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Social orientation of banks

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Abstract

The influence of the bank's orientation on clients and the quality of the services provided on the financial efficiency of the commercial institution (sales volume, profitability, cost reduction) was studied. The development of online banking and Internet banking is considered. The relationship between the profitability of the bank and the level of customer-centricity is proved. World experience has been compared and generalized, and country specificity has been singled out in different regions of the world. The dependence between the degree of customer satisfaction and their subsequent loyalty to the bank was studied. Prospective directions of expansion of the market of banking services are outlined, and also changes in the psychology of the client that took place due to scientific and technological progress are noted. The basic directions of increase of efficiency of work of the bank personnel are allocated.

Keywords: First keywords, second keywords, third keywords, forth keywords;

1. Introduction

In recent years, the concept of social orientation of banks (another name - corporate responsibility) is becoming more popular in the world market. For example, in 2015, three out of five largest banks had the indicator of social orientation in their annual reports; in 2011 this indicator could be found only in one of five largest banks. Three quarters of the largest banks (their total number is 100) and 90% of the largest international companies (250 companies) announced about the implementation of corporate responsibility [4].

The key problem of embedding a socially-oriented policy in the bank is its complex interrelation with the indicators of financial efficiency. Researchers identified several models of the relationships between social orientation and financial efficiency of banks:

1) when social orientation positively influences the bank's financial performance
2) when socially-oriented banks lose due to increased financial costs
3) when social policy of the organization currently depends on the results of financial activity existed in the past period
4) a synergetic hypothesis of mutual influence of social and financial results[4].

2. Islamic banks

The quality of embedding social orientation in Islamic banks is lower than it is at the world level; although the social orientation policy has a long tradition in Islamic culture. However, due to the increased competition for buyers, Islamic banks began to pay more attention to client-oriented methods. Islamic banks use several methods for determining the necessary areas of social policy. In the prioritization of CSR fields on the basis of market research, several potential directions are singled out, which are then studied through experiments using the analytical hierarchy method. The analytical hierarchy method could be traced to the early 1980s, his inventor was Thomas L. Saaty. This method includes paired comparisons to identify relationship scales and preference criteria. The method uses criteria, sub-criteria, and alternatives in the form of a hierarchy. Each criterion is assigned the preference indexes from 1/9 to 9. The DEMATEL method is used to identify the links between several phenomena (for example, between the social orientation of the bank and the results of financial activity) on the basis of comparing statistical data pairs. Both methods are used together to analyze 3 situations: "only customers" assessing the effectiveness of the bank from the point of view of customers; "only managers", evaluation of the bank's performance only from a management perspective and a combined approach that takes into account both the bank's interests and the client's interests. The analysis is carried out over the previous 10 years of the bank's activities and aims to optimize the priorities of both the financial activities of the bank and its social policy (for example, with a 95% of satisfaction rate and 85% of the social policy of the bank, the satisfaction rating is 90%). The organizational work of banks in terms of satisfying the needs of both external and internal customers is also studied. At the same time, there are no universally accepted methods for evaluating the organizational work of banks. Some scientists use a cost method combined with the level of profitability, but it does not take into account the client-oriented approach. In other works, the organizational activity of banks is assessed by 5 parameters: innovation, initiative, risk acceptance, independence and aggressive behavior. Innovation is considered to be one of the most important factors of competition with more conservative banks and the achievement of a strategic position in the banking services market due to the rapid development of new technologies and changes in the psychology of clients. The degree of customer satisfaction with banking services has become a major factor in making profits [4].

Another study was conducted among the Islamic bank of Saba, the international Islamic Bank Tadhamun, the Shamil Bank in Yemen and Bahrain and the Islamic Bank in Yemen. The study was conducted in the form of a questionnaire (56 questions) by managers of structural divisions of banks. All variables were used in the interrelated factor model. As a result of the study, a link was established between the quality of organizational work and the financial efficiency of the bank: investments for improving the organizational work of the bank can improve its financial performance to 26%. However, the authors note a negative point of the study as it studies one point in time instead of long-term dynamics and a certain subjectivity of the survey of bank managers also plays a crucial role [1].

