Organizational and Personal Drivers of the Financial Sector: A Focus Group of Banking Officials in Pakistan

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ARTICLE DETAILS

ABSTRACT

Purpose: This study intends to explore the key challenges the financial sector faces today about employees’ perspectives and how these challenges eventually play a role in the employee’s work-life balance.

Design/Methodology/Approach: A Focus group was conducted with a leading multinational bank in Pakistan. Six managerial cadre employees participated in the focus group study. The focus group analysis suggests very stringent rules and regulations incorporated by SBP that bind each bank to undergo strict compliance.

Findings: The challenge of customer retention, declining interest rates, coping with the frugal economic situation of the country, meeting customer satisfaction, incorporating personal relationship management, use of ancillary support services by customers, reward and recognition to employees, dealing with information savvy knowledgeable customers, work-life balance and overall motivation of the bank employees are assumed by the participants as the key challenges that drive the banking industry of Pakistan.

Implications/Originality/Value: Senior management of the banking sector of Pakistan can learn from the problems discussed, and the possible solution proposed to the said problems. This research contributes to the body of knowledge while explaining the issues faced by the professionals working in the banking sector of Pakistan.

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Introduction

The financial sector has faced several challenges in the last few decades (Huang, 2019). The global recession has hit financial institutions badly, leading to a negative spiral in the industry. The challenges for the financial institutions have been aggravated in South Asia due to weak national institutional support (Ali, Butt, & Butt, 2019; Basheer, Hidthiir, & Waemustafa, 2019; Chu, 2018). In today’s competitive environment, the industry dynamics are changing daily, and banking professionals have to meet a growing number of challenges to perform their responsibilities effectively and efficiently (Bashir, Yugang, & Hussain, 2020; Hussain et al., 2017). The key challenges faced by the banking industry include but are not limited to: the cut-throat rivalry between national and multinational banks, satisfying highly information-savvy customers, adhering to the State Bank of Pakistan (SBP), providing an unmatched level of banking services.

Taking benefit from a perfect competition market, the customers usually try to play off one bank with another in the pursuit of gaining maximum (and at times undue) shares from the pie. The banking industry employees are expected to endure the two-pronged challenge of meeting customers’ expectations on one end of the equation and achieving the management’s objectives at the other (Islam, Hasan, Rahman, Baten, & Islam, 2019; Paul, Mittal, & Srivastav, 2016). Such pressure situations can adversely impact employees’ work-life balance (Rahi, Ghani, & Ngah, 2019). The problem at hand faced by the banking industry motivates us to inquire further and explore the issues and critical challenges that the banking industry in Pakistan is facing today. We emphasize employees’ perspectives (both mid-level managers and strategic management) and how these challenges eventually play a role in the employees’ work-life balance.

The banking sector plays a fundamental role in economic development (Hasan, Wachtel, & Zhou, 2009; Nasir, Huynh, & Tram, 2019). It is noticed that the banking sector of Pakistan is experiencing multiple challenges in a competitive environment. According to Abbas, Hunjra, Saeed, and Ijaz (2014), most banks in Pakistan have become privatized and strategically process mergers and acquisitions to sustain negative trends and stabilize financial status. This change in ownership and market structure influences the overall performance of banks in Pakistan. The banking sector of Pakistan is turned into a competitive financial industry and has a big share in the economic growth of the country (Mahesar, Zehri, Zafar, & Chaudhry, 2015; Shaikh, Glavee-Geo, & Karjaluoto, 2017). Many empirical studies also supported the phenomenon that financial development is correlated with the country’s economic growth.

The banking sector of Pakistan is playing a pivotal role in the growth of the Pakistani economy. The industry is regulated by the State Bank of Pakistan (SBP), which governs local banks under its prudential regulations. Moreover, the banks also must comply with the international Basel III standards. Overall, the potential in this sector is vast (Xu, Li, & Ahmad, 2018). With that being said, the growth potential is enormous—primarily because of the introduction of high-speed, mobile Internet; the advent of Islamic banking; and the increased awareness of the benefits of banking in the country (Akhtar, Mehmood, Pervez, Aslam, & Akhtar, 2016).

