

Emotional Intelligence & Customer Satisfaction in Indian Banks

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This paper explores the relationship between emotional intelligence (EI) factors like competency, sensitivity and maturity on customer satisfaction among employees of Indian banks. The promotion of emotional development in service organizations assumes that the ability to regulate emotions is a positive trait which is associated with customer satisfaction in the service industry. This research has been carried out among 90 branch managers and the customers of a bank in Madhya Pradesh. EI is found to be associated with customer satisfaction. Among the three factors (maturity, sensitivity and competency) of EI, maturity of branch managers is the major contributor to customer satisfaction.

Introduction

According to D. Singh, (2006) emotions are robust means arising in response to internal or external events, often resulting in sentiments of warmth. As emotionally intelligent individuals are more likely to manage their emotions lucratively, develop strong relationships with others, and experience positive effect as well as optimism (Koydemir, Simsek, Schütz & Tipandjan, 2013), it may be worth exploring the benefits of this construct with regard to its relationship with customer satisfaction. The banking institutions that are meant to serve customers have become highly competitive around the country. Moreover, due to the policies of the apex bank, all commercial banks offer nearly the same services. Therefore, over a period they have become almost the same – a phenomenon called ‘institutional isomorphism’ (DiMaggio & Powell, 1983). Banks are,

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therefore, not only meant to serve the needs of the people, but also have to meet the expectations of the customers by understanding their apparent needs (Singh & Kaur, 2011). The current research intends to examine the role of emotional intelligence (EI) as a mechanism to enhance the quality of customer service experience in the banking sector.

Emotional Intelligence & Climate for Service

According to Salovey, Mayer, and Caruso (2002: 160), EI refers to “the ability to process emotion-laden information competently and to use it to guide cognitive activities like problem solving and focus energy on required behaviors.” EI reflects the ability to reason with the non-cerebral, essentially thinking with and about emotion, using a range of skills (Bar-on, 1997; Canute, 2005). Bar-On (1997) also emphasizes cognitive abilities/ skills such as problem-solving and reality testing as compliance components of EI while adapting to environmental demands. Goleman (2006) summarizes emotions are critical in managing, controlling and affirming that emotion does matter for rational working and wits cannot work at its best without EI. Customer satisfaction can be conceptualized as an emotional or a contemplative response to a judgmental process. We sway each other’s frame of mind. Influencing another person’s emotional state, for better or for worse, is perfectly natural; managers in service organizations do it constantly; “transmitting” emotions from one another is like some kind of communal virus. Higher levels of EI are required

to build an active and stable company in this information era. The traits of EI, like empathy, proficiency, aptitude, maturity, self-regulation, and assurance are some of the important preface towards commitment and getting best result from the workers of today. A higher level of Emotional Quotient (EQ) is required to deal with demanding customers in the service industry; though it requires high levels of EI to retain customers in any kind of business.

Very few measures of EI have been developed in India. Chadha and Singh (2001) developed an EI scale which is widely accepted and apt for the Indian population. This test has been widely used and found consistent on Indian service managers, bank managers, bureaucrats, and industrial trainees. Various definitions of EI were reviewed, but the one recommended by Chadha and Singh (2001) is the one cited since the paper is meant to do a study in the context of the Indian population. Chadha & Singh (2006) described EI as the ability of an individual to appropriately and successfully, respond to a vast variety of stimuli being elicited from the inner self and the immediate environment. According to him EI can be classified into three psychological magnitudes, i.e. emotional competency, emotional maturity, and emotional sensitivity, which motivate an individual to be acquainted with truth, infer honestly and handle thoughtfully, the dynamics of human behavior.

The three psychological scopes in EI contain different proficiency that Indian managers should master to engage, sat-

isfy and retain customers in the service sector. Emotional competency can help the managers acquire the prowess to recognize, appreciate, and stabilize effective information towards the self and others, embark upon emotional upsets, high self-worth, and egoism and also to elicit a sensitive response to emotional stimuli. Emotional maturity is replicated in the behavioral prototype exhibited by managers while dealing with the immediate environment. Some of the important aspects of emotional maturity are self-awareness, management of emotions, handling relationships, compliance and flexibility. Looking through psychological purview, sensitivity means the characteristic of being unusually sensitive and, being able to judge the verge for various types of stimulations, inducing sensations, feelings, and emotions to detect, distinguish and analyze the environment. The managers may seek to evolve the skills of understanding the threshold of emotional arousal, empathy, interpersonal relations, and communicability of emotions while dealing with customers.

