

ENORMITY OF EMOTIONAL INTELLIGENCE IN INDIAN BANKING SECTOR

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Abstract

In present investigation the effort had been made to study relationship between service quality and emotional intelligence which is the indispensable factor to raise level of quality of service .For this purpose 4 banks were taken – 2 Public Sector nationalized banks –Bank of Baroda and Indian Overseas Banks and 2 Private sector foreign banks –HSBC and American Express as sample .A self made questionnaire was used for data collection from employees (age group 21-45) of above said leading banks. The dimensions of service quality which were taken into ambit of research were – courtesy, reliability, responsiveness, assurance and customer satisfaction. SPSS version 16 was used for data analysis. The empirical analysis revealed that there is strong relationship between emotional intelligence and service quality of banks though it is weak in case of the public sector banks as compared to private sector banks in India.An analysis conducted derives meaningful conclusions for furtherance of research.

JEL-Classification: M14, L2, M000, C25, C12

Keywords: Components of Service Quality: courtesy, reliability, responsiveness, assurance and customer satisfaction. , Emotional Intelligence

Introduction

“When it comes to improving organizational effectiveness, management scholars and practitioners are beginning to emphasize the importance of a manager’s emotional intelligence” (Sosik, Megerian, 1999, p. 367)

Hasty transformations and increasingly sophisticated customers poses various challenges before Indian banking system such as developing community oriented banking and transforming a traditional banking culture that typically emphasized operational efficiencies to one that promote team collaboration , innovation, qualitative and effective process of . Therefore, it becomes very important that Indian banks in India should focus on high quality services. Service Quality is conforming to customer requirements and expectations. Customer satisfaction results when expectations are met.

There are numerous factors which are responsible for high quality services which can be divided into "human" and "technical" factors. Technical factors include: reliability, scalability, effectiveness, maintainability, Grade of Service, etc. Human factors include: stability of service, availability of service, delays, user information. There are always a number of factors behind the quality generating human effort.

Emotional Intelligence is one of the most important human factor which is responsible for high service quality. Emotional intelligence is defined as a person's self-awareness, self-confidence, self-control, commitment and integrity, and a person's ability to communicate, influence, initiate change and accept change (Goleman, 1998). It is all managing the human emotions. In banking sector, high quality services are always emphasized. This is the only area in banking which give assurance of business success. In this contemporary world banks in India have started paying consideration to the enhancement in service quality because of intense competition. These days, effective and qualitative performance in service occupations such as banking is not at all about ability, but it involves emotions and assessing other's behavior. People who know their emotions and are good at reading other's emotions may be more effective in their jobs (Afolabi and Adesina, 2006). This paper is organized as follows: following the introductory comment as above, the second section leads to discussion of the previous studies related to the area of study, scope, objective of study and followed by the research methodology. The last section deals interpretation, findings, recommendations and conclusion.

Review Literature

There is an extensive amount of financial literature which focuses on relevance of emotional intelligence in contemporary world. Mayer *et al.* (2000) and Afolabi (2004) contend that emotional intelligence is not a single trait or ability rather, a composite of distinct emotion reasoning abilities.

Perceiving emotions consist of recognizing and interpreting the meaning of various emotional states, as well as their relations to other sensory experiences. Understanding emotions involve comprehension of how basic emotions are blended to form complex emotions. Regulating emotions encompasses the control of emotions in oneself and in others. An individual's emotional intelligence is an indicator of how he or she perceives, understands and regulates emotions. Sternberg (1997) has proposed a different conception of intelligence, which he calls successful intelligence. Successful intelligence involves three distinct types of mental abilities: analytic, creative and practical. Analytic intelligence refers to the mental processes used in learning how to solve problems, such as picking a problem-solving strategy and applying it. Creative intelligence is the ability to deal with the novel situations by drawing on existing skills and knowledge. The intelligent person effectively draws on past experiences to cope with new situations, which often involves finding an unusual way to relate old information to new. Practical intelligence involves the ability to adapt to the environment and often reflects what is commonly called street smarts. Sternberg (1997) notes that what is required to adapt successfully in one particular situation or culture may be very different in another situation or culture. He stresses that the behavior that reflect practical intelligence can vary depending on the particular situation, environment or culture. According to Goleman (1995) emotional intelligence is referred to as emotional literacy. Individual with emotional intelligence are therefore able to