Research Methodology

A focus group is a socially-oriented research procedure that allows the moderator to probe and explore the unanticipated issues. It has high face validity, incorporates relatively lower costs, and generates fast results. A focus group can be a very economical, efficient, and quick method to ascertain data from multiple participants (Krueger & Casey, 2000) in a very socially oriented environment (Krueger & Casey, 2000). When participants get a sense of belonging to an overall group, this can directly lead to an increased sense of cohesiveness (Peters, 1993) which in turn motivates them by the feeling of being safe and not being afraid to share the underlying
information (Vaughn, Schumm, & Sinagub, 1996). Such an interaction that occurs among the group participants can ultimately result in yielding many important data (Morgan, 1988) and can lead to the possibilities of creating more spontaneous responses (Butler, 1996), to discuss personal problems and to find out possible solutions to the issues as well (Duggleby, 2005). One of the research methods to extract detailed information and deep insight from people is called a focus group interview. Researchers have been using focus group interviews (Morgan, 1988). In the past 20 years, social scientists’ qualitative data collection has increased by many folds (Madriz, 2000). Social science researchers, particularly those involved in qualitative research, tend to rely more on focus groups to simultaneously collect data and information from multiple individuals (Onwuegbuzie, Dickinson, Leech, & Zoran, 2009). A focus group is a carefully planned discussion designed to obtain perceptions on a defined area of interest in a permissive, non-threatening environment. According to Wilkinson (2004) a focus group is “a way of collecting qualitative data, which essentially involves engaging a small number of people in an informal group discussion (or discussions), ‘focused’ around a particular topic or set of issues.”

By providing the participants a comfortable and safe environment to speak out, focus groups can ascertain some thought-provoking answers in their own words by adding meaning to the solutions provided. Krueger and Casey (2000) view that when a less threatening environment is provided to research participants, it facilitates and helps them discuss their thoughts, ideas, opinions, and perceptions more openly and freely. Such interviews can be considered very effective in collecting information regarding the attitudes and attributes of people, how they feel, what they perceive, and how they enact with the environment around which they live. The key to conducting any focus group is practical planning as the moderator or researcher digs deep to find answers to the problems that otherwise cannot be found out by quantitative data naturally occurring. Due to its unique historical, geopolitical, and national institutional context, Pakistan is a suitable research setting for understanding the drivers of the financial sector.

Respondents Profile
Due to the purpose of confidentiality, the bank’s name or its exact location will not be disclosed. Still, they said the bank is located in the Lahore cantonment area. It comprises 22 employees working at various managerial and administrative level branches. Altogether six (06) employees participated in the focus group who belonged to multiple departments of the bank including, branch operations, back-end operations, customer sales, service and support, new business development, etc. and all the employees had been associated with the said bank for a period of between 2 years to 13 years.

To meet the research objective, the researchers opted to conduct a focus group with one of the leading multinational bank employees, with over 275 branches across Pakistan. For the said purpose, six managerial cadre employees (including both operations and strategic managers) participated in the focus group study conducted on the branch’s premises and lasted for over 90 minutes. The entire interview session was audio recorded for transcriptions and generation of results. Oral consent was taken from all participants of the focus group before initiation. Before conducting the focus group, all branch participants were contacted to take their agreements to participate in the focus group. Altogether six (06) employees participated in the focus group who belonged to various departments of the bank including, branch operations, back-end operations, customer sales, service and support, new business development, etc. and all the employees had been associated with the said bank for a while of between 2 years to 13 years.

Issues Discussed
To achieve our research objectives and to keep the discussion focused around its specific areas of interest, the following issues were broadly discussed:
1. Challenges faced by the banking industry.
2. Challenges faced by the employees of the banking industry.
3. Critical success factors are prevalent in the banking industry.
5. Performance-Reward and motivation.

**Primary Topic Questions Key Challenges**

The moderators put an aide question to find out the participants’ opinions to address the critical challenges faced by the Banking industry of Pakistan. The following transcriptions & themes emerged out of the discussion:

**Customer Retention**

**P6** initiated the discussion by identifying customer retention as one of the banking industry’s key challenges. To retain the customer, the services provided to the customers must specifically address the problems and offer tailor-made solutions to the client, delivering all services in accordance and compliance with the standards of the State bank of Pakistan and the “Internal Performance Monitoring Score Cards” (IPMSC). To gauge the quality of the services provided to the customers, the top management in the bank sets SMART objectives at the start of each year for every branch of the bank, e.g., audit compliance, customer services, service quality, internal processes controls, and then these are monitored through a centralized information system on a monthly and quarterly basis. It helps the top management evaluate the performance levels of various bank branches across Pakistan and serves as a recognition and reward appraisal tool for above-par and below-par performing units.

