EFFECT OF EMOTIONAL INTELLIGENCE ON CUSTOMER RETENTION AMONGST BANK EMPLOYEES

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ABSTRACT

Customer satisfaction is the ultimate goal of any organization. It includes service industry and banking is the one such industry where customer retention is very much dependent on front executives. In spite of a number of research studies being conducted in the field of consumer behavior, the research involving customer retention especially in the service industry is still evolving. A quantitative research was used to study the relationship between the employees' emotional intelligence, their service performance and customer retention in banks of Indore. The study explored the effect of EI and gender on customer retention orientation of bank employees. The previous studies support that the service performance of the employee and their capability to retain the customer is dependent on various component of emotional intelligence dimensions namely social awareness, self regulation and self awareness. But the present study does not support the same.

KEYWORDS: Customer Satisfaction, Social Awareness, Self Regulation and Self Awareness

INTRODUCTION

Banks were considered as a good subject for this research because as a service its attributes are essentially intangible and the typical bank attributes are almost synonymous with the consequences rather than the physical characteristics. It is the basic job of bank employees to deal with the customers and consumers as well. So it is important for them to deal with them in such a manner so that they can retain customers. There are multiple factors effecting the service industries like globalization, competition, volatile market dynamics and customers’ needs are always evolving at a much faster rate as much as the volatility of the markets. The one most important attribute that separates competitors is the quality of service delivered to the customers by trying to bridge the gap between the customers’ expectations and experience. This has made the banking sector change the approach from transaction based marketing approach to a relationship based approach that has at its core the recognition of lifetime value of the customer.

In the current scenario it has been observed that there would be a closure relationship between behavior of employees and service quality providing by the bank thus leading to high degree of customer satisfaction and further will lead to customer retention. In this context banking as one of the important sectors of the service industry requires relationships to be established between banking staff and customers.

The success of these relationships will depend on the quality of the service they are providing and the way they use to deal with the customers. One potential indicator of staff’s ability to their customers is their level of emotional intelligence.

Individual’s emotional intelligence which is all about managing emotions and is being observed as one of the important emerging determinants for dealing with the customers. Therefore this research study tries to examine the link between the bank employee’s emotional intelligence levels, their service performance and ability to retain the customers.
Emotional Intelligence

According to Goleman, the behavior of any service personnel can be interpreted in terms of variables which have a bearing on the dimensions of Emotional Intelligence. He describes the human behavior based on an integrated concept of EI. EI is generally discussed in terms of leadership roles, individual contributions and contribution to team building exercise. Actions or behavior relevant to the performance varies on the type of the industry or organization. If going by the judgment that emerges from the literature review on the antecedents of the employee work performance, it is the context that matters. In 1998 he defined “Emotional Competence” as a “learned capability based on the emotional intelligence that results in outstanding performance at work and further divided emotional intelligence in to the following 4 competencies:

- Self Awareness- to identify and name one’s emotional states and to understand the link between emotion, thought and action.
- Self- Regulation-to Manage One’s Emotional States, to control emotion or to shift undesirable emotional states to more adequate ones.
- Social Awareness – to read, be sensitive and influence other people’s emotions.
- Social Skills – to enter and sustain satisfactory interpersonal relationship.

There is a plethora of research suggesting that there is a strong correlation between the ability of customer service providers to develop strong customer relationships with customers which attribute to outcomes such as customer satisfaction, customer retention and customer service quality.

Customer Retention

Making customers and getting customers is the objective of the manufacturing firm but, retaining customer is the prime objective of the service industry. Customer retention is the process through which service organization try to reduce the customer defection. Ability of any banking sector to retain customer directly shows the execution of services provided by the bank. For entering in service industry especially in bank one must be thorough with the basic concept of customer retention. Customer retention is not about meeting the customers’ expectation but it is all about what you give and how you give to the customer beyond their expectation. It starts with the first meeting with customer, dealing on issue and continues till he remain customer and after that as well.

Customer retention has direct effect on turnover of the financial institutions. This is the reason it is considering as the prime objective of service industry. It starts with customer relationship make them comfort to share their issues politely with the service provider, understand it and then take corrective action to solve their problem. If it maintains smooth relationship, it will aid to retain customer and thus increase the loyal customers.

Banking customer retention is more of a challenge than it would be in different industries. In addition the current economic downturn is heightening concerns and threatening customer loyalty. Customers naturally gains the sense of security placing their money in institution they believe shares their interests, and the nature of their precious finance means they need to know those interests are being catered to. Banking industry statistics have made it clear that recruiting new banking customers is a considerably larger cost to the banks as compared to retaining those customers.

OBJECTIVE OF THE STUDY

This research study makes use of the following objectives to examine the relationship between the Emotional Intelligence of the bank employees and their service performance and also their ability to retain the customer.
Effect of Emotional Intelligence on Customer Retention amongst Bank Employees

- To study the interactive effect of EI and gender on customer retention orientation of employees.

Rationale of the Study

As there are many researches and findings available which shows that there is a significant relationship between the employees’ emotional intelligence and the customer satisfaction, & the relationship between the employees’ emotional intelligence and the service performance. But still there is dearth of studies on effect of EI on customer retention orientation of employees. So the present research has been undertaken to identify the effect of EI and gender customer retention.