relate to others with companion and empathy, have well developed social skills and use this emotional awareness to direct their acts and behaviours. Ciarrochi *et al.* (2001) stress that being able to understand, perceive and express emotions in an appropriate way can determine whether an individual is successful or not as an employee in a career. Evidence is accumulating that emotional intelligence is associated with important outcomes such as high quality social relationships (Lopes *et al.*, 2005). Emotional intelligence may contribute to work performance (as reflected in salary, salary increase and company rank) by enabling people to nurture positive relationships at work, work affectively in teams and build social capital. Work performance often depends on the support and advice and other resources provided by (Seibert *et al.*, 2004). The ability to manage emotions can help people nurture positive effect, avoid being overwhelmed by negative effect, and cope with stress (Afolabi, 2004). Other emotional abilities such as perceiving and understanding emotions, also contribute indirectly to the quality of emotional experience by helping people to identify and interpret cues that inform self-regulatory action. There were mixed results of studies on influence of emotional intelligence and job performance, some studies suggested that emotional intelligence and job performance are positively related. Lam and Kirby (2002) found that emotional intelligence predicts the performance of undergraduate students on single task. Also Sue-Chan and Latham (2004) found that emotional intelligence is related to the classroom performance of managers and professionals, sales performance (Law *et al.*, 2004), the collection performance of account officers (Bachman *et al.*, 2000) and supervisory rating of job performance (Law *et al.*, 2004). Kelley and Caplan (1993) studied the characteristics of Bell Laboratories Engineers who were rated as stars by their peers. They concluded that the so-called stars were better at relating to others, which means that it was emotional intelligence, not academic intelligence that characterized their high performance. Moreover past researches have focused on a limited set of criteria, and little is known about how emotional intelligence is related to outcome such as salary and affect at work such as job satisfaction. Tans (2003) found a positive relationship between emotional intelligence and other criteria such as job satisfaction and contextual performance. But, emotional intelligence can work with other variables like gender, personality and personal value to predict job satisfaction and performance. Cote and Miner (2006) argued that emotional intelligence and cognitive intelligence interact to influence performance. It is a fact that it takes more than traditional cognitive intelligence to be successful at work. It also takes emotional intelligence; the ability to restrain negative feelings such as anger and self-doubt, and rather focus on positive ones such as confidence to be successful at work. The varied results depicted by all these studies motivated the researcher to empirically test the relationship between Emotional intelligence and quality of service. Hummayoun Naeem (2008) concludes that for creating and maintaining climate of high quality service in the organization, emotional intelligence is considered most important element as its skills can be learned and practiced by the employees. It helps employees in learning service skills that ultimately results in job success. The delivery and performance of services can be enhanced by linking them with the emotional intelligence skills. Finally, he explained emotional intelligence leads to employee satisfaction, service quality, customer satisfaction and customer loyalty in the service sector, hence its presence is considered very important among the service providers. As few literatures are found particularly on relevance of emotional intelligence in Indian context Banking sector. Therefore, present study is designed to find answer to the question “Does emotional intelligence influence the quality of service in Indian banking sector?”

Answer to this question is of psychological, social and economic importance in view of contribution of Indian Banking officers to development of the country.

Scope of Study

The scope of the study was limited to the study of Indian banking sector. In order to analyze the banking sector, 360 employees of 4 banks have been selected. 2 Public Sector nationalized banks –Bank of Baroda and Indian Overseas Banks and 2 Private sector foreign banks –HSBC and American Express were selected as sample.

Objectives of Study

The objectives of the research were:

1. To study the relationship between emotional intelligence and high service quality in banking sector.
2. To construct regression equation in order to predict the EI of Employees.

Hypothesis

In order to study influence of emotional intelligence on quality of service in Indian banking sector a hypothesis had been established which consist of two variables; emotional intelligence, an independent variable and service quality, a dependent variable.

(H1): Emotional intelligence has strong relationship with High service quality in Indian Banking Sector.

(H0): Emotional intelligence does not strong relationship with high service quality in Indian Banking Sector.

Methodology

1. Design: The design used for this study was expo facto design/predictive design, the reason for the design was due to the fact that there was no manipulation of independent variable rather the independent variable was manipulated by nature. Therefore the researchers went to measure their influence on the dependent variable. Which means that the behavioral phenomenon was studied and attempts was made to explore the conditions under which the phenomenon occurred. The research had 2 variables- Emotional Intelligence as an independent variable and service quality as dependent variable.

2. Universe and Sample: Employees of Indian Banks constitute as universe of study. Convenience and Purposive sample of 360 employees (belonged to age group 20- 45 years) of 4 banks (branches located in NCR) was drawn for study as shown in Table No. I.

