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Impact of Strategic Factors on Bank Performance: Evidence from Banking Industry of Pakistan

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ABSTRACT

Interest of stakeholders is always important for financial sector in order to provide the best services and strive in the market to attain the market share. With the purpose to achieve the trust of stakeholders the organizations form strategic policies rely on the important strategic factors. The strategic factors which were considered in the study are service quality, employee satisfaction, environmental concern, social concern, total quality management, non-financial performance, customer satisfaction and bank's branch performance. The present research had used the survey questionnaire method for data collection to see the importance and impact of strategic factors on bank's branch performance in the banking sector of Pakistan. We have also considered the discussions with managers in the final results. The outcomes of the present research deliver enough proof of the importance of strategic factors for bank's branch performance in Pakistan. Environmental concern and social concern have insignificant relationship with the customer satisfaction and customer satisfaction is not playing a mediating role for service quality, employee satisfaction, environmental concern and social concern. The nonfinancial performance is also not playing a mediating role for total quality management, environmental concern and social concern. These variables have significant relationship with the non-financial performance. The strategic variables named as service quality, environmental concern, social concern, total quality management and non-financial performance have positive and significant relationship with the bank's branch performance whereas employee satisfaction has insignificant.

KEYWORDS: Strategic factors, Customer satisfaction, Employee satisfaction, Service quality, Non-financial performance, Total quality management, bank's branch performance, Environmental concern and Social concern.

1. INTRODUCTION

Financial sector of Pakistan has been evolved very distinctively form the other developed nations in the world. At the time of partition from India Pakistan has no central bank the Habib has been established in 1947 to fill that gap in financial sector while the state bank of Pakistan has been formed in 1948 under quasi-government ownership. Commercial banking has grown very speedily in Pakistan until 1974. After that the 13 banks has been came under the full government control and consolidated into six nationalized banks. This all has been done under the nationalized policy implemented by Zulfikar Ali Bhutto. As the time has been passed the financial sector served many large organizations and businesses, politicians and for government. BODs and CEOs and not appointed independently appointed. And because of all this many billion rupee have been converted into bad loans and get out of the financial system. By the year of 1991 the Bank nationalized act was changed and according to it 23 banks were established at that time out of which 10 are domestically licensed. MCB was got privatized in the year of 1991 and Allied bank was transferred to its management in 1993. At the time of 1997 there were 4 major state owned banks but the issue is that they are now facing competition from 21 domestically owned banks and 27 foreign banks. By the time of 1997-2006 the power of Central bank was restored. As the time has been passed the banking sector flourished as with the reference of the record there were 5 public commercial banks, 25 domestic private banks, 6 foreign banks and 4 specialized banks. According to the recent data there are 9,348 banks branches in all over the Pakistan to handle the need of 28 million deposits of account holders. By taking a look on the recent data on banking sector it is recommended to apply strong regulations in order to decrease the industry concentration and competition. Recently top five banks having a share of 50% of the whole banking sector as measured in the terms of total advances received ^[15].

Stakeholder theory is having great importance in management literature and represented in advanced manner. It gets importance on three bases, one is normative validity, instrumental power and having descriptive accuracy. The study basically approaches these three aspects. The results of the study conclude that the three aspects of this theory mutually support each other and provide a normative theory for theory ^[12]. Study combing the strategic purchasing, supply chain management with firm performance and explore the findings that the

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strategic planning is a source of competitive advantage by getting close and strong relationships with small number of suppliers and develop long term relationships with supply chain partners. The study contains the sample of 221 from the manufacturing firms of United States. The results of the study explores that there is strong relationship among customer responsiveness, strategic management and firm financial performance ^[9].

Next study is to investigate the impact of corporate sustainability on organizational process and firm performance. The study has taken the sample of 180 manufacturing companies in United States. The study explores the findings that the firms which have adopted sustainable policies earlier having high sustainability and having strong relationships with stakeholders. The results also indicate that the firms having high sustainability performance ^[13]. Main purpose of the study is to find out the relationship among customer satisfaction, economic performance and two major general approaches of strategic management, one is measurement diversity and other is improved alignment with firm strategy. The results of the study says that the value drivers affect inversely the firm performance and also that the greater measurement methods having strong relationship with market value and firm performance and satisfaction ^[14].

