

# Explaining the Impact of Employee Performance Components (Components of Efficiency, Effectiveness, and Quality of Service) on the Profitability of National Bank Branches in Hormozgan Province

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**Abstract-**This study aimed at explaining the impact of employee performance components (components of efficiency, effectiveness and quality of service) on the Profitability of National Bank branches in Hormozgan province. The present study is applied in nature. In terms of data collection, it is a survey and in terms of methodology, it is descriptive-correlational. The population examined in this study consists of 85 managers, assistants, and human resources directors and deputies of the National Bank of Bandar Abbas. Since the number of people in this study is limited, to determining the sample size, sampling was avoided and the population was considered as sample size. The sample size consisted of 85 individuals who were randomly selected. Five-item Likert-type scale questionnaire was used and distributed among the respondents (banking and finance and insurance managers and experts). In order to gather information and assess the variables of the study, standard questionnaires of Heidari (2015), Alvani(2007), and Parasorman (2001) were used to measure efficiency, effectiveness and service quality. For descriptive statistics and investigating demographic questions, techniques such as median, mean, standard deviation, frequency, etc., were used and to investigate the relationship between independent variables (efficiency, effectiveness and quality of service) and the dependent variable (banking profitability), Pearson correlation test was used. For ranking profitability variables of the Bank, Friedman's classification test and to check the normality of test data Kolmogorov and Smirnov test were used. In the end, SPSS software was used. The results confirm the relationship between efficiency, effectiveness and quality of service and profitability.

**Keywords-** *Efficiency, Effectiveness and Quality of Service, Performance, National Bank, Hormozgan Province*

## I. STATEMENT OF THE PROBLEM

Profitability is the main aim of every commercial agency. Commercial units do their best to achieve the expected profitability. The importance of banking system in the whole

economic system and its significant role in the world economic arena has caused economic experts to consider banks as one of the most important factors contributing to economic growth of a country. Banks as one of the most important tools of monetary policy are significant in the economic system as they on the one hand collect the cash in the hands of people and on the other hand guides the financial resources in line with economic policies. If this cycle moves regularly and without difficulty, banking system will undoubtedly help economic development (Jafar Pur and Amade, 2009). Due to the increased competition and in order to survive, in recent years, banks have provided higher quality and more diverse services. The question is how to evaluate the quality of banking services (Divandari et al., 2013). Continuous improvement of organizational performance leads to tremendous force of synergy, which can support the development of programs and opportunities of organizational excellence. Continuous improving of performance is not possible without identifying the challenges and getting feedback and information about the application of the set policies. Lord Kelvin, British physics scientist, says: "if we can measure what we are talking about, then we can claim we know something about it. Otherwise, our knowledge is incomplete and does not reach the stage of maturity". The science of management is also indicative of the above statement. If you cannot measure something, you cannot control it and if we cannot control something, we cannot manage it. The main issue in all organizational analysis is performance and improvement of performance requires measurement. Therefore, we cannot imagine an organization without a performance appraisal system (Hosseini et al., 2010).

In spite of wild research on banking system, efficiency of branches has not been paid enough attention to, although it is an important issue. This may be due to government-owned nature of Iranian banking system in the last three decades as well as lack of transparency of the goals in the framework of economic parameters. But now, considering the privatization of banks and branches, it is necessary to conduct such studies. To improve profitability, bank should be aware of the efficiency and effectiveness of their branches. They should also investigate the inefficiencies of their branches and improve the

performance through analyzing the malfunctions. In this study, the aim is to investigate the impact of employees' performance factors including efficiency, effectiveness, and quality of service on performance (profitability) of National Bank of Hormozgan province and find out if there is a relationship between these factors and profitability.

## II. REVIEW OF THE LITERATURE AND THEORETICAL FRAMEWORK

### A. Performance

The concept of performance has been the center of state management changes in the last two decades and Stakeholders have wanted to know the details of the performance of governmental agencies and results of their operations; for this reason, this period has been called the era of governance through performance management. However, in academic literature, there is no consistent interpretation of the meaning and function of the most important elements of performance management in the public sector and there is no consensus in this regard. Conceptual confusion in the literature of corporate Performance Management and differences between the various models imply a theoretical vacuum in this area (Vahdati, 2011).