**P2** explained that all performance evaluation criteria are based upon tag time applied to all services. Tag Time is the time elapsed from the point a customer walks into the branch until they exist the unit. Giving an example, **P2** explained that the tag time for Pay order generation according to the bank’s standards is ten (10) minutes, and for accounts opening, it is 2-3 working days. **P6** stressed that it is not the responsibility of one person or department to retain a customer; instead, it’s a collective effort to perform above the expected bar levels. **P1** tried to put an introductory discussion into a nutshell by inferring that if the organization wants to be competitive, it should collectively retain its clients by using both the front-end and back-end support services.

**Verifications of Sources of Funds**

The group discussants had made a debut to a new thought, “verifications of sources of the fund.” The participants shared that as per the new governmental policies and state bank regulations, the bank should strictly adhere to the compliance for opening up a new account by verifying the primary source of the deposited money. **P3** and **P4** both commented that it was a preeminent challenge for them to prove the source of funds. Alongside **P3** and **P4** also insisted that checking and verifying the source of funds in terms of white or black money and out of proportion large deposits was a key challenge faced by the bank employees.

**Interest Rate Offering**

**P2**, **P3**, and **P5** highlighted the interest rates currently given to the customers. According to **P3**, the customers are very informed and information savvy and, in most cases, have already done a comparative analysis regarding interest rates offered by competing banks. They are well updated and keep the latest knowledge of all rack rates offered by banks, and with it information, they try to play off one bank’s offerings with another’s. The prime objective of the customer is to get the maximum returns on their investments. **P2** mentioned that due to the state bank’s latest policy, interest rates had been reduced from 10.5% to almost 8% in the last two years. Its reduction has impacted the banks drastically and made it extremely difficult to retain clients, but it has also led
to immense dissatisfaction.

P2 further shared that those banks with smaller networks are even worse, as they want to sell more- they are mainly selling their products at a loss to have more customers switching from larger banks to smaller ones. It is perceived as a strategic disadvantage by the larger banks, as they cannot offer more interest rates than they are allowed to do. When the moderators further probed The issue as to how It is possible, P2 clarified that large banks receive defined rates from the state bank, and then they work with their treasury departments to offer rack rates for regular deposits and special rates for clients bringing in deposits of Rs. 5 million and above.

Customer Satisfaction
The moderator used an aided technique to address the issue of customer satisfaction by asking the participants about its importance. P3, P4, and P5 all agreed on the high volume of customer satisfaction. Due to increased competition in the industry, the participants believed that if one does not provide good customer service, customer satisfaction will decline, churning to other competing banks. It was reaffirmed by P2, who clarified that there are two main categories of customers, one coming to the bank for lucrative interest rates, while the others who come to the bank for better customer services and the way they are treated personally. P2 gave the example that many a time, customers just come to the bank to have a cup of coffee with the branch manager or operations manager as they feel substantial in getting such a treatment from the bank.

Personal Relationship Management
In continuation to the customer satisfaction theme, personal relationship management also stemmed out as another essential theme identified by P2. Walk-in customers do not have the same impact in the eyes of P2 as those customers with whom the employees have developed a personal relationship, especially when it comes to meeting the targets. Having an empathetic attitude with the customers to even listening to unique/family problems is the key to maintaining such personal relationships. According to P1, every client expects a higher level of personalized treatment irrespective of the amount of money that client is bringing, but from the bank’s point of view, the bank only provides such services to its profitable customers who bring in higher deposits. It may lead to a dichotomy between the customer and the bank.

Customer Expectations
According to P1, the expectations of the banking industry clients are incredibly high and, at times, unjustified. Citing an example, P1 explained that clients are not interested in the problems or constraints that the bank might face, e.g., even if there are some resource constraints from the bank, e.g., systems or network down issues, etc., the client will persist in getting their issue resolved. If the client is directed to another channel to solve their problem, e.g., the helpline or ADC, they get perturbed and demand to see any superior office.

Recognition and Rewards
Another issue highlighted by P1 was the lack of recognition of the efforts put in by employees when dealing with challenging situations. Employees try to satisfy and serve their clients, but management seldom appraises or recognizes such activities. Although P1 did admit that some customers acknowledge the extra efforts being put in by the employee to resolve their issues, the administration is mostly lulling. The reward that an employee can get out of such actions is that the customer may open doors to new business avenues by recommending other prospective clients for such employees. P1 added an inverse relationship between the expectations of the management, VP’s, Line managers, and customers versus the rewards given to the employees.