Next study is about to investigate about four models which are goal approach, the system resource approach, the process approach and the strategic constituency approach are studied which are part of organizational effectiveness. Main purpose of the paper is to present different organizational models in higher education. With the help of empirical evidences, the study suggest that the Cameron's (1978) model of organizational effectiveness is best and most appropriate for studying the organizational effectiveness ^[2].

Another is about to examine the relationship among stakeholder attributes of power, legitimacy, urgency, and salience; CEO values; and firm performance by taking a sample of 80 large United States corporations. The results of the study conclude that there is significant relationship of attribute salience with firm performance and other variables like CEO values and corporate social performance having somehow significant impact on firm performance except salience financial performance. The study suggests to mainly focusing on normative stakeholder theory^[1].

Previous studies are mainly focusing on the conceptually conflicting and empirical based studies; however this study is basically focusing on the multiple constituency approach in order to elaborate different assessments organizational effectiveness. The research study also provides many empirical and conceptual implications for this approach. The main finding of the study is that the multiple constituency theory combines both goal and system theory for organizational effectiveness ^[10]. The next study is based on formulating the methodology and framework for based on corporate behaviour in order to evaluate and deeply analyse the corporate social performance having the research period of 10 years. The study has taken the 80 field study with the time period of 1983-1993. The study results conclude that the organization should have to manage relationship with only stakeholder rather than the whole society, the next findings is that the social issues should be separated with stakeholder issues and lastly it is important to select a proper measurement for analysing the Corporate social performance ^[11].

Core objectives of the research study are stated as follows.

- To acknowledge the need and importance of strategic factors on bank performance (at branch level) in banking sector of Pakistan.
- To investigate the relationship of customer satisfaction, employee satisfaction, environmental concern, social concern, total quality management, non-financial performance and service quality with bank performance.
- To what extent customer satisfaction and non-financial performance are playing a mediating role between independent and dependent variables.

2. LITERATURE REVIEW

Stakeholder theory is having great importance in management literature and represented in advanced manner. It get importance on three bases, one is normative validity, instrumental power and having descriptive accuracy. The study basically approaches these three features. Three aspects of this theory mutually support each other and provide a normative theory for theory ^[12]. Study combing the strategic purchasing, supply chain management with firm performance and explore the findings that the strategic planning is a source of competitive advantage by getting close and strong relationships with small number of suppliers and develop long term relationships with supply chain partners. The study contains the sample of 221 from the manufacturing firms of United States. The study explores a strong association among customer responsiveness, strategic management and firm financial performance.^[9]

^[11] The firms which have adopted sustainable policies earlier having high sustainability and having strong relationships with stakeholders. The results also indicate that the firms having high sustainability performing better than competitors and low sustainability firms in both market value and accounting performance. Previous studies are mainly focusing on the conceptually conflicting and empirical based studies;

however this study is basically focusing on the multiple constituency approach in order to elaborate different assessments organizational effectiveness. The research study also provides many empirical and conceptual implications for this approach. The main finding of the study is that the multiple constituency theory combines both goal and system theory for organizational effectiveness ^[10]. The methodology and framework for based on corporate behaviour in order to evaluate and deeply analyse the corporate social performance having the research period of 10 years. The study has taken the 80 field study with the time period of 1983-1993. The study results conclude that the organization should have to manage relationship with only stakeholder rather than the whole society, the next findings is that the social issues should be separated with stakeholder issues and lastly it is important to select a proper measurement for analysing the Corporate social performance ^[11].

Another study also examines the organizational performance in a single perspective. The study explores that organizational performance is measured by the value creation of stakeholders. The change in the financial performance is created a change in the returns of the stakeholders^[8].

3. THEORETICAL FRAMEWORK AND SELECTION OF VARIABLES

This study uses the stakeholder theory to see its importance in the bank's branch performance of Pakistan in the essence of finding the causal association among the selected variables. We set up hypothesis based on stakeholder theory importance and previous research findings. A positivistic research paradigm was adopted and sixteen hypotheses have been constructed in this study.

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Figure 3.1 Theoretical Framework

The above figure basically describes the construct in which employee satisfaction, service quality, social concern, environmental concern and TQM is playing a role of independent variables while on the other side these all variables affecting the Bank's branch performance and customer satisfaction is playing a mediating role for employee satisfaction, service quality, social concern and environmental concern and Non-Financial factors playing mediating role between TQM and Bank's branch performance in this research model.