Emotional Intelligence & Customer Satisfaction

In banks, the straight interaction between service manager and customer plays a critical role. Accordingly, service rendezvous or the interaction of the employees with customers has been called the 'fateful moment' in which the customer chooses to buy a product or not. In service organizations, one of the central tasks for the employee is to create an optimistic atmosphere during this convene (Pugh, 2001). A positive impression secures a

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smooth interface with the customer with a higher probability of a constructive outcome. Emotionally competent employees should be more victorious in enkindle this "emotional response". Firstly, emotionally competent employees probably have higher levels of understanding and warmth toward affective or other social signals which serve as a basis for any action toward their customers (Lopes, Salovey, Cote & Beers, 2005). Salovey and Mayer (1990) argue that EI is an individual's ability to monitor, discriminate, and use feelings and emotions in self and others. Thus, it should be easier for high EI employees to maintain a positive affective state in difficult or demanding situations of service interaction (e.g., dealing with stumped, frustrated and hostile customers). Moreover, the potential to regulate the customer's emotions may lead to the use of better interface strategies (Lopes et al., 2004). For example, in the facade of speculative financial decisions of banks, emotionally competent and mature employees may select strategies that first lessen the customers' feelings of anxiety or apprehension before letting the customer take a final call with concilitation. Recent studies in the context of service have found a link between the employee's splash of affirmative emotions (e.g. , greeting with smile and friendly expressions) and the customer's positive emotional state (Pugh, 2001; Tsai & Huang, 2002). However, as this social action and

reaction follow, the flow of emotional sequence probably does not only lead from the employee to the customer but also the other way around. Categorically, the employee's emotional signals should lead to identical, open acknowledgement from the customer. These feedbacks should then produce a reciprocal concern state in the employee which is then expressed and so on (Cote, 2005; Rafaeli & Sutton, 1989).

Goleman (1998) duly argues that using EI skills in providing customer service can produce long-term benefits in a company. He indicates that empathy is the most important skill of EI that service providers need to develop continually. As a result, the service providers' EI is a significant issue to be explored in service industries, especially in the financial institutions as in the banking industry, where the hard cash of customers is at stake.

Emotional orientation or "individual customer focus" aspects like emotional sensitivity, respect, empathy, cooperation can have a positive effect on customer feeling. Cognitive orientation or "service delivery focus" visualizes on dependability, responsibility, problem-solving ability and reliability for adept service. The last feature is a behavioral orientation or "tangible content of the service" which focuses on willingness to act to achieve the highest tangible manifestation of service. The integration of emotional, cognitive and behavioural elements relates to competency in bringing about tangible service and satisfied customers. This integration shows a clear overlap with aspects of EI outlined earlier.

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As competition figures in, and the pace of change rolls in the banking industry, we cannot continue doing "routine business"; great service beats faster service. We need a new approach, i.e. emotional processes which can work faster than the mind, take command over it to bend attitude, supersede the emotional fabric, and provide us with instigative feeling instead. The "emotional gear" can transcend linear thinking and work towards customer satisfaction. Bank branch managers interact everyday with customers who have diverse needs, wants, and expectations. They significantly influence the belief, mind-set and emotions of customers. The stress of trying to pilot and satisfy the changing needs and expectations of numerous customers can be astounding. Enhancement of EI skills enables managers to balance their own, and the customers' emotions, and motivates them to perceive customer needs effectively. The researcher thinks that EI can be developed that will facilitate desire to achieve, prosper with customers, and to find essence through interaction with the customer. Given the strong affable-based nature of EI, it can also be conceptualized in terms of a social skill. Consequently, it is contended that EI will have mutual effects i.e. direct and indirect on customer satisfaction. To address this issue, an empirical study was undertaken. Based on a study of a sample of branch managers

working in public sector banks, this paper examines how EI skills are associated with customer satisfaction.

