Determination of the Role of Branch Managers in Promotion of Financial Innovations in Commercial Banks of Pakistan

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Abstract

The present study investigates the role of branch manager in promotion of financial innovation by analyzing four big banks of Pakistan such as United Bank Limited, Allied Bank Limited, Habib Bank Limited and Muslim Commercial Bank limited located in three district of Punjab province Lahore, Multan and Vehari. Primary data was collected by using a Sampling technique. 200 respondents were selected randomly from these four banks through a structured questionnaire. The response rate is 100%. The objective of the study was to determine the role of manager in financial product innovations like mobile banking, ATMs, Credit card, Internet Banking, and Debit cards. Pearson's correlation test is applied to measure relationship between variables. Results show that there is no relationship between the manager personality and the product innovation.

Keywords: innovations. Manager performance. Financial products.

1. INTRODUCTION

Globalization is the word that is affecting the whole sectors of the economy of every country. Under globalization, competition is increasing, product quality is improving, technology is spreading, capital mobility is increasing, and new products are pouring in the markets. It has posed serious challenge to business organizations, which want to survive [1].Globalization has mainly affected financial sector particularly banking sector because with the expansion trade, the business volume of banks has increased and the changing financial scenario has forced the banks to introduce innovative products and make their services competitive. Financial innovation has made capital mobility very fast and now money is moving from one country to another country round the clock [2]. Since 2000 the nature of banking business has almost changed. Now the customer has direct access to his account and he can directly operate it through internet banking. He can make shopping around the world without any difficulty. He can make online payments to those companies or persons from whom he wants to purchase any good and service. It has made business transaction very easy and convenient [3]. This is not the globalization, which brought revolutionary changes in banking. But it is Information technology, financial product, service standards, and human capital which are giving new shape to banking business. Now a banking customers can withdraw required amount of money within a minute through ATM card and he can avail this facility from all ATM outlets inside the country or abroad irrespective of the fact whether he is the account holder of that bank from which he is withdrawing money or not. Such types of transactions are also settled among the banks electronically [4]. It has also changed the management practices. The outdated manual banking practices have been replaced by innovative and quality management practices. These practices have enhanced the pattern of working, efficiency, and productivity of banking staff particularly of the managers. Now the bank manager is not just a supervisor but he is a marketer, innovator, and service-provider. He has to improve not only his knowledge about latest technology but also his skill to use it and to make innovative financial products understandable for the customers [5]. Previously, frauds in transaction was common because the customers sometime hoodwinked the sellers through fake master or visa cards. But now it is very rare because now the sellers can get verification from the relevant bank whether the buyers have money in their account. The confirmation process takes a minute. Now Pakistanis are shopping in the United States while US citizens are purchasing their required products in Pakistan and all transactions are being settled electronically. There is no money-changers or central banks are involved. On the one side, it has reduced default ratio on online transaction and on the other hand, have made the job of central banks difficult in controlling supply of money [6].Now central banks will have to conduct open market operation frequently to manage money supply and to control inflation. The fast nature of business transactions have forced the senior bank staff particularly manager to coordinate business activities and be customer-friendly. It has not only improved working environment but also reduce personal conflicts among the employees of banks. Now the bank staff focus more on customers and business transactions, which imperative not only to be competitive but also in profit. Now some banks earn more income from fee and service charges rather than from lending money in which high risk of default is involved [7]. The role of branch manager of a bank is also changing. He has to manage his lower staff but also manage business transactions as well as satisfy the customers. A new experiment in China has been made by creating a new job of "Customer Director" in Bank of China, aiming having direct contact with customers, understanding

customer needs, and analyzing first-hand information to improve services.

1.1   Main Research question

Our main research question of this study is "What is the role of branch managers in promotion of financial innovations in banking sector? And how they satisfy their customers by these innovations and achieve their targets.

1.2 Objectives of the study

Major objectives of this study are stated as under:-

- To measure the impact of innovations on the performance of banks such as Habib Bank limited, Muslim commercial bank limited, Allied Bank limited, United bank limited.
- To compare the performance of these banks on the basis of innovations introduced by them.

2. LITERATURE REVIEW

Since 1980 Automated Teller Machines (ATMs), sufficient funds with around the clock access to retail clients increased access to bank accounts and value have increased. ATM cards on the occasion of a sale to a bank account with the ability to pay ATM debit card that bundle access, by 1980 and by 1990 had been replaced. In the last ten years, remote access to personal computers migrated to telephone. To monitor the customer's account and payment, which allows you to start using online banking, "electronic bill payment," is now widely used. Stored-value or prepaid cards have become unique. Debit cards happen to be essentially an instantaneous online Offline (signature-based) method (PIN-based) mode or can use in the near future will show attached to a checking account, "payment instruments. Consumers usually online or have the option of using the offline mode, and their selection is usually a handsome profit for him. Holders online debit point-of-sale cash back allows, and provides offline float [8].

