by the customer. It could be stated that dimensions that refer to the contact personnel competences (devotion to the job, knowledge and expertise level) and emotional value (good psychological climate; relaxation and certainty for financial operations security; comfort; reliability and satisfaction; positive emotions and experience) are the most significant for the customer perception of value in retail banking. This encourages retail bank management to consistently pay sufficient attention to contact personnel competence development and emotional value creation. Moreover, in economic recession time retail bank managers should invest in employees' training and think about empowering the front-line people. The third most evaluated dimension - service quality - also determin`es customer perceptions of value in great level and is worth considering.