3.1 Research hypothesis

Hypothesis 1: Social concern has positive relationship with bank's branch performance of Banking Sector of Pakistan.

Hypothesis 2: Social concern has significant relationship with Customer satisfaction of Banking Sector of Pakistan.

Hypothesis 3: Social concern has positive relationship with Non-Financial performance of Banking Sector of Pakistan.

Hypothesis 4: Environmental concern has positive relationship with bank's branch performance of Banking Sector of Pakistan.

Hypothesis 5: Environmental concern has positive relationship with Customer satisfaction of Banking Sector of Pakistan.

Hypothesis 6: Environmental concern has significant relationship with Non-financial performance of Banking Sector of Pakistan.

Hypothesis 7: Employee satisfaction has positive relationship with bank's branch performance of Banking Sector of Pakistan.

Hypothesis 8: Employee satisfaction has positive relationship with Customer satisfaction of Banking Sector of Pakistan.

Hypothesis 9: Customer satisfaction has positive relationship with bank's branch performance of Banking Sector of Pakistan.

Hypothesis 10: Is customer satisfaction is playing a mediating role between banks' strategic factors and bank's branch performance.

Hypothesis 11: Service quality has positive relationship with bank's branch performance of Banking Sector of Pakistan.

Hypothesis 12: Service quality has significant relationship with Customer satisfaction of Banking Sector of Pakistan.

Hypothesis 13: TQM has positive relationship with Non-Financial Factors of Banking Sector of Pakistan.

Hypothesis 14: TQM has positive relationship with bank's branch performance of Banking Sector of Pakistan of Banking Sector of Pakistan.

Hypothesis 15: Non-financial performance has positive relationship with bank's branch performance of Banking Sector of Pakistan of Banking Sector of Pakistan.

Hypothesis 16: Is Non-financial Factors is playing a mediating role between TQM and bank's branch performance of banking sector of Pakistan.

3.2 RESEARCH METHODOLOGY

The current research is quantitative in its nature. The aim of research is to improve understanding of present situation of banking sector at branch level in Pakistan, and also helping the marketers and managers in decision making process. In this study Cross Sectional data technique is used because the information is gathered at the same time from manager level employees of banking sector in Pakistan. There is a gap in the academic studies to purely research on banking sector to test out the strategic factor which have great impact on the bank's branch performance. Confirmatory Factor Analyses and regression in AMOS will be used in the study by taking the customer satisfaction and non-financial performance as mediating variables.

3.3 Data collection method

In the study survey research method has been used. Unit of analysis in this research is banks. There are total 39 banks are working in the Pakistan including *foreign banks, nationalized banks, Commercial banks, Card issuer banks, Islamic banks*. A questionnaire has been developed taken from the previous literature and given to the manager level persons of the banks in 27 cities of Pakistan covering mainly the Punjab area. The cities included Sargodha, Lahore, Patoki, Melsi, Laiya, Peshawar, Kamalia, Chistian, Pakpattan, Alipur, Dipalpur, Sumundri, Toba Tak Singh, Jhang, Gojra, okara, Chunia, Faislabad, Multan, Vehari, Khanpur, Islamabad, Sahiwal, Rahim Yar Khan, Bahawalpur, Sialkot and Liaqatpur.

A prearranged questionnaire having 36 items is used to gather the data from banking sector of Pakistan. The questionnaire has been adapted from earlier studies ^[17], ^[16], ^[19]. ^[17] Questionnaire items has been used for this study. Manager level Employees of banking sector of Pakistan has been taken as target population.

3.4 Data Analysis Method

The study is used 'SPSS and AMOS for data analysis. With the help of SPSS we checked the reliability of the questionnaire and Normality analysis. Structured Equation Modelling is used to define the relationship among variables. The Path Analysis and Confirmatory factor analysis has done in AMOS 21.

4. RESULTS AND FINDINGS

4.1 Reliability Analysis

Reliability is necessary to check whether the instrument is reliable to be used in the study or not. For this, Cronbach's α ^[18] is used to check the reliability of variables. The values of Cronbach's α for all the variables/instruments are given in the Table 4.1. We can see that all these values are high enough and thus indicate that all the instruments used in this study are reliable. While considering all the Cronbach's α value of variables, the reliability is at good level for all the variables.