Table No. I -Sampling Details

Branches Of Banks	Employees	
1. HSBC-		
➤ DLF,Qutab Enclave Branch,Gurgaon	30	
➤ Bank House Branch Gurgaon	15	
➤ Mehrauli Branch Gurgaon	25	
➤ Sec 22 Branch Gurgaon	20	90
AMEX		
➤ A1& A2 Enkay Center,Gurgaon	20	
➤ Bldg No. 8 Sec25 ,DLF, Gurgaon	25	
➤ Radial Road 2a Block Connaught Place,New delhi.	30	90
➤ Hamilton House, Connaught Place,New delhi.	15	
IOB		
➤ Dakshin Marg ,DLF PhaseII, Gurgaon	30	
	20	
➤ Kribhco Bhawan,Sec1 ,Noida	25	90
➤ Old Railway Road ,Gurgaon	15	
➤ Ramakrishna Puram Sector ,12 , New Delhi		
BOB		
➤ Mehrauli Road ,Agra	20	
➤ Gurgaon Sec 10	15	90
➤ DLf Sector -53 Gurgaon	25	
➤ Shanshank Lok Gurgaon	30	

Instrument

Self made questionnaire was used which tapped different measures like demographic information, Emotional intelligence, customer satisfaction, job performance and job satisfaction. The questionnaire was divided into two sections. The Emotional Intelligence was measured by using a 25-item scale contained 5 factors that include intrapersonal skills (items 1-5), stress management (items 6-10), adaptability (items 11-15), General temperament (items 16-20) and interpersonal skills (items 21-25). A confirmatory factor analysis was conducted using the principal factor method and the varimax rotation yielded five factors that conformed with the five factors. In scoring, higher scores indicate higher emotional intelligence. For the dependent variable i.e. service quality, SERVQUAL model developed by Zeithaml (1985) was adopted and used. The model is based on following five dimensions of service quality namely courtesy, reliability, and responsiveness, assurance and customer satisfaction. In questionnaire scale items were designed in 5 point Likert type response format (strongly agree, agree undecided, disagree and strongly disagree). Hypothesis testing was performed while applying linear regression and correlation.

Analysis and Interpretation

The acceptance/rejection of hypothesis was tested through the use of following:

(i) Regression Analysis (ii) Correlation

1. Regression Analysis

For testing the hypothesis, emotional intelligence was taken as an independent variable and service quality was taken as a dependent variable. The hypothesis was tested through linear regression. The results of the present investigation are presented in tabular form in table II.

Table No.2 -Regression Analysis

BANKS	R	R²	ADJUSTED R²	F STATISTICS	P VALUE
HSBC	.82	.68	.68	28.68	0.00
AMEX	.81	.66	.66	25.45	0.00
IOB	.34	.11	.10	4.012	0.00
BOB	.31	.09	.07	3.863	0.00

2. R Value

R value in Table-2 indicates the correlation coefficient between emotional intelligence and service quality in banking sector. In case of HSBC $R=0.82$ and AMEX $R=0.81$ indicates a strong hypothesized relationship between the two variables as compared to the *R* value of IOB i.e. 0.34 and BOB i.e. 0.31 indicating a weak relationship.

3. R²

R square is the coefficient of determination. It is 0.68 in case of HSBC, 0.66 in case of AMEX indicating that 68.6% (HSBC) and 66.9% (AMEX) variation in service quality can be explained by independent variable that is emotional intelligence and Closer the value of *R* to 1, greater is the authenticity of the research (Wiswanathan, 2005). The results of analysis exhibit that in case of AMEX, 65.3% variation in the service quality is because of emotional intelligence and only 35.7% is explained by the error indicating that the research is authentic.

4. Adjusted R²

Adjusted *R*² value of HSBC=.68, AMEX=.66, IOB=.10, BOB=.07, indicating the adjustment in *R*² to reflect the reality.

5. F Statistics

An overall view indicates that the model fitted is fairly accurate.

6. P Value

The *p* value in case of both the banks is $0.000 < 0.05$ showing that null hypothesis (*H*₀) in case of both the banks have been rejected and research hypothesis (*H*₁) have been accepted

7. Correlation

Table III represents the correlation between EI with the dimensions of service quality and following results were gathered:

Table No. 3- Correlation

BANK	COURTESY	RELIABILITY	RESPONSIVNESS	ASSURANCE	CUSTOMER SATISFACTION
HSBC	.73	.72	.76	.71	.76
AMEX	.75	.75	.72	.74	.78
IOB	.34	.62	.74	.71	.34
BOB	.24	.65	.71	.72	.24

The above R value indicates strong correlation between the EI and dimensions of QS in case of Pvt. Sector banks as compared to Public Sector banks.