The cost of the growth of online banking technology through online banking channel to handle daily banking transactions in order to effectively and efficiently with cutting edge technology enable the bank to expand its operations. Bank customers are the source of their seizures reduced and he personally visited branches via the Internet or ATM machine instead can carry out transactions. So far researches banks are mostly ignorant about customer service online banking and online banking services is a lack of trust among customers due to unavailability of online banking services in Pakistan. As around 13 percent population is availing financial services online banking services are scarce particularly in remote areas of Pakistan [9].The current situation in India, Internet banking and Internet service offered by the banks are widening rapidly. Results of private and foreign Internet banks in comparison with the public sector banks, a wide range, and Internet banking offer more advanced service that has done well in shows. Internet banking service, highlighting the extent of the bank's size affected determinants, internet banking, financial patterns, and the bank's ownership of banks in offering experience are found to be important [10]. In Kenya in retail business influence the adoption of e-commerce and the factors that influence the probe. Two surveys was done (the original and follow-up) in Kenya formal retail banking, including banks control almost 90% of that in the year 2005 and 2009, respectively. The result there between 2005 and 2009 years of some of the e-banking driver was a drastic shift in the importance they attached to that e-banking in developing countries has matured, it will learn some banks in developed countries, finish that would be expected indicates that developed countries and held with his counterpart in the development of technology to avoid uncertainties [11]. The consumers' attitudes and better understanding of Internet banking adoption is necessary to develop. The behavior of users and non-users of internet banking is quite different. The non-users of internet banking lacks trust in online transaction and afraid of fraud in transactions. It is an imperative need to develop confidence among those customers who are reluctant to use internet banking [12]. The study about overall internet banking service quality and in the context of a New Zealand Banking customer satisfaction since its effect that is affecting the relationship among the three dimensions of service quality inspection. Result shows that important relationship exists among online customer service quality, quality online information system, banking service, product quality, overall Internet banking service quality and customer satisfaction. Such information has increased the speed of processing and customer pleasing to some an extent. The reliability of equipment being used in internet or online banking should also be improved for satisfaction of customers. Most of the time ATM machines are out of order [13].

3. RESEARCH METHODOLOGY

The research methodology is used to test the hypothesis, theories or concepts. In the study primary technique of data is used to collect the required data. Primary data is collected through interviews of target group, based on structured questionnaire. The empirical data is used to measure the objectives for finding and analyzing the proper results.

3.1 Hypothesis:

H1: There is relationship between financial product ATM and branch manager of banks**.**

H2**:** There is relationship between financial product debit cards and branch manager of banks.

H3: There is relationship between financial Product online banking and the branch manager of banks.

H4: there is relationship between financial Product Mobile Banking and the branch manager of banks.

H5: there is relationship between financial Product Credit Card and the branch manager of banks.

