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## Banking Services that Influence the Bank Performance

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### Abstract

In recent years, greater competition in banking industry has been driven by globalization. The growing diversity of customers' demands and technology changes are expected to have a great impact on the management of the bank in order to retain and attract potential customer and investor into the banking industry. However, with the increase in income levels, status and number of bank branches, the bank management is driven to identify banking services to improve their bank performances. The purpose of this paper is to examine the influencing factors towards performance of the bank. Specifically, the paper aims to examine to which extent the bank performance is influenced by service quality, innovation, technology and employee commitment.

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*Keywords:* bank performance, service quality, innovation, technology, employee commitment

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### 1. Introduction

In previous decades, banks have provided a variety of savings accounts, debit and credit card services, as well as loans and investment plans. Throughout the recent years, the banking industry has evolved in its scope responding to the changing nature of its environment. It has now transformed into the online banking era, where banks nowadays are exploring new methods of delivering their offered services to their customers (Ghaziri, 1998). Due to this, banks are able to serve their customers better without having to further expand their branch offices. With the advent of globalization, the banking sector has improved its services in response to the increase in competitive pressure and demand for economic growth.

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## 2. Literature review

The ‘Balanced Scorecard’ is a performance measurement framework which added non-financial performance measures to traditional financial metrics (Kaplan & Norton, 1992). This allows managers to evaluate their business from four important perspectives, which are: the customer perspective, the internal perspective, the innovation and learning perspective and the financial perspective.

Intellectual capital (IC) is defined as the sum of the assets of a firm which is fully captured on the balance sheets as cited in (Mahmood et al., 2012). Knowledge, experience, expertise, and associated intangible assets such as trademarks, patents and brands are examples of a bank’s “hidden” assets. Studies have shown that most firms have three forms of embedded IC which are human capital, relational capital and structural capital.

Commercial banks play an important role in the financial system and the economy. Banks function as financial intermediaries that transform savings into investments, and deal with loans in an efficient manner, where stronger banks provide greater confidence (Rumler et al., 2010). Economic growth is highly dependent on the banking industry output (Berger & Humphrey, 1997; Dobbs & Hamilton, 2006; Abu-Alkheil, Burghof, & Khan, 2012).

Customer satisfaction is an indispensable aspect of bank survivability and success (Haron, Ahmed, & Planisek, 1994). The intense competition within the banking sector has driven banks to innovate, compete, and generate value for customers with long-term benefits (Ahmad, Humayoun, Nawaz, & Bashir, 2011).

Efficiency of banks is noted in performance measurements so as to help bank management to improve operations, market position, and competitive advantage (Berger & Humphrey, 1997; Berger & Mester, 1997; Lin, 2010; Galli zo, Moreno, & Pop, 2011; Abu-Alkheil et al., 2012). Performance measurement has been defined as a process of quantifying the efficiency and effectiveness of an action by Neely, Bourne, & Kenerly (2000).

## 3. Proposition development

In order to achieve the proposed objectives, the following hypotheses were developed for testing;

- H1: Service quality has significant relationship with bank performance.
- H2: Technology has significant relationship with bank performance.
- H3: Innovation has significant relationship with bank performance.
- H4: Employee commitment has significant relationship with bank performance

### 3.1 Service quality

Service quality is an important element of performance measurement where a bank may distinguish itself from its competitors (Sangeetha & Mahalingam, 2011). Bank management should pay more attention to learning more about and improving the quality of its organization and its offerings.

### 3.2 Technology

In tune with global trends and practices, banks have perceived that an increase in technological level has become a crucial requirement in achieving their goals (Chandrasekhar & Sonar, 2008). In order to improve performance, organizations invest in IT equipment, personnel, and training annually. In response to the rising demand for quick, efficient and reliable services, technology is increasingly deployed as a bridge to generate insights into customers’ behavioral patterns and preferences (Sivabromvatana, Siengthai, Krairit, & Himangshu, 2005; Sangeetha et al., 2011).

### 3.3 Innovation

Innovation is defined as the process of transforming an idea into goods or services to create value for the customers (Saunila & Ukko, 2012; Business Dictionary, 2013). An innovation involves the creation and implementation of new processes, technology, the ways of delivery, and human capital which results in significant

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