### B. The concept of efficiency

Most schools aim to management efficiency and increase the efficiency and effectiveness of the organization. Of course, some of them have failed to achieve this goal due to limited attitudes and assumptions about the organization and humans. For example, the classic school which assumes human is rational - economic prescribes adherence to bureaucratic model to improve and increase organizational efficiency. This school has a mechanical look at human, disapproves of informal relationships in the workplace, and concentrates on formal organization structure and implementation of the provisions of the law. In general, "Recovery of organization" is a process through which knowledge and behavioral sciences help organize functions to achieve greater effectiveness, such as improving living conditions (high-welfare), increase productivity, and improve the quality of goods and services. The purpose of the recovery and reconstruction of organizations is improving the capabilities and resources of the organization to evaluate and solve problems (Varmazyar, 2010).

### C. Methods of increasing efficiency

Considering the concept of efficiency in different schools and theories of scientists, it can be concluded that there are many factors contributing to the increase in efficiency. Below, some of them are explained.

### D. Education and training

Today, training is considered as one of the important tasks of organizations. Large organizations are now trying to increase efficiency through establishing academic institutions. since the beginning of the industrial revolution which replaced manpower with machines, production volumes increased dramatically and importance and necessity of observing the

principle of division of labor specialization was given more and more attention.

### E. Rotation of jobs

In new organization, employees are willing to learn and develop their abilities. This means that they must face a continuous set of challenges. In summary, job rotation is a popular method which involves moving employees from one job to another job in order to enhance their experiences. Many large companies are interested in making their employees able to do some activities to increase labor mobility and flexibility.

### F. Job enrichment

Job enrichment can be a newer and easier method than job rotation. In job enrichment, it is assumed that in order to enrich motivation, job should be designed in a way to create opportunities to achieve progress, recognition, responsibility, growth, and development. Job enrichment is based on the principle that jobs should be rich, meaningful, and with sufficient power.

### G. Empowering the employees

A powerful work environment is a place where groups of people work together and contribute to do things together. This is very different from a competitive organization where every employee competes with others in doing things. In an empowerment organization, employees can rely on each other (Vahdati, 2011).

### H. Concept of effectiveness

Effectiveness means directing resources toward meeting those goals that are more valuable. For example, it is "focusing on results"; doing the right thing at the right time, and achieving short-term and long-term goals. Organizational effectiveness refers to accessing multiple priorities and objectives within the framework of shared value system is the organizational culture in a way that achieving the goals is optimal in terms of costs and time. Organizational effectiveness is how much an organization achieves its targets without wasting the resources and making the staff exhausted. It shows the degree of achieving the targets (Seyedjavadayn, 2005).

### I. Service quality

Quality is an index assessing the consistency between the services provided and the expectations of customers. In fact, the definition of service quality depends on individuals. Most definitions are customer-oriented and they focus on customer satisfaction with the service. Service quality is the comparison between what customers expect the services to be like (expectations) with what they receive (perception). If expectations are more than the performance, quality of service is low, which causes customer dissatisfaction (Saatchian et.al, 2013).

### J. Hypotheses

1) There is a significant relationship between efficiency of staff and performance (profitability) of bank.

2) There is a significant relationship between the effectiveness of staff and performance (profitability) of banks.

3) There is a significant relationship between quality of staff service and performance (profitability) of banks.

### III. METHODOLOGY

#### A. Research method

The present study is applied in nature. In terms of data collection, it is a survey and in terms of methodology, it is descriptive-correlational. The population examined in this study consists of 85 managers, assistants, and human resources directors and deputies of the National Bank of Bandar Abbas. Since the number of people in this study is limited, to determining the sample size, sampling was avoided and the population was considered as sample size. The sample size consisted of 85 individuals who were randomly selected. Five-item Likert-type scale questionnaire was used and distributed among the respondents (banking and finance and insurance managers and experts).

#### B. Data collection tools

In order to gather information and assess the variables of the study, standard questionnaires of Heidari (2015), Alvani(2007), and Parasorman (2001) were used to measure efficiency, effectiveness and service quality. In order to measure the performance (profitability), Mar questionnaire (2008) was used.

#### C. Data analysis

##### a) K. S test to assess the normality of the data

TABLE I. KOLMOGOROV-SMIRNOV TEST RESULT

Variable	Frequency	Mean	Std. deviation	Z K.S	Sig.
Effectiveness	85	4.02	0.93	0.101	0.16
Efficiency	85	3.84	0.69	0.103	0.09
Quality of service	85	3.54	0.67	0.123	0.08
Performance (profitability)	85	3.23	0.51	0.01	0.06

Decision making: Since the significant amount of all variables is greater than 0.05, it can be assumed that the data are normally distributed. Therefore, Pearson correlation test was used to examine the hypotheses.