3.2 Conceptual Model:
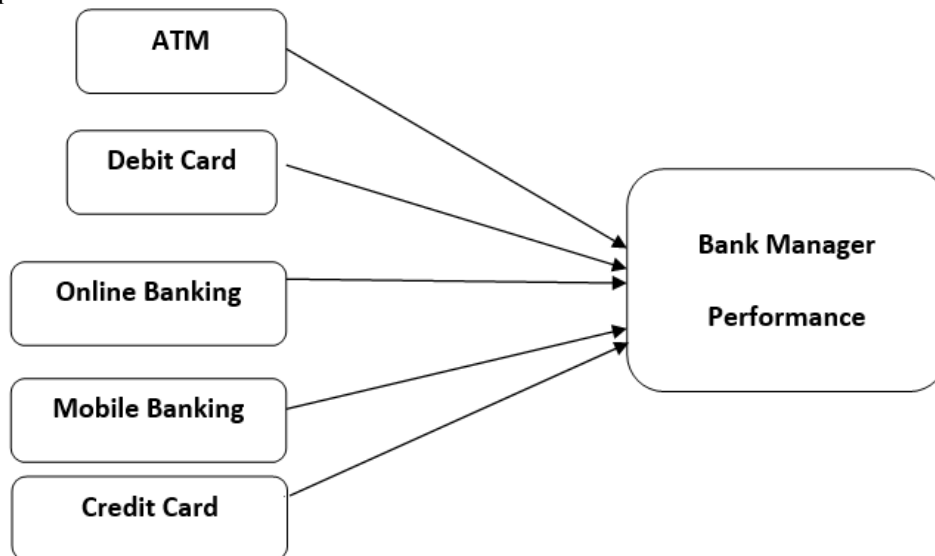
4. DATA ANALYSIS

FREQUENCY	
GENDER	
Male	141
Female	59
AGE	
19 or above	0
20 - 29 years old	35
30 - 39 years old	95
40 - 49 years old	43
50 - 59 years old	27
60 or Above	0
EDUCATION	
BA	29
B.Com BBA(Hons)	21
MBA	97
M.Com	43
MA Economics	10
BANKS	
UBL	53
HBL	51
ABL	52
MCB	44
CITIES	
Lahore	50
Multan	104
Vehari	46

All the description about the respondent as their gender, age, education, bank and city is described in the below table. Results show that the out of 200 respondents 141 were male and other 59 were females.

Table 1: Demographic characteristics of the Respondents

Do you believe that branch manager is an innovative personality?	Strongly agree	agree	ambivalent	disagree	Strongly Disagree
	32	40	80	28	20

In table 1,results show that the out of 200 respondents 141 were male and other 59 were females..

Table: 2 Specification of the question # 4

Do you believe that branch manager is an innovative personality?	Strongly agree	agree	ambivalent	disagree	Strongly Disagree
	32	40	80	28	20

The 16% respondents were choose the strongly agree that the role of branch manager in banking innovation is productive and manager is innovator, 20 % were in favor of agree while most of them as 40% showing the ambivalent behavior and remaining 24 % respondents were showing the disagree and strongly disagree behavior. `

Table: 3 Manager as an innovative personality.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	stongly agree	32	16.0	16.0	16.0
	Agree	40	20.0	20.0	36.0
	ambivalent	80	40.0	40.0	76.0
	Disagree	28	14.0	14.0	90.0
	strongly disagree	20	10.0	10.0	100.0
	Total	200	100.0	100.0	

Figure 1: Bar Diagram chart for Question # 4.

innovative personality
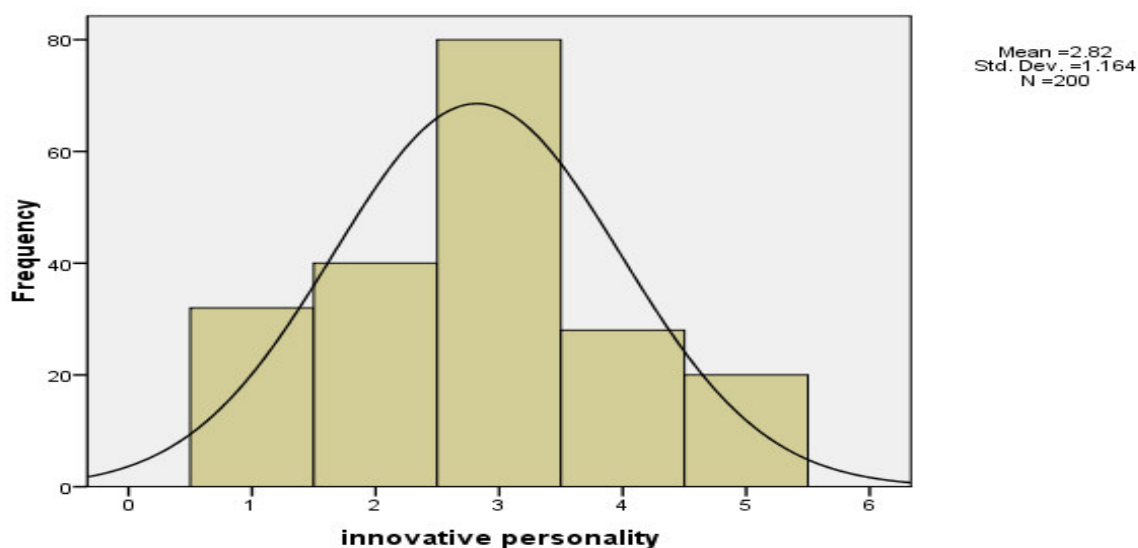
Mean =2.82
Std. Dev. =1.164
N =200

Table: 4 Analysis of question from sampling Bank

Do you believe that branch manager is an innovative personality?	Strongly agree	agree	ambivalent	disagree	Strongly Disagree
UBL	9	12	20	7	5
HBL	8	10	20	7	6
ABL	8	11	20	8	5
MCB	7	7	20	6	4

Question number four was related to the branch manager as an innovative personality. All 200 respondents from the each bank answer the question as number of respondents from UBL, HBL, ABL and MCB were 53,51,52,44 respectively. 39.62 % respondents were strongly agreed and agree respectively from the United Bank Limited, while majority of them were ambivalent as the 37.73%. 35% respondents were strongly agreed, agree and 37.73% were ambivalent from the HBL, 37.73% respondents were ambivalent from the ABL, while the 37.73% respondents were ambivalent and 31% were strongly agreed and agreed from the Muslim

Commercial Bank.