Research Hypotheses

It is proposed:

Hypothesis 1: Managers with higher collective EI will have a higher level of satisfaction, ability than those with lesser collective EI.

Hypothesis 2: The three parameters of EI, i.e., emotional sensitivity, emotional maturity, and emotional competency, will have a positive correlation with one another and each one would contribute to predicting customer satisfaction.

Hypothesis 3: There would be no significant relationship between demographic variables (gender, educational qualification, and working experience) and EI.

Sample

A sample of 90 branch managers of public sector schedule commercial banks and their respective customers participated in this study. The State Bank of India, Bank of India and Central Bank of India are the three leading banks in Madhya Pradesh, which have a greater number and uniformity of branches in the state. These three banks were therefore taken for the study. A branch manager and a valued customer were surveyed from each branch, using two different sets of questionnaires. A valued customer is one who has a certain amount of fixed deposit or at least his /her account is operational

for three years with the bank, or as defined by the bank. The valued customers included in the sample were identified by the researcher randomly with the list provided by the managers of the respective branches. 95 questionnaires were distributed among the selected managers and valued customers of each branch. All respondents were assured of confidentiality. They were assured complete anonymity of responses and were requested to return the completed questionnaires within two weeks. The responses to the questionnaires were collected personally. The focus of the sample was chosen to be the Bhopal and Indore divisions of Madhya Pradesh; Bhopal being the capital city and Indore being the commercial capital, were likely to result in a greater incidence of emotional upsets, high self-esteem, and egoism among managers. There is a total of 376 branches of these three banks in these two divisions. Of the 376 branches, 94 (25%) were selected randomly. A total of 90 responses were gathered from respective branch managers, and from valued customers. The response rate was 90%. Thus, 90 branch managers and 90 valued customers formed the valid sample for the study. The demographic details like age, gender, years of service (transaction with the bank, and education were also obtained through questionnaire surveys from bank managers and, valued customers. The branch managers were in the age group ranging 35 years and above. All managers and customers had a Bachelor's degree as the minimum qualification.

Along with social and demographic variables, data on EI and customer satisfaction were collected personally through

questionnaires. The questionnaire containing the measures of the variables mentioned above was given to three banking experts with wide years of experience in the banking sector; items recognized by them were retained in the final survey. Whereas a branch manager reported on the EI quotient, customers assessed their satisfaction with the banks.

Emotional Intelligence

EI was assessed by the scale developed by Chadha and Singh (2006). The tool was adapted to 12 situational aspects whereby sensitivity, maturity, and competency items were equally emphasized. Response description weighted against each item that was related to the answer given by four different replies. A sample of emotional maturity question is: "As GM of the bank while taking a meeting with the union, one of the union leaders levels serious allegations of corruption and favoritism against you. How will you react?" The replies are a. Continue with the discussion and listen to their demands with a cool head b. Ask the union leader to make the allegations in writing and offer an impartial inquiry c. Cancel further negotiations and ask the union leader to apologize first or d. Leave the room after assigning the responsibility to your subordinate to continue with the meeting. The consistency (Cronbach Alpha) of the construct was 0.68.

Customer Satisfaction

Customer satisfaction was assessed by the valued customers using a twenty-six item, adapted tool of Sureshchandar

et al. (2002). The scale contained five dimensions: (1) service aspect, (2) human aspect, (3) tangible aspect, (4) systemization of service delivery and (5) social responsibility. Response categories for each item were on a 5-point Likert-type scale – from (1) highly satisfied to (5) highly dissatisfied. Item wordings were modified to suit bank customers. Sample items of the human aspect include: 'bank employees are polite and friendly'. The tangible aspect include: 'The bank has adequate ambient conditions such as temperature, ventilation, noise and odour in its premises for the banking. The reliability (Cronbach Alpha) of the construct was 0.91.

Results

To assess the relationship between EI and performance, t-tests, ANOVA, and Pearson correlation using SPSS 13.0 were performed.

The study investigated correlations between EI and customer satisfaction. Table 1 shows the descriptive statistics like mean, minimum, maximum, and standard deviation values of the different EI parameters used in the present study.

