

Impact of Employees' emotional Intelligence on CRM Effectiveness in Banking Industry of Valsad District

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Abstract

Banking industry comes in the category of early adopters of CRM. As the industry is highly competitive, CRM helps the banks in understanding customer's present and future needs on the basis of their past behaviour. CRM is a combination of people, process and technology, in which the people component is often neglected one. CRM helps in better decision making. Emotional Intelligence, a trait of human beings also helps in decision making. As CRM also leads to decision making so EI may be playing a role in CRM. Most of the studies done in the context of CRM has focused on customer's emotion instead of employee's emotion in customer-employee relationship. Hence this research was taken up to investigate the impact of employees' emotional intelligence on CRM Effectiveness in banking industry of Valsad District from employee's perception. The findings of the study stated that there is a relationship between the two constructs.

Key words: Customer Relationship Management, Emotional Intelligence

Introduction

With a growing population and growth in the economy, banking sector has always remained on a very high growth path so far in India, but as the sector is attractive, it is highly competitive too. Various different types of players are existing in the banking sector competing strongly, they are (1) Nationalized banks (2) Private Sector large and medium scale banks (3) International banks (4) Geography and sector specific Cooperative banks.

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Banking sector, is highly regulated by the various regulatory bodies besides competition as well as the government. For e.g. rate of interest is regulated by various financial or monetary policies of the government. This leads to the fact that internal rivalry among the sector is very high at one end of competition and on the other hand the banks have a very less to offer as a differentiator in terms of product or price due to regulation. This is the core reason, that unlike other sectors banks need to differentiate more on the services offered to the customers very rarely product alone.

CRM (Customer Relationship Management, CRM hereafter) is widely applied concept in bank and preliminary research inputs gives the clear understanding regarding its' importance in handling customers in competitive market. Research on CRM also lays emphasis on the use of technology as well as on the technology based analysis and development of solutions based on the analysis.

Customer Relationship Management (CRM) and its potential to help them acquire new customers, retain existing ones, and maximize their lifetime value. Customer Relationship Management (CRM) came into the power when banking institutions were getting more and more competitive. The focus of CRM helped banks to understand the customer's current needs, what they have done in the past, and what they plan to do in the future to meet their own goals.

Literature and data reveals the fact that, CRM is one such tool which helps in meeting the customer's expectations according to their changing needs. Customer relationship management (CRM) is increasingly important to firms as they seek to improve their profits through longer-term relationships with customers. As per Wu and Li, (2011) CRM should not be considered just as a software package but a comprehensive strategic approach to set relationships with customers and meet their needs as they wish. In order to manage customer relationships and provide a comprehensive customer service method, all components of a business should work properly and coordinated like a well-rehearsed orchestra. As a fact, all aspects of business such as existing cultures, processes, technology, strategy, and people would need to be integrated in all parts of the business.

Emotional intelligence, (EI, hereafter) is a trait of human being plays a significant role in any decision making. As CRM also leads to decision making and policy designing it certainly emphasis on the condition of human mind too besides technology and data. As per the behavioural science human mind behaves defiantly under the different cognitive conditions. Thus it must be playing a role in CRM effectiveness. Human Resource literature strongly believes that, EI has impact on to development of the communication and interpersonal skills which are also the utmost needed skills to develop and improve relationships. Whilst EI has

been identified as a component of effective selling, in the researches related to Sales and Marketing. Does it (EI has a role to play in CRM?) Or not? If yes, to where and to what extent? If no, then does only technology helps for effectiveness of CRM? Well, these are unanswered questions made the researcher curious to take this management problem and she found the need of the further data and research analysis on the same.

To support the argument of need of further research on the situation, while literature was surfed it has been found that, the influence of emotions on the enactment of exchanges in both businesses to business and Business to customer marketing has received little attention. There are a few related studies which focused on employees' emotions instead of customer's emotions in customer-employee relationship. Hence there is a need to understand the employee's emotions in customer –employee relationship. Few articles found specifically on banking segment relating to the CRM and Emotional intelligence gave an understanding that, 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 behaviour. People who know their emotions and are good at reading other's emotions may be more effective in their jobs. However, it was observed that most of these studies are being carried out at western or developing countries where geographical and cultural situation is quite different than that of India. The area of CRM effectiveness of Bank and impact of Emotional Intelligence in the banking sector in India needs specific attention, data and it's analysis to conclude on the same. In the present research employee's perspective have been studied for the said research problem. With these note, it has interested researcher to take this research for the investigate and analysis for the conclusion and decision on the problem. Researcher has chosen private sector banks of the Valsad district and their employees response to collect that data and have made sincere attempt to study the above research problem in the present research.

