

IS EMOTIONAL INTELLIGENCE THE PRESSING ISSUE FACING BANKS IN EGYPT?

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Abstract: Emotional Intelligence (EI) influences managers' abilities to develop the capabilities of the employees of an organization. These employees will provide and support consistent good services to the organization. There is stiff competition between public and private commercial banks. Hence, the key aspect that differentiates banks is their customer service. This paper is set to raise whether EI is the pressing issue facing banks in Egypt. Two (2) financial performance indicators show the need to develop the EI of the employees of Egyptian banks. One of the indicators of the bank's performance is the aggregate assets and the other is the strength score of the balance sheet. The increase in these indicators will trigger the customers' confidence in customer services provided by the employees of the banks in Egypt. However, it is yet to be proven empirically that the EI contributes to the increase in customer service in banks in Egypt. Further study is required to determine the relationship among EI, customer service, and other possible factors that impact the performance of the employees of Egyptian banks. Thus, with this study, the pressing issue of EI facing the banks in Egypt is expected to be addressed.

Keywords: Pressing Issue, Emotional Intelligence, Banks, Egypt, Customer Service, Customer, Performance.

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INTRODUCTION

Emotional Intelligence (EI) has received substantial attention from society, organizations, and academia. A manager's ability to manage the organization is significantly influenced by emotional intelligence. Research on EI by Salovey and Mayer (1990), and Bar-On (2003) discusses how EI affects the different levels of employers in an organization. EI is the single important factor that impacts the skills and capabilities of these employees. Leaders with EI would provide solutions to the organization's problems, and it is considered hidden excellence to success (Goleman, 1998).

The culture and traditions assist individuals in performing their jobs effectively (Ciarrochi et al, 2000). For example, employees who directly interact with customers, such as those working in front-end roles, benefit from motivation and EI. This interaction allows them to communicate and interact satisfactorily well as it is developed from an individual's

intrapersonal and interpersonal skills (Goleman, 1998). The need for employees to possess EI extends beyond providing services to the customers of an organization. It is also important for employees regardless of their role, should possess EI to effectively interact among supervisors, upper management, subordinates, and colleagues. As such, EI must cultivate desirable workplace conduct among individuals within the organization (Carmeli, 2003).

Conflict occurs in every organization as it also occurs in the banking sector. Conflict management is a crucial aspect of EI's social competencies. It involves negotiation and resolving disagreements. Individuals with emotional competence are more likely to achieve win-win agreements. The significance of leadership is also emphasized, as it values guiding and directing the team members (Goleman, 1998).

Conflict management plays a significant role in decision-making. Decisions are evaluated based on their potential for improving implementation, leading to wiser choices that benefit organizations in terms of progress, profit, and goodwill. Change catalysts contribute to organizational improvement by initiating beneficial changes and ensuring a smooth process for optimal outcomes.

Teamwork and collaboration are of great importance in social awareness, as they foster group synergy in pursuing collective goals. Collaboration is especially advantageous in providing effective solutions to organizational problems, while networking facilitates increased interaction within the organization. Both collaboration and networking provide enhanced opportunities for recruiting talented individuals through referrals. They also as well as enable the emergence of fresh ideas from the general public. Just like in the field of science, teams are increasingly prevalent in business establishments. The collective efforts of a team can result in a remarkable performance that surpasses what individual members can achieve independently.

The banking industry is widely recognized as the foundation of economic activity, acting as an intermediary between savers and investors, as well as offering various financial and banking services. With technological advancements intensifying competition in this sector, all management is now focused on enhancing the quality of their services to ensure customer satisfaction and loyalty. This is crucial for banks to establish a competitive edge within the industry (Ali, 2017).

The concept of banking has evolved to prioritize providing high-quality services that cater to the customers' requirements, instead of solely focusing on marketing and meeting their needs. This customer-oriented approach aims to enhance satisfaction and loyalty, ultimately leading to increased profitability and a stronger competitive position for banks in Egypt. The achievement of quality service across all Egyptian commercial banks not only ensures stability and growth in the local market. but also positions them to be competitive internationally.

PRESSING ISSUES IN THE EGYPTIAN BANK

Egypt's banking industry has seen several difficulties arise from the growing rivalry between public and private commercial banks. This is especially clear in light of globalization and the fierce rivalry that exists almost everywhere. All the banks provide some form of homogeneity of services. Therefore, by providing technology improvements in banking services, a bank can distinguish one bank from another.

The banks in Egypt offer different services to the customers. The inability of the bank to identify the services that meet the needs and wants of the customers can impact their pleasure and positive response. Hence, it needs to overcome these issues as it maintains the appropriate quality of the bank.