To know whether significant relationship exists between the predictor variables (EI variables) and the criterion variable (customer satisfaction) bivariate correlation was applied. Linear correlation between EI and the overall performance score has been depicted in Table 2. A positive correlation between all the EI dimensions (emotional competence, emo-

Table 1 Descriptive Statistics

	N	Maximum	Minimum	Mean	Standard Deviation
Emotional Intelligence	90	295	175	262.11	20.22
Maturity	90	80	40	64.5	9.42
Competency	90	90	40	73.94	7.16
Sensitivity	90	80	40	68.44	9.32
Customer Satisfaction	90	114	29	63.04	18.62

tional maturity, and emotional sensitivity), with one another, and with the total EI score with a significance level of 0.05 was found. There is also a positive correlation between the total EI scores and customer satisfaction at 0.05 level of significance.

The correlation coefficient varies from 0.751 to 0.20. The correlation coefficient of EI and customer satisfaction is positive (.24) showing a significant relationship between EI and customer satisfaction as shown in Table 2.

Table 2 Correlation Matrix of Emotional Intelligence with One Another

	Maturity	Competency	Sensitivity	Emotional Intelligence	Customer Satisfaction
Maturity	1				
Competency	0.2	1			
Sensitivity	.233(*)	0.028	1		
Emotional Intelligence	.751(**)	.656(**)	.288(**)	1	
Customer Satisfaction	.209(*)	.253(*)	.225(*)	.249(*)	1

* Correlation is significant at 0.05 level (2-tailed).
 ** Correlation is significant at 0.01 level (2-tailed).

Table 3 depicts ANOVA result of satisfaction with the EI factors, i.e., competency, maturity, and sensitivity. ANOVA was done to know which among the three factors is a major contributor towards overall satisfaction. The respondents were divided among two separate groups based on their satisfaction scores, i.e., low and high, the low group having a satisfaction score below average i.e. 63 and the high group having a score more than average i.e. 63. The different factors, e.g.,

maturity, sensitivity and competency have *F* values 3.46, .33, 2.20 respectively, all significant at *p* value 0.05. Thus, it can be concluded that among three parameters, maturity is the major contributor towards satisfaction of customers.

Table 3 ANOVA

	F-Value	Significance
Emotional Intelligence	4.21	0.00
Maturity	3.47	0.02
Competency	2.20	0.05
Sensitivity	0.33	0.03

Among three parameters, maturity is the major contributor towards satisfaction of customers.

Further, t-test was done to know whether demographic variables have any significant effect on EI. In Tables 4-5 results of the t-test has been shown where

the effect of demographic variables, e.g., gender and qualification has been depicted. To know the impact of experience on EI and its factors, ANOVA has been used. Gender (male vs. female) and qualification (graduate vs. post graduate) do not have any significant effect on the EI parameters, whereas work experience has a significant effect on EI with more work experienced people having higher EI. There is a significant effect of EI and factors of EI on experience, thus, showing work experience affect EI. Thus hypotheses 1 and 2 are supported, whereas hypothesis 3 is only partly supported.

Gender (male vs. female) and qualification (graduate vs. post graduate) do not have any significant effect on the EI parameters, whereas work experience has a significant effect on EI.

Table 4 t-Tests to Show the Effect of Gender on EI Parameters

	t-value	Significance
Emotional Intelligence	0.876	0.384
Maturity	0.151	0.881
Competency	1.108	0.272
Sensitivity	0.59	0.557
Customer Satisfaction	1.74	0.085

Table 5 t-Test to Show the Effect of Educational Qualification on EI Parameters

	t-Value	Significance
Emotional Intelligence	0.636	0.527
Maturity	1.42	0.157
Competency	0.366	0.388
sensitivity	0.867	0.715
Customer Satisfaction	0.402	0.689

Table 6 ANOVA to Show the Effect of Work Experience on EI Factors

	F-Value	Significance
Emotional Intelligence	4.29	0.05
Maturity	4.76	0.04
Competency	2.62	0.04
Sensitivity	0.43	0.05

Discussion

This study empirically investigates the relationship between EI and customer satisfaction in the Indian banks. There are three objectives of the study : first is to determine if EI and customer satisfaction has significant relationship ; second is to demonstrate which aspect of EI is a major contributor towards customer satisfaction and third is to see if the demographic factors are predictive of EI. There is a significant relationship between the EI of employees and customer satisfaction. Abstractive accounts about the link between EI and customer evaluations of service have been provided in the past (e.g., Goleman, 1998) but clear empirical evidence has been lacking. Thus, if one accepts EI as relevant indicators for customer satisfaction and positive evaluations of the service, this study will contribute towards strengthening the position of EI in the service sector.