Research Problem

To investigate the impact of variables of emotional intelligence on CRM effectiveness in banking industry of Valsad district.

Hypothesis of the study

H- There is no significant relationship between the dimensions of emotional intelligence and dependent variable of customer relationship management effectiveness.

Research Design

The present research work consists of an exploratory as well as descriptive research design.

Sampling Method

Sampling was done in two phases. First quota sampling was applied and in the second phase convenience sampling is used. Quota sampling was applied by dividing the Valsad district in six talukas. Valsad, Vapi, Pardi, Umargam, Kaparada and Dharampur. The banks for the study has been selected on the basis of at least one branch in each Taluka. And in the second phase respondents were approached on the basis of convenience hence applying convenience sampling. To overcome the limitations of non-probability sampling methods enough sample size was considered. The final sample size was 457 (Bank Employees).

Research Instrument

For the collection of the primary data for the present research, the structured questionnaire was used as instrument. The questionnaire comprises two sections. The questionnaire is based on two variables –Customer Relationship Management Effectiveness and Employees' Emotional Intelligence. Customer relationship Management Effectiveness is Dependent variable and Emotional Intelligence is Independent Variable. The first section of the questionnaire asks about the C.R.M Effectiveness from employees' perspective. Dependent variable Customer Relationship Management Effectiveness is measured by using CRME Scale developed by Chen et.al.(2009). CRME Scale developed by Chen et.al.(2009) has 16 item and the participants (employees and managers of banks) were asked to rate on a five -point Likert scale from "strongly disagree" (1) to "strongly agree" (5). The second section contains questions on Employees Emotional Intelligence. In the study trait, EI model and TEIQue-SF has been applied as the base of assessment of emotional intelligence. TEIQue-SF has the 30-item. TEIQue-SF has 30 items (Petrides, et al, 2006) and the participants (employees and managers of banks) were asked to rate on a seven -point Likert scale (7) from "strongly disagree" (1) to "strongly agree" (7).

Analysis and findings

A model was developed using SEM technique with the help of AMOS software. Its results depicting graphically a measurement model and a structural equation model are shown below. Values of various model fit indices are calculated based on the output given by AMOS.

(ii) RMSEA- 0,046. Ideally it should be less than 0.05. Based on this our model gives a good fit.

2. Incremental Fit

(i) GFI- 0.819. Ideally it should be more than 0.9. Based on this our model gives an acceptable fit.