Regression Equation

Regression equation has been established to predict EI. In order to identify and assess the effect of factors that has got an effect on EI that, the method of multiple regression analysis has been chosen, as it helps in assessing the individual and the combined effect of independent variables. Here the independent variables were interpersonal, intrapersonal, adaptability, stress management, general temperament, indulgent of communication and accountability of communication on the dependent variable (EI). A Levene's test of heteroscedasticity (Koutsoyiannis, 1977) was conducted to test the homogeneity of the sample. The results showed no different in sample variances and hence the entire sample was found to be homogenous ($p=0.01$). The steps used in conducting the regression analysis on the above sample are as follows:

Firstly, bank wise analysis with 7 factors (as explanatory variables) of EI was done. The regression equation for bank wise analysis with 7 factors is as follows:

$$Y = A + B1X1 + B2 X2 + B3 X3+ B4 X4 + B5 X5+ B6 X6 + B7 X7 \dots\dots\dots (1)$$

Y = dependent variable representing EI

B1, B2, B3, B4, B5, B6 and B7 = coefficients of the regression equation

X1 = Intrapersonal ability X2 = Interpersonal ability X3 = Stress management X4 = Adaptability
X5 = General temperament X6 = Indulgent of communication and X7 = Accountability of communication
A = Constant term

T-test tests the significance of each of the drivers at 5% level of significance. The F-test results showed that the regression as a whole was significant for the first 5 factors. Hence, in order to improve and get more significant results it was essential to omit the factors that were not significant. From the t-ratios in the above regressions, five explanatory variables - intrapersonal interpersonal EQ-i, stress management and adaptability and General temperament were found to be significant factors affecting EI. General mood EQ-i along with UC and RC were not significantly affecting EI and hence cannot be considered as a factor. So, regression analysis with five factors (as explanatory variables) of EI was carried out with the following equation.

$$Y = A + B_1X_1 + B_2 X_2 + B_3 X_3 + B_4X_4 + B_5X_5 + \dots (2)$$

Since the R square value was found to be 0.835, further sophistication of the equation was done logarithmic exponential with no change in value. Adding the values of beta and the constant term we get:

$$Y = -28.151 + 0.344(X_1) + 0.334 (X_2) + 0.277 (X_3) + 0.363 (X_4) + 0.294(X_5) \dots (3)$$

Hence through the results of F-test results it can interpreted that the regression as a whole was significant for 5 factors. Substituting the values of beta and the constant term the predictive regression equation of this study for employees of 4 banks is:

$$Y = 6.825 + 0.349(X_1) + 0.141 (X_2) + 0.249 (X_3) + 0.289 (X_4) + 0.284 (X_5) \dots (4)$$

Recommendations

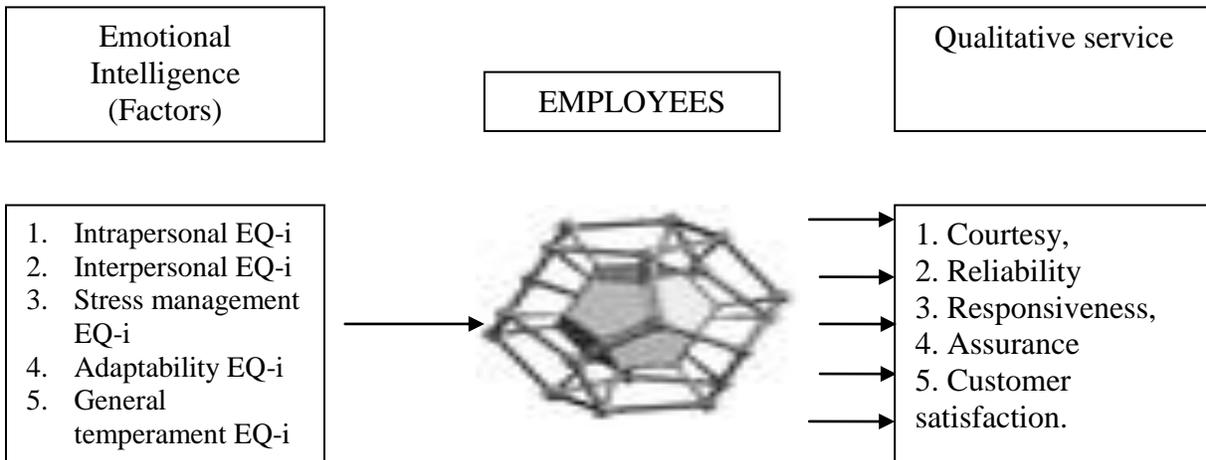
There are important issues and challenges faced by banks both public and private in respect of qualitative service like standards of excellence and equalitarianism and world perspective, changing workforce demands and the nature of work, multi-cultural and diversity issues, retention in job, and personal/career needs of employees etc. These all issues affect the productivity of banks in terms of profits and customer satisfaction. QEI PRISM was developed to address the above-mentioned issues to some extent.