##### b) hypothesis-testing

##### A. descriptive test of the hypotheses:

Average score of the responses to questions related to the first hypothesis is 4.02, questions related to the second hypothesis 3.84, and questions related to the third hypothesis 3.54. As mentioned earlier, the average value of the options is equal to 3. Considering the fact that the average scores of the responses to questions is higher than the average value of options, the responses to questions are in high and very high range and therefore, research hypotheses are confirmed and accepted.

TABLE II. CORRELATION MATRIX OF PREDICTOR VARIABLES AND THE CRITERION

Variables	Correlation coefficient	Number	error	Level of significance	Interpretation
Performance (Profitability )	0.83	85	0.01	0.00	Direct and significant relationship
Effectiveness and performance (profitability)	0.79	85	0.01	0.00	Direct and significant relationship
Service quality and performance (profitability)	0.86	85	0.01	0.00	Direct and significant relationship

##### c) Inferential test of the hypotheses:

H0: elements of efficiency, effectiveness and quality of staff have no significant relationship with performance (profitability) of bank.

H1: elements of efficiency, effectiveness and quality of staff have significant relationship with performance (profitability) of bank. By investigating the research hypotheses according to the table above, in 99% confidence level, it can be concluded that there is significant correlation between the variables of efficiency, effectiveness and quality of staff and performance (profitability) (correlation coefficient for performance is equal to 0.83, for the effectiveness is 0.79 and quality of service is 0.86). Therefore, with 99% confidence, the null hypothesis is rejected and the hypothesis is confirmed. Due to the fact that the correlation between these two variables has a positive sign, the direction of the changes of these variables is the same as the direction of performance (profitability). This means improving efficiency, effectiveness, and service quality result in performance (profitability) in National Bank branches and vice versa.

### IV. THE RESULTS OF REGRESSION ANALYSIS

To analyze the results, multiple regressions were used from two tables.

TABLE III. RESULTS OF THE ANALYSIS OF VARIANCE

Multiple correlation coefficient	coefficient of determination R <sup>2</sup>	Adjusted coefficient of determination	Significance level
0.960	0.923	0.904	0.000

#### A. Decision making

The significance level is zero and is smaller than the significance level of 0.05, which shows that the regression model is able to explain the dependent variable. the adjusted coefficient of determination of the model is 0.904, so it can be concluded that about 90.4 of the changes of the dependent variable (performance (profitability)), is attributable to the changes of the independent variables and the rest of the

changes of the dependent variables (9 percent) is due to chance (factors other than the independent variables).

Multiple correlation coefficients as the table suggests, is equal to 0.960. This means that the intensity of the relationship between independent variables and the dependent variable is equal to 96 per cent. The second table shown in this regard was for the information related to each of the independent variables.

TABLE IV. MULTIPLE REGRESSION TEST RESULTS

Independent variable	Regression coefficients $\beta$	Standardized coefficients	Level of significance sig	Test statistic
Constant	1.09	-	0.900	0.126
Effectiveness	0.235	0.278	0.03	9.121
Efficiency	0.153	0.169	0.09	6.924
Quality of service provision	0.36	0.41	0.04	9.910

Beta (standardized coefficient value) represents the change in the dependent variable for changes in the independent variable in the size of a standard deviation in the independent variable. The higher the absolute value of it, the stronger the relationship between the dependent and independent variables. To compare the effect of variables, standardized beta coefficients were used regardless of their sign. Standardized coefficients in this table show that the variable of quality of service has the greatest impact on the dependent variable (performance). Because for a unit change in this variable, 0.41 changes happen in the dependent variable (performance). The other dependent variables have effectiveness of about 28 percent. According to the information provided in the table, the regression equation can be written as follows:

Based on the above findings, the regression equation is as follows:

$$b_1x_1 + a \text{ cons.} = \hat{y}$$

$$y = 1.04 + 0.41x + 0.28x$$

$$\text{Performance (profitability)} = 1.09 + (\text{quality of service}) 0.41 + (\text{effectiveness}) 0.28$$

**B. Friedman test to rank research variables**

Fridman test was used to rank a number of the variables.

TABLE V. RANKING THE VARIABLES BASED ON FRIEDMAN TEST

Variable	Average ratings
Effectiveness	3.64
Efficiency	3.06
Quality of service	2.91

Friedman test results show that the highest average rating belongs to the effectiveness 3.64 and the lowest average rating is for quality of service with the average of 2.91. Friedman's

test statistics show that chi-square with the value of 37.795 and degrees of freedom 2 are significant at 0.05 significance level.

