

# Emotional Intelligence And Its Impact On Service Quality – Empirical Evidence From The Pakistani Banking Sector

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## ABSTRACT

*Emotional intelligence is the innate potential to feel, use, communicate, recognize, remember, describe, identify, learn from, manage, understand and explain emotions. - S.Hein, 2007*

*Emotional intelligence and service quality--this study was designed to examine the relationship between the said two variables. While using teacher made tools from the body of knowledge, data was collected through a self administered questionnaire from the officers of two leading banks in Pakistan; one was foreign bank that paid more attention to the improvement of service quality and the other one was well reputed, fastest growing local bank, did not spend much on quality issues as was the practice in foreign bank. SPSS version 12 was used for data analysis. The empirical analysis revealed that emotional intelligence is a strong predictor of service quality in case of foreign banking in Pakistan.*

**Keywords:** Emotional Intelligence, Components of Service Quality; tangibles, responsiveness, reliability, empathy and assurance, Empirical Study, Pakistani Banking Industry

## INTRODUCTION

Business success largely depends upon the high quality services. Service quality is the ability to provide professionally required and customer expected applications of business (Wikipedia, 2008). There are so many factors behind high quality services. Some suggest that top management support is very important. Some marketing experts believe in the detailed study of the markets then to come up with the tailor made product. Some hold the idea of investing lots of funds to provide efficient and quality services. Efficient and quality services are not the result of a single causal factor, it is a result of the multiple factors. Human effort has a lot to do when we talk about the service quality. Yes, there are always a number of factors behind the quality generating human effort.

Nature has blessed mankind with a number of capabilities. Emotional intelligence is one of them. Emotional intelligence is about the management of emotions. Emotions may be managed for any situation for the desired results. This is a new and emerging area in the field of psychology which needs to be explored (Wikipedia, 2008).

Service quality is determined by many variables. Emotional intelligence is one of the most important determinants of service quality. It has emerged as one of the most important disciplines in the modern business management. As the service providers are required to be adaptive towards the demands and behaviors of the customers, it is basically emotional intelligence that helps managers in responding effectively towards the customer needs. As service providers in the banking sector require the potentials such as interpersonal, intrapersonal and technical skills, these skills can be easily translated in one term and that is emotional intelligence. The learning and practice of these skills help improving the performance of service providers and thus increasing customer

satisfaction. By using Emotional intelligence, organizations can have increased knowledge about customers and greater ability for recognizing and regulating the quality of service according to the desires of customers.

In banking sector, high quality services are always emphasized. This is the only area in banking which guarantees business success. Banks in Pakistan have also started paying attention to the improvement in service quality because of the intense competition with foreign banks. Workshops and seminars are arranged for the training of employees into quality issues. Whatever measures are taken to improve the service quality, involve emotional intelligence of bank officers any way.

### **PROBLEM STATEMENT**

The research problem is “whether emotional intelligence is a predictor of higher service quality in banking sector or not?”

### **SCOPE OF STUDY**

The scope of the study is limited to the study of Pakistani banking sector. In order to analyze the banking sector, two banks have been selected. The one is a local bank i.e. The Bank of Punjab and the other one is a foreign bank i.e. Standard Chartered Limited.

### **SIGNIFICANCE OF STUDY**

The study is going to be a great theoretical contribution to the body of knowledge as this area has not yet been explored. It does fill a gap in the body of knowledge. The said research has lots of applied aspects. Findings may be forwarded to the Banking Council of Pakistan for necessary implementation at branch level.

### **OBJECTIVE OF STUDY**

The objectives of the research are:

- To study emotional intelligence level in foreign and local banking sector
- To study service quality level in foreign and local banking sector
- To study whether or not service quality is influenced by emotional intelligence.