Table: 5 Innovative products

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	stongly agree	36	18.0	18.0	18.0
	agree	36	18.0	18.0	36.0
	ambivalent	52	26.0	26.0	62.0
	disagree	24	12.0	12.0	74.0
	strongly disagree	52	26.0	26.0	100.0
	Total	200	100.0	100.0	

Figure 2: Bar Diagram chart for Question # 8.
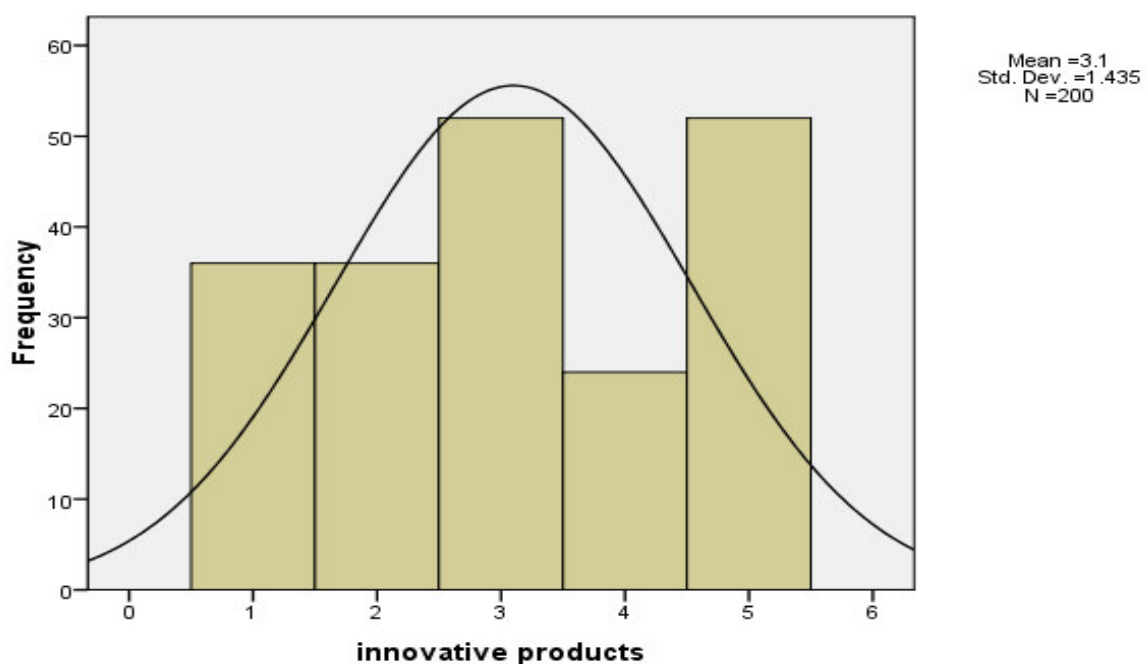
Table: 6 Analysis of question # 4 from each Bank

	Strongly agree	agree	ambivalent	disagree	Strongly Disagree
UBL	9	12	20	7	5
HBL	8	10	20	7	6
ABL	8	11	20	8	5
MCB	7	7	20	6	4

Question number eight was related to the creativity of branch manager as innovative products. All 200 respondents from the each bank answer the question as number of respondents from UBL, HBL, ABL and MCB were 53,51,52,44 respectively. 18.86 % respondents were strongly disagreed and 16.98% respondents were agreed, while 24.52% respondents were ambivalent and 28.30% respondents were strongly disagreeing from the United Bank Limited. 52 % respondents were strongly disagreed and ambivalent of the HBL, 51.92% respondents were strongly disagreed and ambivalent of the ABL, while the 25% respondents were ambivalent and strongly disagree of the Muslim Commercial Bank.

