

AN EXTENSIVE ANALYSIS OF KEY FACTORS INFLUENCING BANK EFFICIENCY: A COMPREHENSIVE STUDY

Aditi*

Open Scholar, Department of Commerce, Jind, Haryana, India

Email ID: aditi.singroha@gmail.com

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Abstract

In recent years, globalisation has contributed to a rise in the competitiveness of the banking industry. Bank management will unavoidably be influenced by the rising complexity of customers wants and the quick speed of technology improvements in the banking sector in order to keep existing customers and attract new customers and investors. This is necessary in order to remain competitive in the banking industry. However, as people's wealth, social status, and the availability of banking services all rise, bank executives feel pressure to find methods to enhance their organisations' bottom lines. This pressure comes from the expectation that their institutions will continue to grow. This essay intends to achieve precisely that by doing research on the factors that are most critical to the accomplishments of the bank. This article will analyse the ways in which the success of a bank may be affected by aspects such as the quality of the service provided, innovation, technological advancement, and employee devotion.

Paper Identification



**Corresponding Author*

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Introduction

During the preceding decades, financial institutions such as banks have offered customers a wide selection of savings accounts, debit and credit card services, lending products, and investment

opportunities. The banking sector has expanded its reach over the course of the past many years as a direct response to the shifting characteristics of the environment in which it operates. It is now the era of internet banking, and financial institutions are always researching new ways to provide the services they provide to their consumers. Because of this, financial institutions are now in a position to provide improved service to their clients without the need to further extend their network of branch offices. Because of the introduction of globalisation, the financial industry has been able to enhance the quality of its products and services in order to satisfy the growing need for economic expansion.

Review of Literature

It has been determined that one of the most important factors contributing to a company's success in the banking business is the provision of high-quality customer service. According to a number of studies, the most important factors in luring new customers and keeping existing ones are providing a high level of satisfaction to existing clients, providing individualised banking services, and maintaining effective complaint resolution procedures. In addition, Parasuraman et al. (1988) found a correlation between high service quality and enhanced client loyalty as well as higher profitability for financial institutions like banks.

Innovation is essential for financial institutions to maintain their competitive edge and fulfil the ever-evolving needs of their customers. According to research, the implementation of innovative business strategies at a bank, such as the launch of new goods and services, digital banking platforms, and collaborations with fintech companies, may have a substantial influence on the institution's level of success. (Kaplan & Murdock, 2011) a number of studies have highlighted the favourable association that exists between innovation and financial success in the banking industry.

The banking industry has been completely disrupted by the fast development of technology, which has made it imperative for financial institutions to adopt digitalization and make good use of technology. According to the findings of recent studies, the adoption and integration of new technologies may increase operational efficiency, cut costs, and enhance customer experiences. According to Aladwan et al.'s research from 2020, banks that are able to successfully use technology into their business processes often enjoy greater levels of success.

Dedication of personnel: Commitment and dedication on the part of bank personnel are two of the most important factors that contribute to the success of financial institutions. According to a body of research, staff engagement, contentment, and motivation have a beneficial impact on the

quality of customer service provided, as well as productivity and the overall success of an organisation. According to Al-Badi et al. (2016), there are several essential aspects that play a role in encouraging employee devotion, including effective leadership, training programmes, and a supportive work environment.

Objectives of the study

- The primary aim of the research is to identify the many factors that contribute to decreased productivity in commercial banking.
- Finding the Contributing Factors That Will Improve Bank Productivity

Research Hypothesis

In order to accomplish the goals that were outlined, the following hypotheses were generated and will be put to the test;

H₁: There is a considerable correlation between the quality of service and the success of banks.

H₂: Bank efficiency is closely linked to technological advancements.

H₃: There is a strong correlation between innovation and financial institution success.

H₄: There is a strong correlation between employee dedication and bank success.

Factors Affecting the Banking Productivity

- **Quality of Service**

One way in which banks may set themselves apart from rivals is by the quality of the services they provide. In order to better serve its customers, the bank's management should devote more resources to training and research.

- **Enhancement of Technology**

Banks, in line with prevalent worldwide practises, have realised that stepping up their technical prowess is essential to succeeding (Chandra 2018). Each year, businesses spend money on IT infrastructure, employees, and professional development in order to boost productivity. Technology is being used as a bridge to get insights into consumer behaviour patterns and preferences in order to meet the growing need for fast, efficient, and trustworthy services.