Table 4.1: Reliability Analysis							
Sr. No	Variables	Cronbach's Alpha	Composite Reliability				
1	Service Quality	0.818	0.800				
6	Customer Satisfaction	0.797	0.903				
7	Employee Satisfaction	0.814	0.895				
8	Bank's branch performance	0.733	0.867				
9	Environmental Concern	0.728	0.941				
13	Social Concern	0.649	0.807				
14	Non-Financial Performance	0.728	0.887				
15	Total Quality Management	0.752	0.964				

4.2 Normality Analysis

We are going to conduct the regression analysis and examine the effects of several independent variables on dependent variables. Since there are two mediators i.e. customer satisfaction and non- financial performance and one dependent variable bank's branch performance, therefore, we need to check the normality of these three variables. Normality can be checked with the help of histogram as well as using the coefficients of skewness and kurtosis. Coefficients have been calculated and presented in *Table 4.2*. We can observe that the values of coefficients of skewness for these three variables are between -1 and +1 and coefficients' values for kurtosis are also very small and lie between -1 and +1. Therefore the normality condition is satisfied for all these variables.

	Non-Financial Performance	Bank's branch performance	Customer Satisfaction
Skewness	-0.514	-0.668	-0.548
Std. Error of Skewness	0.126	0.126	0.126
Kurtosis	-0.344	0.270	0.385
Std. Error of Kurtosis	0.252	0.252	0.252

4.3 Multicollinearity

The second condition which needs to be satisfied before using the regression as a statistical tool is multicollinearity. Multicollinearity among the independent variables has been checked with the help of part and partial correlations and also with tolerance and variance inflation factor (VIF) produced in SPSS. The said results have been presented in the *Table 4.3*. We can observe from the *Table 4.3* that values of tolerance for all the variables are high, thus, we can conclude that there is no issue of multicollinearity. A second method to examine the multicollinearity is variance inflation factor (VIF). The values presented in *Table 4.3* show that all values of VIF are < than 2, therefore there is no issue of multicollinearity among the independent variables.

Another method which can indicate the multicollinearity is the use of part and partial correlations. We can see from the Table 4.3 that in case of all variables, there is small change in the said correlations. Thus part and partial correlations help our previous conclusion that there is no problem of multicollinearity.

	Table 4.3: Multicollinearity Diagnostic Test								
Model		C	orrelations	Collinearity Statistics					
			Zero-order	Partial	Part	Tolerance	VIF		
	1	(Constant)							
		Customer Satisfaction	-0.024	-0.171	-0.150	0.751	1.331		
		Service Quality	0.218	0.251	0.223	0.777	1.288		
		Employee Satisfaction	0.020	0.041	0.035	0.940	1.064		
		Environmental	0.276	0.218	0.192	0.925	1.081		
		Concern							
		Social Concern	0.358	0.212	0.187	0.707	1.414		
		Total Quality	0.237	0.110	0.096	0.859	1.164		
		Management							
		Non-Financial	0.338	0.109	0.094	0.626	1.598		
		Performance							

a. Dependent Variable: Bank's branch performance

4.4 Confirmatory Factor Analysis

CFA is an important statistical tool to check the validity of the instruments as well as fitness of the model. Fitness of this model has been studied with the help of various statistical measures. Summary of the model fitness is given in the *Table 4.4*. Second column of this table provides the name of each measure, third column provides the standards for these measures, and second column provide the estimated value of each measure. We can see form this table that each measure is satisfied because their values are within the standard ranges. Thus we can say that our measurement model is adequate. All these indices are indicating that measurement model developed for confirmatory factor analysis, is appropriate and we can proceed for further structural equation modelling ^[7], ^[4], ^[3], ^[5], ^[6].

Table 4.4: Model Fit Summary for CFA							
Sr. No	Measures	Estimated Values	Default values				
1	RMSEA	0.046	< 0.08				
2	CMIN/df	1.800	<5.00				
3	NFI	0.923	>0.90				
4	CFI	0.911	>0.90				
5	TLI	0.913	>0.90				
6	GFI	0.927	>0.90				
7	AGFI	0.945	>0.90				
8	IFI	0.936	>0.90				

4.5 Validity

Validity of the instruments includes two major types of validity i.e. convergent validity and discriminant validity. These validities have been checked with the help of AMOS software and described in the following sections.

