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Ways of Determining the Efficiency of Banking Services

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In determining the effectiveness of banking services, it is aimed at assessing how well they meet their goals, meet customer needs and maintain competitive advantages. Determining the effectiveness of banking services is essential for banks to achieve customer satisfaction, improve operational efficiency and maintain a competitive advantage. This thesis synthesizes research findings on methodologies and metrics used to evaluate banking performance, including customer satisfaction, service quality, technological integration, financial performance, regulatory compliance, and employee performance.

There are several ways to determine the effectiveness of banking services:

1. Determining customer satisfaction and service quality from banking services:

1.1. By applying the SERVQUAL and SERVPERF models:

The SERVQUAL model was developed to measure service quality based on five dimensions. According to him, banking services should meet the criteria of "tangibles, reliability, responsiveness, assurance, and empathy" (Parasuraman, Zeithaml and Berry (1988)). SERVPERF, a performance-based measure, simplifies evaluation by focusing only on service performance (Cronin and Taylor, 1992). These models are widely used in banking to assess how well services meet customer requirements.

Higher service quality is consistently associated with increased customer satisfaction and loyalty (Zeithaml, Parasuraman, & Berry, 1990; Bitner & Hubbert, 1994). Banks characterized by reliability and speed often seem to be successful in retaining customers. However, subjective customer expectations complicate these measurements, making it difficult to achieve consistent results across different segments (Oliver, 1997).

2. Implementation of technological advances in banking practice:

2.1. By investing in digital banking platforms:

Implementing and integrating digital banking platforms has a significant impact on service delivery efficiency. Research in this direction highlights advantages such as increased convenience, reduced transaction times and improved customer engagement (Laukkanen and

Lauronen, 2005).

AI and ML have revolutionized customer service in banking by providing personalized recommendations and enhancing fraud detection (Luo et al., 2010). Performance metrics include transaction speed, error detection, and user adoption engagement. Despite the advantages, the transition to new technologies can be met with resistance from customers and employees, which requires robust change management strategies (Pikkarainen et al., 2004).

3. Taking into account the impact on financial results:

Common financial ratios used to evaluate banking performance include return on assets (ROA), return on equity (ROE), net interest margin (NIM) and cost-to-income ratio (Berger and Humphrey, 1997).

Research shows a strong correlation between operational performance and financial performance. Effective cost management and process optimization are essential for favorable financial results (Atanasoglou, Brissimis, & Delis, 2008).

4. Compliance with regulatory documents and importance in risk management:

Adherence to regulatory standards is measured by the number of compliance violations, audit findings, and the strength of risk management systems (Basel Committee on Banking Supervision, 2006).

Compliance with regulatory requirements ensures legal operations and maintains customer confidence. Research shows that banks with proactive risk management practices and strict compliance protocols generally avoid fines and improve their reputation (Pasiouras, 2008). However, ensuring compliance can be resource-intensive, requiring constant updating of policies and significant investment in compliance infrastructure (European Banking Authority, 2013).

5. Improvement of efficiency and qualification of employees:

Employee productivity, training effectiveness and employee turnover rate are important indicators of service performance (Brown and Moles, 2014).

Banks that invest in employee training and development typically see improved service quality and customer satisfaction. Skilled employees are essential to provide high quality customer service and efficient operations (Costanzo and Ashton, 2006).

In addition, quantitative methods such as questionnaires, statistical analysis, and financial ratio analysis are commonly used to measure service performance. These methods provide objective data that can be easily compared and analyzed (Parasuraman, Zeithaml, & Berry, 1988).

In summary, banking performance is a multifaceted concept that includes customer satisfaction, technological integration, financial performance, regulatory compliance, and employee performance. Studies in scientific papers emphasize the importance of using a combination of quantitative and qualitative indicators for a comprehensive assessment. Continuous innovation, investment in new technologies, compliance with regulations, and a strong focus on employee financial literacy are essential for banks to improve service performance.

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