- **New Innovation**

According to several sources, innovation is “the process of transforming an idea into goods or services to create value for customers.” Improvements in productivity and competitive advantage may be achieved through the development and introduction of novel processes, technologies,

delivery mechanisms, and human resources. A company's growth into new markets often follows the launch of innovative goods that satisfy the needs of a wide range of consumers.

- **Dedication of the Employee**

As a result of the fact that workers are the ones that deliver services and engage with consumers, employee dedication is one of the most important factors that contributes to a company's ability to sustain long-term performance and create value. Research has been done to determine whether or not commitment is a factor in work performance. According to Brooks (2007), employee motivation has an effect on the productivity of an organisation and is widely seen as an essential component in improving performance. According to Rahman, Mondol, and Ali (2013), employees that are highly motivated and devoted to their work contribute to a beneficial working environment.

Research Methodology

1. Collection of Data and Procedure

Data collection for this study consisted of self-administered methods like drop-off surveys and online questionnaires. In this research, we zero in on the people who make up India's Commercial Banks. The city of Delhi served as the sample location, and the respondents were all employed by financial institutions. Out of the 250 self-administered questionnaires sent out, 217 were completed and returned. The bank staff participated in an online survey, with 102 responses collected in total. As a result, 319 people participated across both approaches. There were 64.9% female and 35.1% male responses, with 49.8% holding executive positions and 50.2% holding non-executive positions. The age ranges included in the responses were 18–25 (30.9%), 26–35 (34.8%), 36–45 (51.1%), and 46–55 (1.3%).

2. Scale measurement

The scales we use in our surveys range from 1 to 5 and include nominal and ordinal scales. This study's dependability was tested with Cronbach's coefficient alpha. This coefficient measures the internal consistency of a group of variables. If the alpha value is large, the two variables are highly correlated. In addition, the reliability criterion is satisfied if and only if the alpha value is greater than or equal to 0.6. Those with an alpha of 0.6 or lower are not taken seriously, while those with an alpha of 0.9 or higher are considered to be among the best available. SAS 10.2 is used to perform the analysis and evaluation. This analysis sheds light on these four presumptions and reveals how improvements in service quality, technological advancements, inventiveness, and employee commitment all contribute to a bank's bottom line.

3. Analysis and findings

a. Testing the Reliability

Malhotra claims that a reliability test is performed to evaluate the measurement's consistency and stability.

Table 1. Statistics on the dependencies and independences of various variables

Variables	Standardized Correlation	Variable Alpha
Quality of services	0.9767	0.9916
Enhancement of Technology	0.9822	0.9909
New Innovation	0.9813	0.9910
Dedication of Employee	0.9778	0.9915
Bank Performance	0.9756	0.9918

The 25 components in questionnaire part B are evaluated for reliability using Cronbach's Alpha. Cronbach's alphas for all variables in Table 1 are more than 0.7, indicating reliability (Hair, 2010). The dependability of a bank's performance (the independent variable) is shown by a value of 0.9918. Cronbach's alpha scales for service quality (0.9916), technology (0.9909), innovation (0.9915), and personnel dedication (0.9918) were displayed in the table.

b. PCA

The strength of a correlation between two variables may be calculated using the Pearson method. The significance of the association between the two variables may be examined.

Table 2. Matrix of Correlation

	Pearson Correlation Coefficients, N= 319 Prob> r under H0: Rho=0				
	Service Quality	Communal Innovation in Technology for the Workforce.			Bank Performance
Bank Performance	0.9586	0.9707	0.9648	0.09611	1.00000
	<.0001	<.0001	<.0001	<.0001	<.0001

Table 2 shows that there is a considerable relationship between service quality, technology, innovation, and staff dedication and bank performance at the 1% level. Positive correlations are identified, indicating that boosting these factors should improve a bank's bottom line.

c. Multiple regressions analysis

Using a multivariate regression model, we examine whether or not four extra-financial elements have any bearing on banks' bottom lines. The equation (1) represents this model.