4.5.1 Convergent Validity

Convergent validity is checked with the help of Average Variance Extracted (AVE) and factor loadings. Each of the AVE and factor loadings should be greater than 0.5. Factor loadings have been computed and given in the *Table 4.5*. We can observe that all the values of factor loadings for all the items/ elements are greater than 0.5, and thus give an indication of satisfaction.

Variables	Items	Factor Loading	AVE
Service Quality	Assurance	0.720	0.62
	Empathy	0.775	
	Tangibility	0.769	
	Reliability	0.858	
	Responsiveness	0.826	
Customer Satisfaction	CSQ1	0.796	0.68
	CSQ2	0.826	
	CSQ3	0.719	
	CSQ4	0.712	
	CSQ5	0.752	
	CSQ6	0.863	
Employee Satisfaction	ES1	0.751	0.68
	ES2	0.708	
	ES3	0.733	
	ES4	0.838	
	ES5	0.825	
	ES6	0.740	
Bank's branch performance	BP1	0.749	0.65
	BP2	0.770	
	BP3	0.725	
	BP4	0.726	
	BP5	0.788	
Environmental Concern	EC1	0.720	0.61
	EC2	0.832	
	EC3	0.747	
	EC4	0.856	
	EC5	0.782	
	EC6	0.719	
	EC8	0.813	
	EC9	0.899	
	EC10	0.894	
	EC13	0.756	
	EC14	0.791	
Social Concern	SC1	0.786	0.68

Table: 4.5 Acceptable Factor Loadings

	SC2	0.750	
	SC3	0.752	
Non-Financial Performance	NFP1	0.700	0.61
	NFP2	0.748	
	NFP3	0.781	
	NFP4	0.784	
	NFP5	0.890	
Total Quality Management	TQM1	0.651	0.69
	TQM2	0.878	
	TQM3	0.848	
	TQM4	0.762	
	TQM5	0.721	
	TQM6	0.872	
	TQM7	0.819	
	TQM8	0.855	
	TQM9	0.774	
	TQM10	0.797	
	TQM11	0.730	
	TQM12	0.756	
	TQM13	0.814	
	TQM14	0.756	
	TQM15	0.714	
	TQM16	0.767	
	TQM17	0.785	
Non Acceptable Factor Loadings			
Environmental Concern	EC7	.142	
	EC11	.291	
	EC12	.356	
	EC15	.319	

4.5.2 Discriminant Validity

To establish discriminant validity, we need to show that measures that should *not* be related are really *not* related. In other words, correlation among all the variables should be low. This validity can be checked with the help of formula $\sqrt{AVE} > (Inter Scale Correlation)^2$. On the basis of the results discussed under convergent and discriminant validities, we can conclude that all the instruments are possess the convergent and discriminant validities.

Square of Inter Scale Correlations and \sqrt{AVE}									
\sqrt{AVE}		SQ	CS	ES	BP	SC	EC	NFP	TQM
0.780	SQ	1							
0.779	CS	0.19	1						
0.767	ES	0.00084	0.00211	1					
0.752	BP	0.00019	0.001024	0.002025	1				
0.713	SC	0.000169	0.000196	0.00270	0.002916	1			
0.763	EC	0.0001	0.001681	0.002809	0.001089	0.006084	1		
0.781	NFP	0.0001	0.000289	0.003136	0.001156	0.001764	0.0.0262	1	
0.768	TQM	0.00016	0.000225	0.00036	0.02958	0.001024	0.004	0.1814	1

Table: 4.6 Square of Inter Scale Correlations and \sqrt{AVE}

4.6 Structural Equation Modelling

Structural equation modelling (SEM) technique adopted in the dissertation that have been planned to estimate through AMOS. It is actually a confirmatory technique to analyse the underlying explanatory factors. Our conceptual model uses two mediating variables that are checking the relationships among different variables in the shape of a path. The effects of independent variables on dependent variables, directly as well as through mediators, have been studied with the help of Path Analysis Model, developed in AMOS, and is given in the *Figure 4.1*. Adequacy of this model as well as direct and indirect effects of different variables on the dependent variable has been discussed in the forthcoming sections.