3. African banks

The effectiveness of African banks in terms of client-orientation has been examined using the example of the East Commercial Bank Hararghe in Ethiopia. This bank, with millions of customers and hundreds of branches, is the largest in Ethiopia, but it is under competitive pressure from other commercial banks. Previously, Ethiopian banks relied on the results of accounting reports and profit and loss reports, and only recently, client-centeredness began to be taken into account: customer groups and factors determining their satisfaction and loyalty. The results of the analysis showed a direct relationship between the quality of customer service and the improvement of the competitive position of the bank; improvement of the client-centeredness of the bank leads to a significant increase in costs and a decrease in the rate of return. A possible solution to this problem is to increase interest rates and to transfer part of the costs to customers. A promising solution is the transition to long-term relationships with customers instead of providing one-time banking services. However, the client-centered approach faces considerable difficulties in Ethiopia: in conditions of unstable financial situation, investments in new technologies and improvement of the quality of customer service acquire the character of high-risk transactions with an unclear prospect of getting a return in the future. According to surveys, clients do not see a significant difference between the qualities of service in various banks and generally note a low level of service and accessibility of services. While some clients still prefer personal trips to the offices, the percentage of people who prefer automated banking services is constantly growing among Ethiopian residents. However, the introduction of technological novelties in Ethiopia is very difficult, therefore the main direction of improvement in this area is the development of new automated interfaces with lower costs and a higher level of reliability and convenience. With the establishment of bilateral contacts, it is important not to study the market as a whole, but to explore the needs of individual client groups and even specific people. In the client-oriented strategy of banks, three parts are singled out: client orientation, marketing relationships, and database management for customer management. The customer is expected to be retained in the bank by offering current banking products to the customer at the moment. A separate approach to customers with high income, the bulk of customers, is required as well as separate services are needed for customers who prefer automated technology and customers who prefer personal communication with the bank's staff. A comprehensive study carried out by comparing the degree of customer satisfaction with the quality of service in banks through questionnaires and financial performance of banks showed a positive relationship between these two phenomena, which confirmed the worldwide trend, even in such a relatively underdeveloped country as Ethiopia[5].

The survey of 322 bank customers in one of the cities of southeastern Nigeria revealed a close relationship between customer orientation, the level of analysis and processing of information about it and the level of satisfaction, trust and, ultimately, customer loyalty to the bank. Despite the specifics of the Nigerian market of banking services, there is a worldwide trend of a positive relationship between client-oriented banks, on the one hand, and profitability and stability in the competitive market on the other hand (for example, in 2016 Izogo suggested that a sustainable profit could only be obtained from loyal customers). However, in Nigeria the analysis of banks' activities has been conducted only on financial results, and client-orientation evaluation methods are penetrated from Europe and the USA (but they do not take into account local socio-cultural specifics). Local analysts used the two-step stimulus-response methodology to study client-oriented banks: the social orientation of banks, the reaction of clients to this policy. On the one hand, the influence of each factor on the final result is studied, and on the other hand the degree of dependence between the bank's policy and the client's behavior is examined. The stimulus response method was developed by Mehrabian and Russell in 1974 and it states that external incentives generated by commercial organizations directly affect the internal incentives and behavior of clients. The Nigerian experts chose the theory of social exchange (SET) as the basis of their research: the system of interrelations between subjects that are interdependent depends on the action of another person and ultimately engender mutual obligations. This theory has great potential for studying high-quality relations between the parties based on a comparison of costs and benefits for everyone. In RQ (the general assessment of the strength of the relationship), different researchers distinguish between 2 and 3 determinants: trust, satisfaction and commitment. However, some researchers disagree with these determinants and distinguish their own: customer orientation, expertise and information exchange. There are 3 approaches in the study of RQ: from the point of view of the organization, from the point of view of consumers and the combined approach. The basis of this theory is trust in the other side of the transaction, which includes 3 indicators: competence, goodwill and reliability. Other researchers identify 2 indicators of trust: influence and cognition. Confidence in this case means calm and a sense of internal security of the client when dealing with it with the organization. The degree of customer satisfaction with interaction with banks expresses its internal evaluation of the organization's performance and it consists of 3 levels: recent client experience (episodic), interaction with the bank for all time periods (contextual) and general impression of both types of experience. This technique allows you to predict the future behavior of the client based on the available information and better understand and realize the needs of the client, thus achieving a competitive advantage over the rivals. The client-oriented approach requires investments in human capital, namely the knowledge, experience and competence of the bank's employees, which in turn improves the understanding of clients and their two-way communication with the bank. At the same time, loyalty, satisfaction (both economic and non-economic) and client's confidence in the bank's brand are increasing, and clientr's relations are shifting to a long-term and long-term and more reliable basis. The client's confidence in the bank is divided into 3 levels of abstraction: behavior (compliance with promises), attributes (reliability) and general trust (the client's general opinion is whether to rely on the bank's reliability). Research on customer preferences was conducted by Ernest Emeka Izogo, Abdi Reza, Ike-Elechi Ogba and Chukwunonso Oraedu on the basis of a questionnaire in the city of Abakaliki in southeast Nigeria. Among the respondents, men accounted for a larger proportion than women. 70% of respondents had a permanent business relationship with banks. In the course of the study, a positive correlation was revealed between customer preferences and confidence level, preferences and level of satisfaction, between communication experiences with banks and trust, experience and loyalty. The intensity of information exchange has also proved to be an important factor in influencing trust, loyalty and satisfaction. Trust itself was an important factor in customer loyalty. However, only 50% of customers' adherence to banks received explanations through the above factors, which means that half of the reasons for customer preferences remained unknown. It also became clear that the experience of the bank and the exchange of information turned out to be more important to clients than the level of trust. In general, a strong positive relationship was revealed between the orientation of banks towards customers and customer loyalty. Three factors of stimulation (exchange of information, expertise and client orientation) have positively influenced customer satisfaction, loyalty and confidence. Particularly great was the role of the exchange and analysis of information about the preferences and needs of clients. At the same time, a simple customer-oriented approach to serviceability was not sufficient for long-term and lasting relationships. Thus, the professionalism and competence of the bank's employees turned out to be comparatively more important than the business culture of communication. However, Nigerian banks are still not paying enough attention to customer loyalty and increasing the level of competence of employees [3].