1. Qei Prism

In optics, a prism is a transparent optical element with flat, polished surfaces that refract light. The exact angles between the surfaces depend on the application. A prism can be used to break light up into its constituent spectral colors. Prisms are sometimes used for the internal reflection at the surfaces rather than for dispersion. If light inside the prism hits one of the surfaces at a sufficiently steep angle, total internal reflection occurs and all of the light is reflected. This makes a prism a useful substitute for a mirror in some situations. This tool presents and relates to

all of the factors through which an individual can look for opportunities to increase EI which further increases the quality QEI PRISM. Based on the empirical analysis as discussed earlier, 5 factors affecting EI helped to identify and define the QEI prism dimensions which were: Intrapersonal skills 2. Interpersonal skills 3. Stress management 4. Adaptability 5. General Temperament

Specifically, the prism could help recognize the clear picture in terms of the strengths and weaknesses of each employee well as any promising capabilities, those overlooked by their supervisors.



But when a bank identifies and pursues neglected EI dimensions, it can change the basis of human development, because each dimension requires a different set of capabilities that cannot be developed or acquired overnight. As prism is a transparent optical element with flat, polished surfaces that refract light. Similarly when any organization puts more efforts towards the institutionalizing the factors which affect the EI most as a beam of light then the quality service (5 parameters) would derive as a constituent spectral colours which will further increase the profits and productivity of banks. But this process of institutionalizing the Emotional intelligence in the organization is not one step and one go process. As it is a form of organizational change this should be operationalize at a snail's pace and some process should be followed. A process consisting of 4 phases is recommended:

Phase I – Understanding

Concept of EI should be first made clear to the employees of organization. The following questions should be addressed: - What is the needed of EI in the organization? What is its importance in today's world? What is the impact of EI on employee's job performance? Will it be improved or not?

Phase ii – Managing

This phase include indentifying the dimensions which contribute to managing EI. These From above empirical analysis , five dimensions - intrapersonal interpersonal, stress management and adaptability and General temperament were found to be significant factors influencing the EI in Indian banking sector.

Phase iii- Recuperating:

In this phase best practises to recuperate the EI in the organisation should be identified like:

1. As emotional intelligence can be learned, bank employees must be taught how to boost their emotional abilities where they lack them. Therefore training centres can be developed where employees will learn about how to effectively monitor their own, others feelings and emotional reaction in real time.
2. The employees can be introduce the Bank Problem Based-Learning (PBL). The program helps to improve and teaches instructors and employees how to examine their own emotional competencies.
3. In HRD policies of Banks training and practising of EI can be given more weight age. The HRD policies should be developed in such a fashion which encourages the EI in organization.

Phase iv- Institutionalizing

Finally, the concept of EI can be promulgated on organizational level.

Conclusions

The empirical analysis revealed that-

1. There is the strong relationship between the EI and quality of service though it is found to be weak in case of public sector banks as compared to the private sector banks.
2. Secondly, five explanatory variables - intrapersonal, interpersonal, stress management and adaptability and General temperament are found to be significant factors affecting EI of employees of both public and private sector banks.
3. Thirdly, these five above said explanatory variables is strongly related to dimensions of service quality -courtesy, reliability, responsiveness, assurance and customer satisfaction.
4. Therefore it is recommended that public sector banks should change their HRD policies and institutionalize the concept QEI (Quality Emotional Intelligence) PRISM to improve their quality of service which will further increase their profits and customer satisfaction.

Limitations of This Research

- a. Understanding the relationship of EI to other intelligences and other personality traits
- b. Expanding EI measurement to a wider range of age groups to better understand its developmental course.

Future Scope

As the present research deals with the study of relationship between the quality of the service and the factors affecting the Emotional intelligence in the 4 banks. The scope of the research should be broadened to other sectors where qualitative service plays significant role in the organisational growth both internally and externally. Further, EI measurement can be expanded to a wider range of age groups to better understand its developmental course.

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