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + E \quad (\text{Eq. 1})$$

where, Performance of the bank (Y), Quality of service (x_1), Technology (x_2), Innovation (x_3), Employee engagement (x_4), and Error term (E).

The result of regression based on Equation 1 is presented in Table 3. Based on the result, the estimated model for multiple regressions is written as eq. (2).

Table 3. Regression Analysis

Parameter	Degree of Freedom	Coefficient	Standard error	t- value	P-value	Standardized estimator
a	1	0.1117	0.05413	2.06	0.0400	0
b ₁	1	0.1293	0.0613	2.11	0.0358	0.1205
b ₂	1	0.4599	0.0606	7.59	0.0001	0.4540
b ₃	1	0.2672	0.0665	4.02	0.0001	0.2489
b ₄	1	0.1707	0.0599	2.85	0.0046	0.1639

$$\text{Estimated } Y = 0.1117 + 0.1293 (x_1) + 0.4599 (x_2) + 0.2672 (x_3) + 0.1707 (x_4) \quad (\text{Eq. 2})$$

Table 3 shows that when other variables are held constant, an increase of 1 unit in service quality, 1 unit in technology, 1 unit in innovation, and 1 unit in staff commitment would result in a 0.1293-, 0.4599-, 0.2672-, and 0.1707-unit improvement in bank performance.

d. Hypothesis Testing

Table 4. Summarization of the Testing of Hypothesis

Hypothesis	Coefficient	T-value	P-value	Finding
H1: There is a considerable correlation between the quality of service and the success of bank.	0.1293	2.11	0.0358	Supported
H2: Bank efficiency is closely linked to technological advancements.	0.4599	7.59	0.0001	Supported
H3: There is a strong correlation between innovation and financial institution success.	0.2672	4.02	0.0001	Supported
H4: There is a strong correlation between employee dedication and bank success.	0.1707	2.85	0.0046	Supported

A 5% significance level indicates a significant relationship between service quality and bank performance (0.1293). These hopeful prognosticators infer that the bank's performance will improve because the service stands out from the competition.

At the 1% confidence level, the estimated value of 0.4599 indicates a strong correlation between technology and bank performance.

They anticipate a rise in the need for rapid, effective, and dependable IT services, which will boost the bank's standing with its clientele by inspiring confidence in its safety procedures.

The estimate of 0.2672, at the 1% level of significance, indicates that innovative ideas contribute to enhanced financial institution performance. These forward-thinking analysts infer that the bank's expanded product line will appeal to new customers, which will increase the institution's revenue and output.

The estimated value of 0.1707 indicates a 1% relationship between employee commitment and bank success. The bank's performance may improve, according to these optimists, because of the efforts of its highly motivated and dedicated employees.

4. Implications, limitation and future studies

The research found that while technological advancements and new ideas have a significant effect on India's banking industry, they also help these institutions keep their competitive edge and improve their bottom line.

Limitations of the study

It is essential to highlight the fact that there are limitations, as it is probable that the results would not be representative of the total population in India. Indicators that are not of a

monetary character are the only things that this study uses to obtain its conclusion. Because both financial and non-financial data are required to generate a more comprehensive picture, the result does not fully represent the bank's performance because it does not provide a more complete picture.

Future Scope

The next generation of scholars have to broaden the scope of their investigations to encompass the entire nation. Because it would include bank employees from a variety of states, it would be possible to receive an answer that is more accurate. In addition, the many members of the staff each have their own unique viewpoint, which might influence the outcome in a variety of ways. As a result, this has the potential to yield more correct responses, and hence, more accurate results. The research should incorporate both monetary and non-monetary information in the future. A more realistic picture of a bank's performance could emerge from such an analysis. This study has the potential to greatly affect the financial sector as a whole by improving the performance of banks and illuminating the relationship between quality of service, Enhancement of technological new innovation, Dedication of employee, and bank performance for quality practitioners and academics.

5. Conclusion

In conclusion, the primary emphasis of this study is placed on those aspects of banking services that have an impact on the success of the bank. These aspects include technology, innovation, service quality, and staff dedication. Gaining a competitive edge has become a significant task for the bank, but it is necessary in order to preserve and improve the performance of the bank. However, the performance of banks may be increased even further by first raising the overall level of technology in banks, then focusing on creative innovation in the goods and services that banks provide to their customers.

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