### **LITERATURE REVIEW**

Studies conducted by Slaski and Bardzil (2000), Mulipola and others (2006), Susan and Pappas (2007), Schneider and others (1980), Seval Fer (2004), Julia A. Kiely (2005), Kernbach & Schutte (2005), Deadrick & MacAfee (2001), Cavelzanl and others (2005), Halsell (2006), Heng (2008), Beaujan and others (2006), Hafey (2003), Mccallin and Bamford (2007), Humpel & Caputi (2001) and Rao (2006) conclude the following:

- 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.
- Emotional intelligence 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.
- Emotional intelligence leads to employee satisfaction, customer satisfaction and customer loyalty in the service sector, hence its presence is considered very important among the service providers.
- In the recruitment and training process, emotional intelligence plays important role as employees are selected and developed for better service quality on the basis of emotional intelligence skills.
- Emotional intelligence and service quality are positively related as they both are vital for increasing performance, efficiency and customer loyalty in the long run.

- Emotional intelligence is considered an important tool for increasing service performance and team effectiveness.

Hence, it can be stated that emotional intelligence skills are necessary for the success in today’s dynamic business environment as it is being practiced successfully in the service industry such as hospitality, banking and patient care. It may be concluded that emotional intelligence can be associated with the service quality in the banking sector and desired objectives can be achieved.

**METHODOLOGY**

In this research, two banks were selected. Standard Chartered Limited, an international bank, abbreviated as SCL and The Bank of Punjab, a local bank, abbreviated as BOP in the study. The aim of the research was to empirically study the banking sector of Pakistan through one public and one private sector bank. The two variables were studied i.e. emotional intelligence and service quality. Primary data was collected through close ended questionnaires whereas secondary data was collected through the data already available in the organizations. Hypothesis testing was performed while applying linear regression and correlation.

**HYPOTHESIS**

The hypothesis consists of two variables; emotional intelligence, an independent variable and service quality, a dependent variable.

**(H1):** Emotional intelligence is a predictor of higher service quality in Pakistani banking sector

**(H0):** Emotional intelligence is not a predictor of higher service quality in Pakistani banking sector

**SAMPLING**

A convenient sample of 240 officers and customers was drawn for the study as per the following details:

**Table No. 1  
Sampling Details**

<b>Standard Chartered Limited</b>	<b>Employees</b>	<b>Customers</b>	<b>The Bank of Punjab</b>	<b>Employees</b>	<b>Customers</b>
Mall Road Branch	20	25	Main Branch Guleakra plaza	30	35
Haider Road Branch	30	25	Regional branch Guleakra plaza	20	16
Scheme III Branch	10	10	Liaquat Road Branch	10	9
Total	60	60		60	60

**INSTRUMENT**

Following teacher made tools were adopted for data collection; for emotional intelligence, a tool named **Emotional Intelligence Inventory** developed by Hay group, (2002) based on sixteen questions. 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 namely Tangibles, Reliability, Responsiveness, Empathy and Assurance. The alpha reliability ranged from 0.73 to 0.91 for various constructs of the instrument indicating the internal consistency of the instruments used for the study.

**SCALE:**

A five point Likert Scale starting from strongly disagree to strongly agreed (1 – 5) was used for the study.

**DEMOGRAHPIC CHARACTERISTICS OF THE SAMPLE**

Employee Analysis:

- Data analysis shows that 96 percent of the employees of SCL belonged to the age group of 20-40 while only 75 percent of employees of BOP were below 40 years of age. The data revealed that SCL had majority of young officers.
- The educational level of both the employees appeared to be the same as in SCL 65 percent of employees were having master’s degree whereas in BOP the percentage of masters degree holder employees was 68.

Customer Analysis:

- The age of customers of both the banks was almost same i.e. 20-40 years. For SCL, the employees belonging to this age group was 75 percent whereas in BOP, 68 percent of employees belonged to that age group. So it appears that the sample for the study belongs younger population of the society.
- Both banks had almost same level of education among its customers. In case of SCL, 72.3 percent of employees were intermediate whereas in BOP the same percentage was 70. So it appears that majority of the customers were educated.