LITERATURE REVIEW

Research has suggested that the emotions play an important role in service encounters and according to Winsted (2000) in his study on “service behavior that lead to satisfied customers” points out that the display of emotions by service employees influences customers’ affect and judgment of service quality.

Nicole Hafey (2003) in her study titled “Emotional intelligence as a predictor of a superior customer Service performance in the private Hospital Sector” reveals that the study focuses on the validating emotional intelligence as an intrinsic personal characteristic of the customer service provider resulting in high level of customer service performance.

Troy Heffernan and his associates (2005) in their study on “ Relationship marketing, emotional intelligence and performance” remarked that the emotional intelligence is a very critical element in relationship marketing or selling and concluded that the emotional intelligence of the relationship managers were positively correlated with that of their financial performance. An IBM (NYSE:IBM 2006) study, “Unlocking customer advocacy in Retailing Banking” reveals that banks in order to understand and effectively manage customer attitude, they need to identify customer advocacy segments, assess their attitudes towards key banking attributes and align resources and investments to enhance the value associated with high effect interaction. Catherine Prentice (2008) explains in her PhD thesis “Trait Emotional Intelligence, Personality and the Self perceived performance ratings of casino key account representatives” proves that there is a positive relationship between emotional intelligence levels of the casino key account representatives and their service performance.

Puja Kaura (2011) explains in her research on “Enormity of emotional Intelligence in Indian Banking Sector” reveals 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 as compared to private sector banks in India. According to Steward (2009), she indicated that managers in banking sectors should to keep the employees’ emotional intelligence at high levels in organizations as that can assure that the tasks are completed in a timely fashion to promote profitability and satisfy shareholder interests. Emotional intelligence influences productivity (Kim, 2004). A banking organization need to understand what keep employees’ emotional intelligence at high levels in order for them to reach peak performance. It is not an easy task to keep employees’ emotional intelligence at high levels because employees respond in different ways to their jobs and their organization’s practices. Emotional intelligence is able to moves a person toward a goal.

Reichheld and Kenny (1990) specified six factors as imperative to improving retention: senior management commitment; a customer-focused culture in which all employees and managers focused their full attention on customer satisfaction; retention information systems that tracked and analyzed the root causes of defections; empowerment of front line employees to take actions that provided immediate customer satisfaction; continuous training and development; and incentive systems based on customer retention. Schlesinger and Heskett (1991) further emphasized the importance of
training and support in "communication, performance management, team building, coaching and empowerment" for front-line workers and their managers.

RESEARCH METHODOLOGY

This is an exploratory research study. In this research the population refers to the bank employees of Indore region where two banks were taken HDFC and INDUSIND. This study has adopted non probability convenience sampling method. The sample size was 120. The primary data was collected from all the 120 respondents by using a self designed structured questionnaire on customer retention orientation of employees and standard questionnaire on EI by DALIP SINGH and CHADHA. Out of these 120 respondents 20 were rejected.

TOOLS FOR DATA COLLECTION

Data Source
The study is primary data based.

Research Design
The study is exploratory in nature

Primary Data Source
The primary data was collected from the respondents by administering a self designed structured questionnaire on customer retention orientation of employees and through standard questionnaire on EI designed by DALIP SINGH AND CHADHA.

Sampling Technique
The non probability convenience sampling was used.

Sample Unit
Bank employees of HDFC and INDUSIND were taken as a sampling unit in Indore.

Sample Size
Sample size of 100 respondents was taken.

Sample Area
The research was conducted in Indore Region

TOOLS FOR DATA ANALYSIS

Anova

RESULT AND ANALYSIS

Anova Results

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<tr>
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Tests of between-Subjects Effects

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Significance level:5%

**H0₁**: There is no significant effect of EI on customer retention of employees.

The F value (0.526) shows that there is no significant effect of EI on customer retention of employees. So, null hypothesis is **not rejected**.

**H0₂**: There is no significant effect of gender on customer retention of employees.

The F value (0.603) shows that there is no significant effect of gender on customer retention of employees. So, null hypothesis is **not rejected**.

**H0₃**: There is no significant interactive effect of EI and gender on customer retention of employees.

The F value (0.210) shows that there is no significant interactive effect of EI and gender on customer retention of employees. So, null hypothesis is **not rejected**.

**DISCUSSIONS**

Employees having different EI level did not make any significant effect over retaining customers in banks. The previous studies support that the service performance of the employee and their capability to retain the customer is dependent on various component of emotional intelligence dimensions namely social awareness, self regulation and self awareness. But the present study does not support the same, which needs to be further explored through descriptive study on a larger sample.

**Suggestion and Implication for Researchers**

The study is useful for the Bank executives and Managers for better understanding of their employees and their performance. As the study is all about the employees of bank in Indore so it is beneficial for the management of bank and its employees.

Study is also useful for the MBA students for their Descriptive study on MRP. As only few students opt for MRP in their subjects only because of poor information about MRP and unproductive MRP reports which cannot provide any worth information to the students for their Descriptive and Exploratory study as well. This study can be a base for the students for their further research. This study is useful for PhD scholars for their exploratory study. As many researchers try to find out the conclusion about Emotional Intelligence in terms of any dependent variable, so this study can be literature review for further research to explore it more.

**REFERENCES**


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