**V. ANALYSIS OF THE HYPOTHESES**

**A. Analysis of the results of the demographic investigations**

Based on the results of demographic variables, 26% of the subjects were female and 76% were male. It can be said in terms of gender, men have accounted for a greater percentage than women. In terms of age, 13% were between 20 and 30 years old, 58% between 30 and 40 years old, and 29% were between 40 and 50 years old. So it can be concluded that the most frequent was the age group 30 to 40 years (58 percent). Considering the fact that over 50% of the subjects were over 35 years old, it can be inferred that this group can provide better and more comprehensive ideas in the field of better banking performance. In terms of education, 9% of the subjects had associate degree, 60 percent had bachelor's and 31 percent had master's degree. Therefore, the highest percentage (60 percent) belongs to the undergraduate. Over 50% of the subjects have bachelor or higher degrees, which means they can provide more practical, academic ideas.

**VI. THE RESULTS OF THE COMPREHENSIVE ANALYSIS**

**A. Explaining each hypothesis and offering suggestions**

The results of the main hypothesis showed that there is relationship between efficiency, effectiveness, and quality of service on the one hand and performance (profitability) of National Bank branches in the province. Being older than the other banks, National Bank should try to catch the other banks. It should try to attract more customers, provide fast service, and increase the effectiveness and efficiency in order to compete with the other rivals and prevent the waste of time and energy. In the following, each of the sub-hypotheses are explained in details and recommendations are presented.

**B. The first hypothesis and suggestions**

Considering the confirmation of the first hypothesis, it can be said there is positive relationship between staff efficiency and performance (profitability) of National Bank in Hormozgan province. Today, service organizations such as the National Bank have to compete in a highly competitive environment. Therefore, they should be managed efficiently and have the necessary performance. Therefore, for better utilization of staff efficiency and enhancing these components among managers and employees, the following items can be proposed:

1) National Bank managers and human resource planners should make more financial and intellectual investment in the process of empowerment of bank employees.

2) In order to strengthen staff's skills, bank officials should provide an environment to encourage cooperation between different groups to create a friendly atmosphere with the aim of increasing the efficiency.

C. *The second hypothesis and suggestions*

Considering the confirmation of the second hypothesis, it can be said there is positive relationship between effectiveness of employees and performance (profitability) of National Bank in Hormozgan province. Human resource managers should cooperate with financial managers to provide more efficient services and increase the profitability. Therefore, the following items can be proposed:

1. Bank managers should classify their staff based on their strategic abilities and regularly revise this classification.
2. Bank employees should concentrate on the jobs and tasks in line with the plans of public relations services in order to increase the effectiveness.

D. *The third hypothesis and recommendations*

Since the third hypothesis was confirmed, it can be said that there is a positive significant relationship between the efficiency of staff and performance (profitability) of Melli Bank Melli in Hormozgan province. In this connection, innovations and ideas should be encouraged to develop the quality of services in Melli Bank branches of Hormozgan. Melli banks should create innovative ideas in the field of qualifying banking services and try to stabilize their position and reduce the side expenditures in order to increase profitability and provide better services in compared to other leading banks . Therefore, the following cases are recommended:

- 1) In terms of architecture, National Bank buildings should be good-looking, stylish, and modern.
- 2) The staff should wear uniform with the logo of the bank to look smart and respectable.
- 3) Managers should behave reasonably and respectfully while observing ergonomics (coordinated environment, equipment, and humans).

VII. COMPARING THE RESULTS WITH THE RESULTS OF OTHER RESEARCH STUDIES

The results of the first hypothesis are consistent with the findings of Sabooti (2008), M. Beigi (2013), Sadeghi Gilani (2009) and Nasiri (2003). Consequently, the results of the second sub-hypothesis are in line with the results of the studies by Abedi (2008), Alizadeh (2008), and Borhani(2004). Finally, the third research hypothesis is consistent with the results of the study by Ranjbar (2013).

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TABLE VI. THE OVERALL RESULTS OF HYPOTHESES TESTING

Hypothesis	Correlation coefficient	Kind of relationship	Interpretation
Staff efficiency and performance (profitability) are significantly related	0.83	Positive and significant	Confirmed
Effectiveness and performance (profitability) are significantly related	0.79	Positive and significant	Confirmed
Quality of service and performance (profitability) are significantly related	0.86	Positive and significant	Confirmed