Figure: 4.1 Path Analysis Model in AMOS

4.7 Testing of postulated hypotheses

Hypothesis 1: Social concern has positive relationship with bank's branch performance of Banking Sector of Pakistan.

This hypothesis has been accepted as the p-value is very small and less than 0.01. Thus it is significant at 1% level of significance. The value of regression coefficient is 0.157 which indicates that relationship between the social concern and bank's branch performance is positive.

Hypothesis 2: Social concern has positive relationship with Customer satisfaction of Banking Sector of Pakistan.

Second hypothesis has been rejected and showing insignificant relationship between the social concern and customer satisfaction by having values (H2: Estimate=0.002, t=.067, p= .947). The t value is <1.97 which is insignificant and also the p value is greater than 0.05 it is also insignificant. So it does no supports the H2.

Hypothesis 3: Social concern has positive relationship with Non-Financial performance of Banking Sector of Pakistan.

Third hypothesis is accepted because the p value is very small and less than 0.01. Relationship between social concern and non-financial performance having the positive and significant results with the values (H3: Estimate=0.383, t=10.547, p= ***). The t value is also greater than 1.96 and p value is less than 0.01, this verifies for the relationship. So it supports the H3.

Hypothesis 4: Environmental concern has positive relationship with bank's branch performance of Banking Sector of Pakistan.

This hypothesis is accepted because the p value is less than 0.01. The relationship is between the environmental concern and bank's branch performance which shows the positive and significant by having values (H4: Estimate=0.237, t=4.310, p= ***). The t value is also greater than 1.96 and p value less than 0.01 which verifies the significance of the results. So it supports H4.

Hypothesis 5: Environmental concern has positive relationship with Customer satisfaction of Banking Sector of Pakistan.

This hypothesis is rejected on the basis of p value which is very large and greater than 0.05. this hypothesis is explaining the relationship between the environmental concern and customer satisfaction and providing that there is positive and insignificant relationship between these two variables by having values (H5: Estimate=.012, t=0.206, p= 0.837). The t value is also significant > 1.97 but p value is greater than 0.05 so it is insignificant. It does not support the H5.

Hypothesis 6: Environmental concern has positive relationship with Non-financial performance of Banking Sector of Pakistan.

Environmental concern association with the non-financial performance having direct, positive and significant relationship with the values (H6: Estimate=0.218, t=3.651, p= ***). The t value is greater than 1.96 and p value is less than 0.01 which verifies the significance of the relationship. It supports H6.

Hypothesis 7: Employee satisfaction has positive relationship with bank's branch performance of Banking Sector of Pakistan.

This hypothesis is rejected on the basis of p value which is greater than 0.05. This relationship is between the employee satisfaction and bank's branch performance which give insignificant results with positive estimated values (H7: Estimate=0.030, t=.784, p= 0.433). The t value is insignificant having value <1.96 and p value is insignificant having value >0.05. So it does not support H7.

Hypothesis 8: Employee satisfaction has positive relationship with Customer satisfaction of Banking Sector of Pakistan.

This hypothesis is accepted as the p value is very small less than 0.01. This relationship is between the employee satisfaction and customer satisfaction showing also positive and significant by having values (H8: Estimate=0.169, t=4.004, p = ***). The t value is also greater than 1.97 and p value is less than 0.01 which shows the significance of the relationship. So it supports the H8.

Hypothesis 9: Customer satisfaction has positive relationship with bank's branch performance of Banking Sector of Pakistan.

The other relationship is between the customer satisfaction and bank's branch performance showing the positive significant results with the values (H9: Estimate=0.156, t=3.363, p= ***). The t value is also greater than 1.96 and p value is less than 0.01 which is verifying the significance of the relationship. So it supports H9.

Hypothesis 10: Is customer satisfaction is playing a mediating role between banks' strategic factors and bank's branch performance.

Customer satisfaction is not playing a mediating role for employee satisfaction, service quality, environmental concern and social concern as shown calculation in the mediation *Table 5.12* below. So it does not support and Reject H10.

Hypothesis 11: Service quality has positive relationship with bank's branch performance of Banking Sector of Pakistan.