**TESTING OF HYPOTHESES**

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

- Regression Analysis
- Correlation

**REGRESSION ANALYSIS**

For testing the hypothesis empirically, emotional intelligence was taken as an independent variable and customer satisfaction was taken as a dependent variable. The hypothesis was tested through linear regression:

**(H<sub>0</sub>):** Emotional intelligence is not a predictor of higher service quality in Pakistani banking sector

**(H<sub>1</sub>):** emotional intelligence is a predictor of higher service quality in Pakistani banking sector

**Table No. 2**  
**Regression Analysis**

<b>Bank</b>	<b>R</b>	<b>R. Square</b>	<b>Adjusted R. Square</b>	<b>F Statistics</b>	<b>P Value</b>
<b>SCL</b>	0.808	0.653	0.647	25.351	0.000
<b>BOP</b>	0.243	0.059	0.043	3.631	0.000

**R VALUE**

R value indicates the correlation coefficient between emotional intelligence and service quality in banking sector. In case of Standard Chartered Limited R=0.808 indicates a strong hypothesized relationship between the two variables. As compared to the R value of BOP i.e. 0.243 indicating a weak relationship.

**R<sup>2</sup>**

R<sup>2</sup> is the coefficient of determination. It is 0.653 in case of Standard Chartered Limited, indicating the authenticity of the research. Closer the value of R<sup>2</sup> to 1, greater is the authenticity of the research (Wiswanathan, 2005). The results of analysis exhibit that in case of Standard Chartered Limited, 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.

**ADJUSTED R SQUARE VALUE**

Adjusted R square value = 0.647 in case of SCL and 0.043 in case of BOP indicating the adjustment in R<sup>2</sup> to reflect the reality.

**F STATISTICS**

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

**P VALUE**

The p value in case of both the banks is 0.000 < 0.05 showing that null hypothesis in case of both the banks have been rejected and research hypothesis have been accepted..

**CORRELATION**

Emotional intelligence of the employees of the two banks was correlated with the dimensions of service quality and following results were gathered:

**Table No. 3  
Correlation of SCL**

<b>Bank</b>	<b>Tangibles</b>	<b>Reliability</b>	<b>Responsiveness</b>	<b>Empathy</b>	<b>Assurance</b>
<b>SCL</b>	0.720	0.720	0.720	0.720	0.776
<b>BOP</b>	0.505	0.620	0.124	0.708	0.708

The above r value indicates strong correlation between the emotional intelligence and dimensions of service quality in case of SCL except responsiveness in case of BOP.

**CONCLUSION**

From the above analysis, it is concluded that use of emotional intelligence skills is high in case of a foreign bank i.e SCL. The research findings have also indicated that emotional intelligence is a positive predictor of higher service quality in Pakistani private / foreign banking sector. Hence we can say that emotional intelligence is strongly related to dimensions of service quality indicating that when employees of the organization practice the skills of emotional intelligence, it enhances service quality.

In case of The Bank of Punjab, a local Pakistani Bank, emotional intelligence is a weak predictor of service quality in Pakistani public sector. It means that in The Bank of Punjab, both the variables i.e. emotional intelligence and service quality are weakly associated and hence it can be said that there is an absence of practice of emotional intelligence skills by the employees when delivering services to the customers.

## RECOMMENDATIONS

1. The findings of the research may be passed on to the higher authorities of the banks so that these can be implemented in the branches.
2. Instead of using two banks to make a comparative analysis, the scope of the research should be broadened and two public and two private sector banks should be included in the future research.
3. As the results of data indicate that there is a positive relationship between EI and SQ in case of SCL. The BOP is also required to change its existing HRD policies and practices with emphasis on the use of emotional intelligence skills.

## AUTHOR INFORMATION

**Hummayoun Naeem** is an Assistant Professor in the Faculty of Management Sciences, Foundation University, Islamabad. His area of specialization is banking and research issues in management. Before joining the University, he served commercial banking sector for almost one decade mainly in managerial capacity with specialization in branch banking operations. While combining his industrial and teaching experience, he developed a TQM Model for Commercial Branch Banking Operations during his PhD from the same university. He has several local and international conference and journal publications to his credit.

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**NOTES**