Knowledgeable Customer
While encapsulating today’s customer’s characteristics, P6 explained that today’s customer is
highly informed about the products and services of the banks in the ratio of 4:1 where 4 is the level of customer information ascertained from competing banks and their benefits, while 1 being the level of data processed by one particular bank. Such customers are not usually loyal in maintaining their accounts with one bank; instead, they hold multiple banks. It results in possessing monumental information regarding competing products being offered by competitors, and hence they (the customers) play one bank with another in getting the highest possible augmented incentives by each bank.

**Expectations from Ancillary and Support Services**
An aided question was put forth by the moderator to find out the impact of other ancillary services (e.g., ATMs, online banking products, automatic funds transfers, one link, mNet, Western Union, etc.). P3 and P5 were of the view that the customers expected the bank employees to be accountable for any direct or indirect service that the bank provides to the extent that even if that service is malfunctioning due to any reason (technical or otherwise), the bank employee is the one to be held accountable.

**Surface Threats by Customers**
While responding to an aided question about complete withdrawals of money by the customer from their account, all participants unanimously stated that such threats were very commonly posed by the customer and were generally used as a tactic by clients to gain additional leverages from the bank. In most cases, the customers do not intend to withdraw their amounts, yet they still use it as a threat to throw their weights around and try forcing the bank to capitulate to their demands and undue favors.

**Banking as Derived Demand**
P2 highlighted that the industry's challenge is the sluggish economy prevailing in Pakistan. The banking sector is directly related to the country's overall business and economic performance. Pakistan’s economy has been taking a nose dive down south for the past several years, negatively impacting the banking business. The financial crunch has wrapped the entire economy into a vicious cycle affecting everyone negatively.

**Transition Questions**
Transiting from the challenges faced by the banking industry and its impact on employees, a few transition questions were brought into the discussion to move to the secondary topics. As one of the objectives of this study was to find out about the impact of challenges on the work-life of employees, aided transition questions were put forth to the discussion panel in this regard.

**Work-Life Balance**
P6 informed that banking which belongs to the service sector, has very different dynamics. The customers’ expectations regarding service delivery put a very high toll on employees' personal lives, who frequently have to sit back late in the branch even after the close of official operating hours. P1 added that there are undue expectations from the management and customers’ side and in The process, social or personal life gets very much affected.

**Employees Motivation**
P6 gave the managements perspective regarding motivation. Reiterating the fact that the banking industry in Pakistan was undergoing cut-throat rivalry and was challenged by the frugal economic conditions, there were two main stakeholders whose concerns needed to be addressed, i.e., the management and the employees. The administration pays employees for the efforts that they put in, but if an employee expects higher rewards, they have to be different and “go the extra mile” to be eligible for higher perks. The results they achieve would determine how the incentives should be distributed. P6 clarified that if the employees are efficient in their workings,
the bank does not require them to sit in for extended hours, apart from some extreme cases like an audit or a yearly closing. When the moderators asked a probing question whether the management supports the extra mile efforts, the reply was that it is a two-way street. The administration is all out to propagate and project such employees and provide them with better incentives. The management also considers collective performance and teamwork, which benefits all.

P6 also discussed the flip side of giving incentives by reverting to the dynamics of the banking industry by stating that there were SBP’s regulations to be adhered to, there were expenses to be met, there were technological requirements to be in place, and all these were leading to shrinking profits in the overall industry. Incentives, he added, were in direct proportion to profits generated. P2 concurred that banking is a highly complex field, and insight about its profession comes after years of experience in the industry. The initial 2 or 3 years are just the start of the learning process, and employees have to take the long route towards excellence. He added that expecting very high incentives is a recipe for failure.

Results and Discussion
We observed divergent themes that came out while conducting this focus group by looking at the dynamics of how the banks operate. We sum up these themes up as follow:

From the Micro Mindset of Employees to a Macro Perspective of Higher Management
When replies of P6 and P2 were compared, it was observed that P2 who was serving at a lower cadre had a tunnel view regarding things, e.g., the only important aspect for customer retention was the interest rates that were offered by the bank which seconds the results of (Rust & Zahorik, 1993). Contrary to it, P6, a higher-level manager, emphasized that interest rates only do not lead to customer retention. Still, it is a broader complete package that includes excellent customer experiences, tailor-made solutions to customers’ problems, individual personal relationships with the clients, etc. Similar to the notion of cash balancing shortages, P2 believed that the management should not penalize the cashiers if they mistake handing over or under cash to the clients. Contrary to its stance, P6 was of the view that if an experienced employee is negligent and if the bank will not reprimand such employees with stern punishments, then such acts (deliberate or otherwise) can result in heavy losses for the bank; these results have advanced the concept presented by (Cohen, Gan, Hwa, & Chong, 2006).