Employees that have EI tend to have the ability to provide good service to the customers and thus essentially meet high service standards (Naeem et al., 2012). The interactions between employees and clients could impact the level of services offered by the banking institution. There is a need to address the EI among the employees of the banking institutions.

SCENARIO OF THE EGYPTIAN BANKING INDUSTRY

The banking industry in Egypt plays a pivotal role in the function of the country's financial institutions. These institutions handle most financial transactions and possess a significant portion of Egypt's financial assets (Mohieldin, Hussein, and Rostom, 2019). During the period of nationalization from 1959 to 1960, the previously foreign-dominated Egyptian banking sector was reduced to five commercial banks. It includes three specialized banks and the Central Bank of Egypt. The "open-door policy" was implemented from 1973 to 1974 to enhance efficiency and encourage competition among the banks as the way forward to reform Egypt's banking sector.

Under the new administration, the economic foundations were diversified, which ultimately strengthened the Egyptian banking system (Kalhoefer & Salem, 2008). The Egyptian banking sector is highly developed in the Middle East and North Africa regions, reflecting the country's economic progress (Hussin, 2017). The banking system in Egypt is a significant national concern (Poshakwale & Qian, 2012). Likewise, the Egyptian banking authorities have given considerable attention and regard to customer satisfaction and maintaining high service standards in banking institutions.

Two (2) performances of the banks in Egypt constitute the need to ensure banking institutions will continuously provide reasonably acceptable customer service. The first indicator is the aggregate assets of the bank. The other indicator is the strength score of one of the financial statements of the bank.

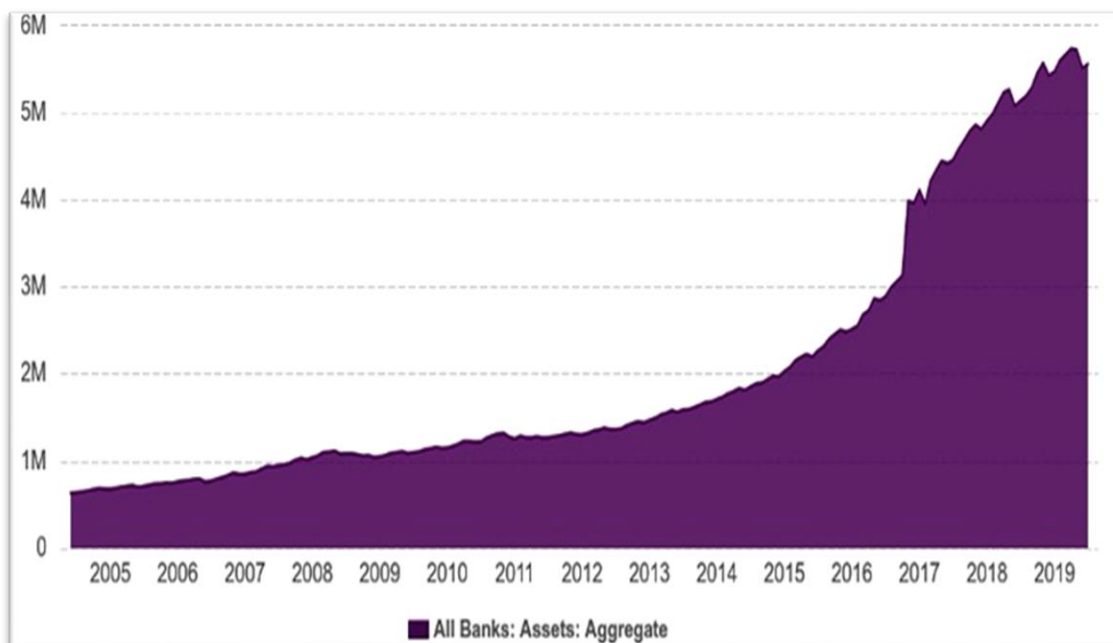


Figure 1. Egypt all banks: Assets aggregate from June 2004 to May 2019
(Source: Central Bank of Egypt, 2020)

The aggregate assets of banks in Egypt provide an interesting indication of the progress of the financial institution. The Central Bank of Egypt reported a rise in assets since 2005. Figure 1 indicates that all bank asset aggregate increased from 2004 to 2019. This figure also shows a sharp increase in the assets of all banks from mid-2016 to the end of 2019. The rise in these assets is due to banks' customers' confidence in the banks and the employees that support these institutions.