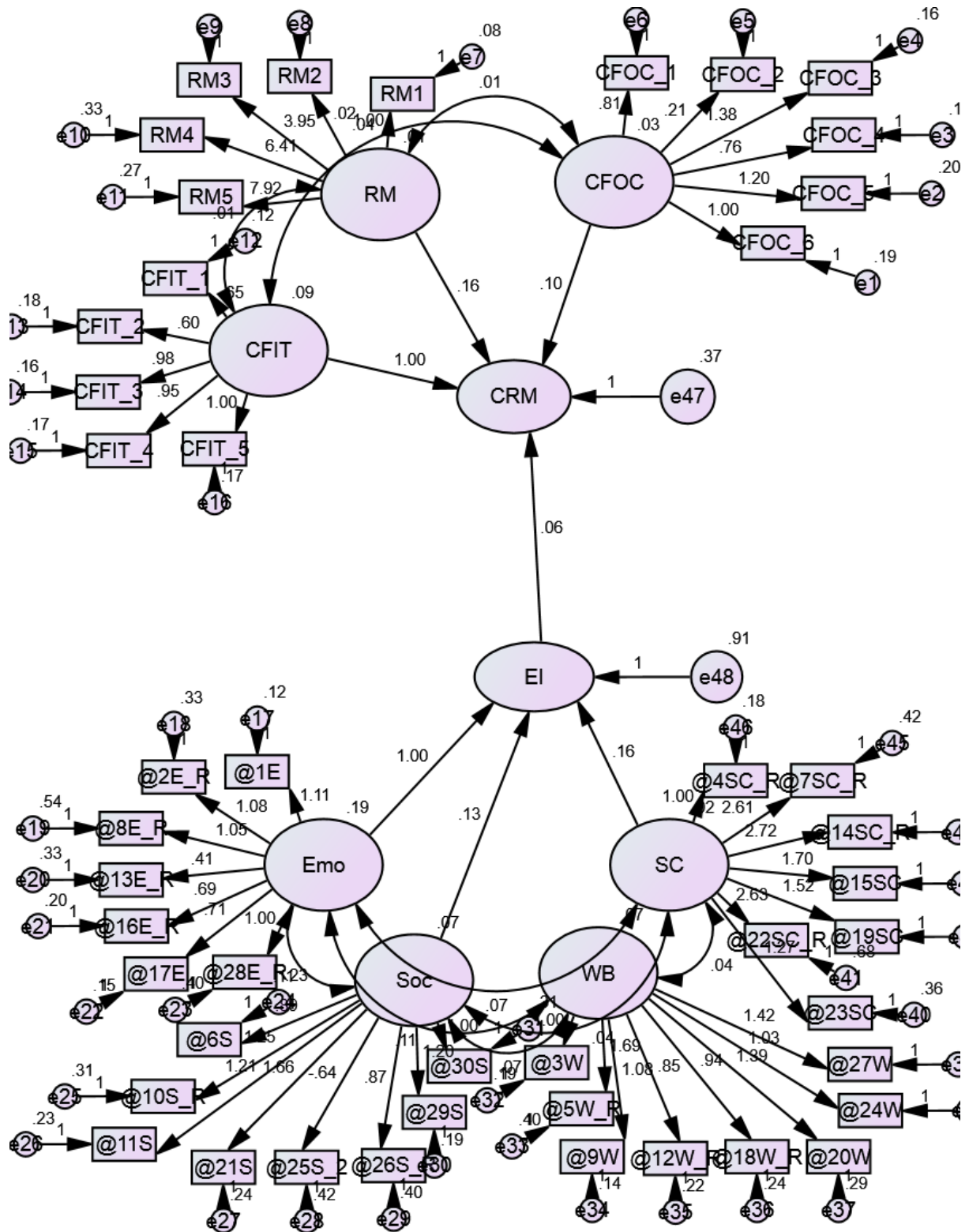
(ii) AGFI- 0.798. Ideally it should be more than 0.9. Based on this our model gives an acceptable fit.

(iii) CFI-0.263. Ideally it should be more than 0.9. Based on this our model gives an unacceptable fit.

(iv) TLI-0.211. Ideally it should be more than 0.9. Based on this our model gives an unacceptable fit.

As CMIN/DF, RMSEA, GFI and AGFI are in the acceptable range the measurement model obtained through CFA is similar to the EFA.

Figure 2:SEM model



Structural Equation model for assessment of effect of EI on CRM

A structural equation model should show goodness of fit. This is ensured by looking at Absolute fit indices and Increment fit indices. At least one of the fit indices in each category should be in the acceptable range.

The structural equation model indices for the CFA for effect of EI on CRM is given below.

1. Absolute fit indices

- (i) CMIN/DF - 1.957. Ideally it should be less than 2.00. Based on this our model gives a good fit.
- (ii) RMSEA- 0.046. Ideally it should be less than 0.05. Based on this our model gives a good fit.

2. Incremental Fit

- (i) GFI- 0.817. Ideally it should be more than 0.9. Based on this our model gives an acceptable fit.
- (ii) AGFI- 0.798. Ideally it should be more than 0.9. Based on this our model gives an acceptable fit.
- (iii) CFI-0.856. Ideally it should be more than 0.9. Based on this our model gives an unacceptable fit.
- (iv) TLI-0.814. Ideally it should be more than 0.9. Based on this our model gives an unacceptable fit.

As CMIN/DF, RMSEA, GFI and AGFI are in the acceptable range the measurement model obtained through SEM is a good fit model. Even though the values for GFI and AGFI do not exceed 0.9 (the threshold) value , they still meet the requirement suggested by Baumgartner and Homburg(1995) , and Doll,Xia and Torkzadeh(1994): the value is acceptable if above 0.8.