This hypothesis is accepted on the basis of p value which is very small even less than 0.01. Service quality association with the bank's branch performance showing the significant and positive results by having values (H11: Estimate=0.290, t=4.999, p= ***). The t value is greater than 1.96 and p value is less than 0.01 which verifies the results. So it supports H11.

Hypothesis 12: Service quality has positive relationship with Customer satisfaction of Banking Sector of Pakistan.

The results of the strategic model for the banking sector of Pakistan is shown that the association between the Service Quality and Customer Satisfaction is significant positive relationship by having values (H12: Estimate=0.578, t=10.027, p= ***). The t value shows the significant value >1.97 so it is also significant, the p value of this relationship is less than 0.01 so it shows significant relationship so it supports the H12.

Hypothesis 13: TQM has positive relationship with Non-Financial Factors of Banking Sector of Pakistan.

This hypothesis is accepted because the p value is very small even less than 0.01. This association is between the Total quality management and Non-financial performance which shows the positive and significant association between these two variables by having values (H13: Estimate=0.327, t=5.723, p= ***). The t value also > 1.97 and p value is <0.01 which shows that there is positive and significant relationship between total quality management and non-financial performance. It supports H13.

Hypothesis 14: TQM has positive relationship with bank's branch performance of Banking Sector of Pakistan of Banking Sector of Pakistan.

The relationship between total quality management and bank's branch performance shows the positive and significant results by having values (H14: Estimate=0.115, t=2.141, p= 0.032). The t value is also > 1.97 and p value is less than 0.05 verifying the significance and it supports H14.

Hypothesis 15: Non-financial performance has positive relationship with bank's branch performance of Banking Sector of Pakistan of Banking Sector of Pakistan.

The next relationship is between the non-financial performance and bank's branch performance its results shows the positive and significant relationship by having values (H15: Estimate=.099, t=2.123, p= 0.034). T value is also verifying the relationship because t value is greater than 1.97 and p value is less than 0.05. So it supports H15.

Hypothesis 16: Is Non-financial Factors is playing a mediating role between TQM and bank's branch performance of banking sector of Pakistan.

The non-financial performance is not playing a mediating role for total quality management, environmental concern and social concern so it does not supports H16.

The mediation effect has been explained in the *Table 4.8*, we can see that the indirect effect of all variables are less than the direct effect so this condition is against to the mediation effect of customer satisfaction and non-financial performance with the independent and dependent variables. So both mediating variables are not performing as mediator in this research model.

Relationship of Variables			Estimate	S.E.	t-value	P-value	Result
Customer Satisfaction	<	Service Quality	0.578	0.058	10.027	***	Accept
Non-Financial Performance	<	Total Quality Management	0.327	0.057	5.723	***	Accept
Non-Financial Performance	<	Social Concern	0.383	0.036	10.547	***	Accept
Non-Financial Performance	<	Environmental Concern	0.218	0.060	3.651	***	Accept
Customer Satisfaction	<	Employee Satisfaction	0.169	0.042	4.004	***	Accept
Customer Satisfaction	<	Environmental Concern	0.012	0.061	0.206	0.837	Reject
Customer Satisfaction	<	Social Concern	0.002	0.036	0.067	0.947	Reject
Bank's branch performance	<	Non-Financial Performance	0.099	0.047	2.123	0.034	Accept
Bank's branch performance	<	Total Quality Management	0.115	0.054	2.141	0.032	Accept
Bank's branch performance	<	Social Concern	0.157	0.038	4.173	***	Accept
Bank's branch performance	<	Environmental Concern	0.237	0.055	4.310	***	Accept
Bank's branch performance	<	Service Quality	0.290	0.058	4.999	***	Accept
Bank's branch performance	<	Employee Satisfaction	0.030	0.038	0.784	0.433	Reject
Bank's branch performance	<	Customer Satisfaction	0.156	0.046	3.363	***	Accept