It is of grave concern concerning the services provided by Egyptian banks. This concern is translated into the management of banks and their employees' ability to communicate and interact with their customers well enough and effectively. To this effect, EI can be seen as the driving force that steers and harmonizes the relationship between banking employees and customers.

The strength of the financial statement also provides another indicator of the customer's confidence in the services provided by these banks. The strength of banks in terms of balance sheets is indicated in Figure 2. The National Bank of Egypt has the highest strength with a strength score of 3.52 on the balance sheet. On the other hand, the Abu Dhabi Bank has the lowest strength score of 2.85. The banks in Egypt are competing among themselves, particularly in the services provided to the existing and new customers. Therefore, the role of EI in ensuring excellent communication and interaction in the banking organization which in turn provides good services is yet to be established in the Egyptian banking industry. The subsequent table and figure provide relevant insights into the need of employees in the banking organization to possess a certain level of EI to cater to the increase in the value of the banks in Egypt.

Table 1 The Asian Banker strongest banks by balance sheet in Egypt in the year 2017

STRENGTH RANK	BANK	COUNTRY	STRENGTH SCORE
3	National Bank of Egypt	Egypt	3.52
4	Commercial International Bank	Egypt	3.43
5	Banque Misr	Egypt	3.35
11	QNB ALAHLI	Egypt	3.20
15	Credit Agricole - Egypt Bank	Egypt	3.07
16	Al Baraka Bank Egypt	Egypt	3.04
17	Bank of Alexandria	Egypt	3.04
22	HSBC Bank Egypt	Egypt	2.86
23	National Bank of Kuwait - Egypt	Egypt	2.85
23	Abu Dhabi Islamic Bank - Egypt	Egypt	2.85

(Source: Asian Banker Research, 2018)

Managers have the responsibility to develop and instill the employees' EI. Employees with high EI improve their motivation and productivity and eventually contribute to the profits of an organization (Praveena, 2015). The capability of managing power among the managers was believed to bring about positive outcomes in employee behavior (Hashim, et. al., 2015). This behavior would subsequently improve the quality of the offered services (Poshakwale & Qian, 2012).

The last scenario of the banking industry is the percentage of GDP of the banks based on the data from the Central Bank of Egypt. The financial depth index holds significant importance in the measure of financial development. A higher financial depth of the percentage of the GDP indicates the bank's ability to efficiently develop and enhances the effectiveness of distributing financial resources. This ultimately leads to increased investment rates and eventually contributes to economic growth.

Table 2 Financial depth indicators from (2015 to 2020)

Years	Gross domestic product (GDP)	Money supply in the broadest sense(M2)	Financial depth Indicators (M2/ GDP/)
2015	332.7	249.4	75%
2016	332.9	345.8	104%
2017	235.4	319.5	136%
2018	237.4	204.1	86%
2019	302.3	250.2	83%
2020	361.8	290.3	80%

(Source: Annual reports of the Central Bank of Egypt)

Table 2 indicates the financial depth indicators of the banks in Egypt between the year 2015 to 2020. According to these indicators, it is noticed that in 2016, the financial depth index rose to 104%, but it reached its peak in 2017 at 136%. This increase was in line with the desired economic goals, which necessitated the implementation of policies that encouraged the development of new credit and financial instruments.

Thus, a more efficient financial policy should be pursued to incentivize individuals to save and take out loans. These measures would help stimulate the money market, enhance liquidity, and ultimately increase the financial depth index by 37%. Subsequently, the index would stabilize within the range of 80% to 86% of the financial depths.

SUMMARY

This paper introduces the importance of EI to the managers in the banking institution which extends to the role of development of the employees who will provide services to the customers. The manager's leadership abilities can significantly influence the EI of the employees. The culture of the bank's organization can assist employees in executing their jobs effectively by directly communicating and interacting with the customers.

Therefore, EI can tremendously motivate employees to provide outstanding services to the bank customers. Similarly, by possessing EI, the employees of the banks can have effective and efficient interaction among the employees themselves.

The two (2) performance indicators of the banks are highlighted in the scenario of the Egyptian banks. One is the asset aggregate and the other is the strength score of the balance sheet of the banks in Egypt. The increase in these performance indicators provides customers confidence in the services rendered by the Egyptian banking industry. Consequently, maintaining these services by the employees with a certain level of EI is crucial for the banks in Egypt.

The extent EI plays a compulsory role in impacting customer service in the banking industry in Egypt is yet to be proven by empirical study. It is expected that further research is needed to determine the relationship among EI, customer service, and other factors that impact the customer's satisfaction with the services provided by the banks in Egypt.

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