As the pvalue of Chi-Square in this study is less than 0.05 which means that relationship exists between the constructs (EI and CRM). The minimum discrepancy is indicated by CMIN/DF = 1.957. The recommended value is less than 5. This means that model fits the data well. Standardized RMR, which represents the average value of all standardized residuals and ranges from zero to 1.00; this value would be small in a well-fitting model, i.e. ≤ 0.05 . The unstandardized residual value is expressed by the “Root Mean Square Residual” (RMR) = 0.061 value shown in the above table. The “Goodness of Fit Index” in this model is known as GFI = 0.817 and the “Modified Goodness of Fit Index” is known as AGFI = 0.798, which is considered a good fit. While both indices range from zero to 1.00, the good fit is representative of values close to 1.00. In this model, (1) the “Normal Fit Index” (NFI) = 0.865, (2) the

“Comparative Fit Index” (CFI) = 0.856, (3) the “Relative Fit Index” (RFI) = 0.818, (4) the “Incremental Fit Index” (IFI) = 0.787 and (5) the “Tucker Lewis Index” (TLI) = 0.814 indicates that the model suits well again. The ideal value should be greater than 0.9 for this entire index. “Root mean square approximation error” (RMSEA) is often referred to as the Badness of Fit Index. The “Root Mean Square Error Approximation” (RMSEA) = 0.046 for this model indicates a good match. The 90% RMSEA confidence interval varies from a LO of 0.043 to an HI of 0.049. Even the upper bound in this analysis is therefore similar to 0.08. It demonstrates that knowledge fits very well with the proposed model. (Parry, S. (n.d.). Fit Indices commonly reported for CFA and SEM.)

The regression equation according to the structural equation modelling is given below:

$$\text{CRM} = 0.064\text{EI}$$

$$\text{CRM} = \text{CFIT} + 0.160*\text{RM} + 0.098*\text{CFOC} + 0.64*\text{EI}$$

$$\text{EI} = \text{Emo} + 0.135\text{Soc} + 0.161\text{SC}$$

This means that increase in one unit of in EI increases CRM by 0.064, increase in one unit of RM increases CRM by 0.160, increase in one unit of CFOC increases CRM by 0.098, increases in one unit of EI increases CRM by 0.64, increases in one unit of Sociability increases EI by 0.135 unit, increase in one unit of SC increases EI by 0.161 unit.

Regression equation according to the structural equation modeling concludes to believe that, there is direct relationship fit between Emotional Intelligence EI and CRM. Further three key variables of EI, Emotionality, Sociability and Self-control contribute more on building high Emotional Intelligence over a variable like Wellbeing.

Therefore, CRM is not only about technology or technical set up alone, but Human skills and emotions have considerable impact on the same. Employees' emotional intelligence quotient has a major role to play in organizations CRM. A combination of the technology and human emotions like emotionality, sociability and self-control besides the use of technology will help the organizations in building customer centric organization culture and relationship management. Organizations therefore, must invest in to selection, recruitment, training and development to ensure and building High emotional quotient with the Human capital to gain maximum profitable advantages of CRM technology specifically in a financial services sector like a Banking sector.

Managerial Implications :

1) This research is clearly emphasizing on the need of effective CRM in the present competitive era in the banking sector. Although perceptual mapping of the various banks employees are significantly different with respect various variables of EI and CRM, However

they have a commonality in the belief that “CRM is a function of both technology and emotional intelligence.” Therefore, it could be good insight to the management that EI quotient can be mapped in the employees from selection process itself to the recruitment. Organizations can include a development plan for an employee through employee engagement activities or training and development to build Emotional Quotient.

2) Variables like Emotionality and Sociability has been perceived to impact high on Emotional intelligence, over Self Control or Wellbeing, these perceived outputs can help the organization to build their training and development strategies in the desired directions.

3) Regression Equation of SEM guides to the fact that Relationship Marketing and Customer Focused Information technology are the major influencers in CRM besides EI. Therefore, this present research gives clear direction to the banking sector that all the strategic marketing initiatives are to be driven in the said directions.

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