4. Indian banks

In India, studies have also been conducted on the impact of general quality management (TQM), quality of service (SQ), market orientation (MO) on the one hand, and customer satisfaction (CS) and customer loyalty (CL) (positive attitude towards the company, bank for subsequent financial transactions, as well as transition to permanent customer status) on the other hand. The relationship between CS and the subsequent growth of CL is revealed: satisfied with the quality of customer service in the future, they choose the same bank for their financial operations. The survey done by Durgesh Pattanayak, Maddulety Koilakuntla and Plavini Punyatoya was conducted through a survey among mid-level managers of retail banks in India on several points: overall quality of management, quality of service, market orientation, customer-satisfaction and customer loyalty on a 7-point scale. In general, there is a positive correlation between the improvement of the quality of banking services and the level of service on the one hand, and the level of customer satisfaction and loyalty on the other. After the liberalization of the 1990s, competition in the banking services market of India intensified and, as a result, the requirements of customers increased. Total quality management means integrated organizational work that includes both measuring external market opportunities and analyzing the client's hidden needs and desires to improve the bank's competitiveness. The study revealed that more satisfied customers are less likely to leave for competitors, are less sensitive to prices and retain business relationships with the bank longer. To improve the quality of service and increase customer loyalty, the use and analysis of customer information (IAS) has proved useful. For measuring SQ, Parasuraman has developed a SERVQUAL indicator, which distinguishes three criteria of service quality: reliability, responsiveness and material values (equipment quality and personnel appearance). Cultural and organizational changes within the framework of client-orientation (as studies have shown) raises the level of productivity and profitability of the bank. In MO (market orientation), in turn, the following elements distinguish: management, support, commitment, participation, empowerment of employees. According to some researchers, a particularly strong effect on CS is made by changes in SQ. The following parameters were selected in TQM (overall quality management): Leadership (LD), Information Acquisition and Analysis (IAS), Service Culture (SC), Service Based Services Banking (TBBS), Customer Orientation (CF) and Human Resource Orientation (HRF). SQ has identified: tangibility (TN), reliability (RE), responsiveness (RS), confidence (AS) and empathy (EM) [2].

5. Conclusion

The conducted analysis showed that customer orientation has a positive impact on customer loyalty and long-term relationships with the bank. In turn, customer loyalty increases the profits of banks and strengthens their competitive positions in the market. These trends are common both in the world in general and in individual countries in the field (for example, in Africa, India or the Muslim world).

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