Table 4.7: Regression Weights for Path Analysis

Variables	Mediating Variable	Indirect effect through mediation	Direct Effect	Results			
Service Quality- Bank's branch performance	Customer satisfaction	-0.090	0.290	False			
Employee Satisfaction- Bank's branch performance	Customer satisfaction	-0.026	0.030	False			
Environmental Concern- Bank's branch performance	Customer satisfaction	0.020	0.237	False			
Social Concern- Bank's branch performance	Customer satisfaction	0.038	0.157	False			
Total Quality Management- Bank's branch performance	Non-financial Performance	0.032	0.115	False			
Environmental Concern- Bank's branch performance	Non-financial Performance	0.0215	0.237	False			
Social Concern-Bank's branch performance	Non-financial Performance	0.037	0.157	False			

Table 4.8: Mediation Effects of Customer Satisfaction and Non-Financial Performance

5. CONCLUSION

The results of this study confirmed that the strategic factors are always important not only for the firm and organizations but also for the banks as the results are taken from the Banking sector of Pakistan by having a survey of 27 large cities of Pakistan mostly covered the Punjab Province and some cities of other Province like Sindh and Sarhad. The results also confirmed that the strategic factors are becoming the cause to increase in the bank's branch performance in the banking sector of Pakistan. It is also proved that the management of banking sector are also getting benefits while considering the strategic factors in their strategies and in that way enhancing the bank's branch performance and compete in the market. Environmental and social factors affecting significantly the bank's branch performance but does not support the customer satisfaction. So in the new era of development and change the environmental and social factors got importance even in banking sector. During the survey it has been indicated that the importance of total quality management is very much progressive in banking sectors and the management of banking sectors finding out different ways to stable a distinctive image in front of customers and stakeholders. Even though there are also some banks exist in the market which actually not considering the strategic factors and customer care instead these are just stable on the deposits which have been taken from the branch managers and employees. There is also a pressure on the employees of the banks to get deposits even a peon have to get deposits otherwise their jobs are at stake. Most of the employees of the banks also mentioned the hiring procedures are not fair the jobs are only given to those who have strong references or either heavy deposits in their hands. The other issue in the banking sector employees is timing issue according to the policy of State bank of Pakistan the timing of bank for customers is at 5.00pm but for closing and straighten out the other matters they require another 2 or 3 hours to complete their tasks. Which is not suitable for an employee if he/she handle that time than they didn't get any social time to spend it with their families and friends? So this is really unfair to have that work pressure, than deposits issue and timings for the employees of the banks. All these matters were discussed regarding the interviews while taking the survey.

The customer satisfaction is not playing mediating role for service quality, employee satisfaction, environmental concern and social concern. So the customer satisfaction is not playing a mediating role for overall strategic factors. But all factors like customer satisfaction, service quality, environmental concern, social concern, non-financial performance, and total quality management except employee satisfaction having positive, direct and significant relationship with the bank's branch performance. The literature is very much supported the relation between the employee satisfaction and firm performance but in that case which is observed in the study is that even though the bank's branch performance, market value, profitability and growth is increasing the employees of banks are not satisfied with their jobs and did not have any concern with the bank's branch performance. They have only concern with their jobs, the reason behind that attitude is lack of motivation, commitment and flexibility. It means that these strategic variables are directly important and taking a huge part in the performance of the banks.

6. Conclusion

In this regard many proposals may be put for research. In order to perform detailed investigation by adding up the historical strategic data and their implementation and also include the interviews and discussions as a separate part of study may be used. Respondents' claims have to be investigated further in claiming the other issues and strategic factors to get further benefits. Complete historical records can be inspected to have an in depth analysis.

A few evidences have been mentioned in the literature chapter 2 above. It may open a door for a research for a detailed analysis of the benefits received on yearly basis. The banks are having different level in applying the strategic factors in their policies. One reason of this may be low attention of management towards the development of bank's branch performance and they only focus the deposits. The strategic variables will help in

the decision making and strategy policy making for the banks using these strategic factors in the scenario of Pakistan. In the case of those variables which have not been shown the significant results can also be used in short run and long run strategies like employee satisfaction. The importance of strategic factors is already proved in the other fields or areas like firms and manufacturing organizations but first time it is proving its significance in the banking sector of Pakistan. The strategic factors take part in the progress of banking sector as enhancing the bank's branch performance. The banks mentioned in the study which used mostly strategic factors in their policies are enjoying the benefits of them. It is further expectation to find other strategic factors and use them in the strategies f banking sector of Pakistan to make them more prosperous and to take a huge part in the economy of Pakistan.

6. **BIBLIOGRAPHY**

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