5. Correlation Analysis:

In the questionnaires it is found that some variables are strongly related with other variables that are measured by the Spearman Coefficient of Correlation because the data set is non-parametric. The detail of relations amongst some variables and their interpretations are illustrated below:-

Table: 7 Pearson Correlation of Question # 4 and 8 from each Banks

Do you believe that branch manager is an innovative personality			Innovative personality	Innovative products
UBL	Innovative personality	Pearson Correlation Sig. (2-tailed) N	1 53	-.047 .737 53
	Innovative products	Pearson Correlation Sig. (2-tailed) N	-.047 .737 53	1 53
HBL	Innovative personality	Pearson Correlation Sig. (2-tailed) N	1 51	-.015 .915 51
	Innovative personality	Pearson Correlation Sig. (2-tailed) N	-.015 .915 51	1 51
ABL	Innovative personality	Pearson Correlation Sig. (2-tailed) N	1 52	.000 .997 52
	Innovative personality	Pearson Correlation Sig. (2-tailed) N	.000 .997 52	1 52
MCB	Innovative personality	Pearson Correlation Sig. (2-tailed) N	1 44	.019 .905 44
	Innovative personality	Pearson Correlation Sig. (2-tailed) N	.019 .905 44	1 44

Separate analysis of Pearson correlation of the question number 4 and 8 are presented in the above table. Separate analysis shows that the variable as branch manager as an innovative personality and innovative products of the United Bank Limited and Habib Bank Limited are not significantly correlated, result shows that the Pearson's correlation value of United Bank Limited is -0.47 which is negative and also nearer to the zero that show no correlation, Pearson's value of Habib bank limited is -0.15 which is also the negative and not closer to one that show no correlation and the value of MCB, ABL is 0.19, 0.000 which are not nearer to one or exactly one that show the no correlation between variables.

Table: 8 Relationships between Questions #04 and 08

Correlations

		innovative personality	innovative products
innovative personality	Pearson Correlation Sig. (2-tailed) N	1 200	-.013 .853 200
innovative products	Pearson Correlation Sig. (2-tailed) N	-.013 .853 200	1 200

There is a Strong negative and not significantly relationship between variable Q4 (Do you believe that Branch manager is an innovative personality) and Q8 (Do you believe that innovative products are the creativity of the branch manager) are measured by SPSS software. Table 8 shows that the Pearson correlation value is -.013 which is with negative sign which shows that if there is increase in manager personality as a innovator then there will be a decrease in the creativity of innovative products in banking sector as ATMs, Debt Card, Mobile Banking, Online Banking and Credit Card. Value of Pearson correlation is close to zero so it is concluded that there is no correlation between the Branch manager innovative personality and the innovative products of banking sector.

5. FINDING AND RESULTS

All the 200 respondents show their response to answer the required questions from all four banks. Separate analysis shows that the variable as branch manager as an innovative personality and innovative products of the United Bank Limited and Habib Bank Limited are not significantly correlated, result shows that the Pearson's correlation value of United Bank Limited is -0.47 which is negative and also nearer to the zero that show no correlation, Pearson's value of Habib bank limited is -0.15 which is also the negative and not closer to one that show no correlation and the value of MCB, ABL is 0.19, 0.000 which are not nearer to one or exactly one that show the no correlation between variables. A separate analysis of each bank shows the same result as no correlation of all five hypotheses that are constructed in our hypothesis. While the overall analysis of all respondents with the Pearson's correlation value shows that the non existence of correlation as the value is -.013 in negative and also nearer to the zero. Negative value shows that that if there is increase in manager personality as a innovator then there will be a decrease in the creativity of innovative products in banking sector as ATMs, Debt Card, Mobile Banking, Online Banking and Credit Card. Value of Pearson's correlation is close to zero so it is concluded that there is no correlation between the Branch manager innovative personality and the innovative products of banking sector.

6. CONCLUSIONS

Two variables are constructed as manager innovative personality and the product innovation that are constructed by the question number four and the question number eight. Results of the study show that the role of branch manager in financial product innovation is not necessary due to non existence of the relationship. So, there is no need to assign a task to manager of financial product innovation. Separate and combine analysis represents the same results. Manager work in the innovation of financial products is not significant because manager work is to just under the control and manage the credits and accounts of the customers.

7. POLICY RECOMMENDATIONS

1.   Financial product innovation is not the work of branch manager, this work relates to the research and development institutions and educational institutions in all over the word. Latest technology should be innovated by the research institutions.
2.   There is no need to assign such type of work to branch manager as the results show negative impact on product innovation.
3.   New financial innovative products should be produce by the highly research and development institutions in the world.

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