All the three factors of EI, i.e., competency, maturity, and sensitivity, have been found to contribute towards customer satisfaction but emotional maturity has been identified as the dominant factor responsible for customer satisfaction in the present study. This can be better explained with the definition which means, self-awareness, developing oth-

ers, delaying gratification, adaptability and flexibility. These parameters play a major role towards customer satisfaction. As, this study has not been reported in literature it becomes essential to be validated by other researchers. The finding further shows that working experience in service counters can predict EI. The result is in conformity with that of Goleman (1998), who expressed the view that EI tends to increase as one matures and gains experience. The probable explanation for the result could be attributed to the branch manager's interaction with customers of diverse backgrounds and tastes in the course of their service career. This may have, led, to people-oriented approach and development of skill in the series of such communication and participation. This could be the main cause as to why, with due experience of service, the position of branch manager is provided to the employees in the banking sector.

Studies related to EI and customer satisfaction is still in its inception stage in Indian context. Many of the current studies in this area are bothered to document the existence of relationships between measures of EI of service employees and the respective customer's satisfaction. The review of literature does not find any research which has been done by using formal assessment and evidence to establish a relation between EI and customer satisfaction among bankers, particularly in the Indian context. Thus, the current study is therefore a reflection and a step towards one of the researches that focus within the area of EI and service quality satisfaction among customers. The fact that EI is signifi-

cantly related to bank customer satisfaction may have valuable implications for the policy makers, advisors, recruiters, trainers, and supervisors in the financial and service sector. By evaluating one's level of EI, necessary areas for improvement of a banker might be identified. Correspondingly, in the bank, trainers might identify tough, flaw and gaps that can be useful in both training and customer relationship management. EI might be useful as both as staffing and evaluating tool in the banking sector where selections are still done on intellectual ability and behaviour tests are still to be introduced.

Conclusion

Customer satisfaction of service sector can be predicted by EI. The findings of the study confirm through empirical analysis the relationship between EI and customer satisfaction. So, the produce, commodity can attract customers but the route of customer satisfaction is through empathy, self awareness i.e, emotional intelligence. Thus, to create new interactive business one cannot rely on product itself. Human societies are composed of services which comes and go from people (Lenka, Suar & Mohapatra, 2010). Perception and sensitivity take on value, or pecuniary worth, when they impact and control a customer's future behavioral intentions, such as retreating, or never rebounding, to a place of business (Fox, 2001). Loss of deposits from customers can be a major impact of poor customer service in bank (McKinney, 2000). In order to improve customer satisfaction the customer should feel that

proper heed has been taken, his problems had been heard and served, listening and attending to customer problems, deal with customers and their difficulties, and pursue customers after solving problems are the three essential stages to satisfy customers in Indian banks. In order to effectively use these three dimensions of customer satisfaction, service providers need to have the emotional maturity, compassion, warmth, and skills to grasp and recognize customers' feelings. Responsiveness and empathy are the key contributors in a service quality measurement. The care and attention service providers offer to their customers, are imperative. In order to cope with disgruntled customers, retain and increase customers for their companies, service providers should develop their EI skills. Service providers not only need to provide remarkable service to customers, but also need to leverage customers to buy or acquire a product or service. Therefore, they need to develop the social awareness ability as a part of their EI particularly empathy, competency and maturity (Gowing, 2001). As EI has become very critical to the success of an informative organization, the attributes of EI should be recognized globally and become inclusive of every curriculum and training plan. As the study reveals EI can be learnt and escalate with experience, the

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experience can be certified during bank selection and recruitment process.

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