State Bank as a Regulator
It was also found during different points in the discussion that there are very stringent rules and regulations incorporated by SBP that bind each bank to undergo strict compliance. Rooms for negligence, errors, or mistakes cannot go unchecked. SBP has done a relatively good job in regulating the banking industry, as all SOPs, strategies, and operations that any bank follows have to be in direct compliance with SBP (Hanif, 2003).

Employee’s Frustration
A significant finding in this focus group was that there were paramount expectations from both the customer end and the management end. The customer wants uninterrupted and unmatched services irrespective of the resources available to the bank. On the same notion, there are incredibly high expectations by the bank's management towards meeting the targets and delivering high customer service by the employees. It leads to extreme frustration and dissatisfaction amongst the employees, who feel considered “machines” and not humans. Results confirm the theory presented by (Zeithaml, Parasuraman, Berry, & Berry, 1990).

The Funds’ Source vs. Target Achievement Oxymoron
Reverting to the opinions of the participants regarding the verification issues and target
achievements, we find that on the one hand, each branch has to meet set targets in terms of deposits and new business development, yet, on the other hand, the SOPs create barriers to effectively achieve such targets by incorporating the policy of verifications of funds and sources of fund generations as impediment. Achieving challenging targets creates problems for employees, and it also influences the work-life balance; this issue was highlighted by (Riz, 2013) to be an oxymoron.

**Strategies to Handle Demanding Customers**

During the discussion, the participants identified various techniques for dealing with demanding customers. These strategies included (i) Educating the clients in terms of what is right and wrong and what falls under the parameters of banking SOP’s so that undue favors can be avoided, (ii) Listening more-saying less, (iii) Showing empathy towards the customer in resolving problems even to the extent of providing them with evidence/proof of steps taken to solve customer complaints and follow up (Broderick & Vachirapornpuk, 2002) (iv) equity in dealing with clients (Nutt, 1999) (v) Having a mindset of “a problem-solving approach,” (Faroq, 2009) and finally (vi) not procrastinating and lingering on problems, rather solving them immediately and as fast as possible.

**Conclusion**

The Banking industry of Pakistan is faced with numerous challenges today. A 90 minutes focus group was conducted with the employees of a single bank, and this research was able to identify various challenges faced by the industry. Some of the obstacles are customer retention, declining interest rates, coping with the frugal economic situation of the country, meeting customer satisfaction, incorporating personal relationship management, use of ancillary support services by customers, recognition to employees, dealing with information savvy knowledgeable customers, work-life balance, and overall motivation. The sub-themes that spur out from this study include (but are not limited to) stringent compliances required by banks in light of the governing policies and rules of the State Bank of Pakistan and verification procedures at one end, and a highly stressful work environment with paramount expectations (both from clients and the management) flocking over the employees.

**Limitation and Future Research**

**Limitations of the Study**

The first limitation of this study was that only the employees from a single branch of a single bank were contacted. Employees from other network branches of the same bank could have been added to increase the validity of this research and generate more valid results. Furthermore, including employees of other banks in the sample frame would give diversity and broaden the scope of this study.

The second limitation of this research is that it was only conducted in Lahore, and other cities were not included in the sampling frame. It can be ascertained from It that the responses generated during the focus group could be regional-centric to some extent. The third limitation of the study is that only one set of research tools, i.e., focus group, was used to analyze and address the study's objective. Other instruments, e.g., face-to-face interviews, case studies, narratives, etc., could generate different cogent results.

Another significant limitation of the study was the participants' role in the focus group discussion. We had only one strategic management focal person and five operational-level managers. We might have better projections if we could have more strategic managers due to varied information. The last limitation of this research is that it did not address the various threats that encircle the banking industry of Pakistan. The sector is vulnerable to many external threats like fraud, hacking, theft, insurance risks, and liquidity issues. Such issues were not addressed in
this research, given the limitation of time and resources.

**Future Directions**

This 90 minutes focus group has helped us identify various issues and challenges faced by the Banking Industry of Pakistan. To further validate and extend this research, at least two more focus group studies can be conducted from the employees of two different banks, which can help create an exhaustive list of challenges. Based on it list, the particular hypotheses can be developed, which can be tested through a quantitative survey from bank employees of leading banks with the help of a questionnaire as a research instrument. Quantitative data generated from such surveys can then be compiled and tested using various statistical tools. It will give the entire study “mixed-method” research.

**References**


