

Effect of Knowledge Management on Quality of Banking Services (A Case Study: Melli Bank Branches in Amol – Iran)

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ABSTRACT

Knowledge management is one of novel concepts in management which is considered very vital for success of present-day organizations. Therefore, the present study was formulated in order to determine the effect of knowledge management on quality of banking services in Melli Bank branches in Amol – Iran. Sample size was decided to be 71 customers by Morgan's Table which was randomly selected from the statistical population. Data collection was performed by use of two questionnaires (i.e. knowledge management with 27 questions and service quality with 22 questions). Validity of the tools was confirmed by considering viewpoints of experts. Also, reliability of the tools was verified by measuring Cronbach's Alpha (0.97 and 0.94, respectively). Descriptive and inferential analyses were performed on data. All analyses were done by use of SPSS Software (Version 21). The results obtained from the present showed that there is a positive but insignificant correlation between knowledge management and performance of the branches.

KEYWORDS: knowledge management, service quality, performance, Melli Bank, Amol.

1- INTRODUCTION

In the present-day competitive business world, customer satisfaction is one of the most crucial factors in order for companies to succeed. Satisfied customers will turn to loyal clients bringing about stable profit for enterprises. Therefore, companies try to present goods and services with high quality in order to meet all requirements of their customers.

Intangible properties of companies are considered more important than tangible ones. In this regard, companies make use of the data and information in their external environment. A special attention should, thus, be paid to knowledge management. Knowledge management is a strategic mechanism used in organizations wishing to develop their structures. As a matter of fact, knowledge management can meet majority of innovative demands so as to improve commercial performance in organizations [1,2,3]. Moreover, an effective and efficient knowledge management enables suitable knowledge sharing between organization and commercial sectors as well as suppliers [4,5].

Knowledge management is one of novel concepts in management which is considered very vital for success of present-day organizations [6]. In fact, knowledge management consists of processes by which knowledge is gained, reserved, and utilized. Knowledge management aims at exploitation of mental properties in order to elevate efficiency, create new values, and increase competitiveness capabilities [7].

Organizational performance (in our case, bank performance) is a very broad concept involving what the company creates and the sectors it interacts with. In other words, organizational performance is regarded as how tasks, duties, and activities are performed and what outcomes are achieved [8].

As far as mentioned, strategic outlook is necessary for gaining competitive advantage and improving performance. Literature has shown that knowledge management results in improvement of organizational performance [9]. It should be noted that organizations are interested in knowledge management due to its positive effect on profitability. Also, it has been proven that companies with capability of knowledge management have

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higher innovation [10]. Knowledge exerts its effect through creation of novel thoughts in production and general innovations [11].

It is necessary to mention that knowledge, by itself, is an important source for companies as long as it provides innovation for improving performance. Therefore, innovation should be sought in the heart of knowledge management as sustainable competitive advantage can be found in innovation [12].

With regard to what mentioned above, the present work was formulated in order to determine the effect of knowledge management on quality of banking services in Melli Bank branches in Amol – Iran.

2- METHODOLOGY

The present work is an applied work in terms of its purpose and a descriptive-correlational work in terms of research method. Statistical population consisted of customers of all branches of Melli Bank of Amol in Iran. Sample size was decided to be 71 customers by Morgan's Table which was randomly selected from the statistical population.

Data collection was performed by use of two questionnaires. The first tool assessed knowledge management with 27 questions. The second tool was used to assess service quality with 22 questions. Both tools were scored based upon Likert Scale in 7 ranges (namely Absolutely Agree, Strongly Agree, Agree, Undecided, Disagree, Strongly Disagree, and Absolutely Disagree). Validity of the tools was confirmed by considering viewpoints of experts. Also, reliability of the tools was verified by measuring Cronbach's Alpha (0.97 and 0.94, respectively). Table 1 shows the results obtained from the reliability tests for the tools in the present study.

Table 1: Results of Cronbach's alpha for testing reliability of tools

	Number of items	Cronbach's Alpha
Knowledge management questionnaire	27	0.974
Service quality questionnaire	22	0.946

Descriptive and inferential analyses were performed on data. All analyses were done by use of SPSS Software (Version 21).

3- RESULTS

Tables 2-4 show descriptive results obtained for respondents in the present study in terms of age, gender, and education, respectively. As it can be seen in the tables, 50.7% of the respondents were <30 years old, 28.2% were between 31 and 40 years old, 18.3% were between 41 and 50 years old, and 2.8% of them were over 50 years old. Furthermore, there were 53 and 18 male and female respondents in the present study, respectively. In addition, 69% of the respondents had high school education, 22.5% of them has bachelor degree, 7.1% had master degree and only one of the respondents had PhD degree.

Table 2: Descriptive information of the respondents in terms of age

	<30 years old	31-40 years old	41-50 years old	>50 years old
Frequency	36	20	13	2
Percent	50.7	28.2	18.3	2.8

Table 3: Descriptive information of the respondents in terms of gender

	Male	Female
Frequency	53	18
Percent	74.6	25.4

Table 4: Descriptive information of the respondents in terms of education

	High school	Bachelor	Master	PhD
Frequency	49	16	5	1
Percent	69	22.5	7.1	1.4

Table 5 shows that the significance levels in K-S tests are >0.05. Therefore, it can be said with 95% confidence that the data are normal and consequently, parametric tests are used for data analyses.

Table 5: K-S Test for normality of distribution of scores achieved for variables

Variables	Mean	Standard deviation	K-S Z	Sig.
Knowledge management	4.4303	0.21097	0.586	0.882
Service quality	4.8144	0.38118	0.758	0.614

Table 6: The results obtained from Pearson’s Correlation Coefficient between knowledge management and service quality

		Knowledge management	Service quality
Knowledge management	Pearson Correlation	1	0.222
	Sig. (2-tailed)		0.321
	N	27	22
Service quality	Pearson Correlation	0.222	1
	Sig. (2-tailed)	0.321	
	N	22	22

According to Table 6, Pearson’s Coefficient score between knowledge management and service quality is positive (0.222) but insignificant ($p > 0.05$). Since the significance level was > 0.05 , an insignificant correlation exists between knowledge management and service quality.

4- DISCUSSION AND CONCLUSION

The present work aimed at determination of effect of knowledge management on service quality of Melli bank branches in Amol – Iran. The results obtained from the present showed that there is a positive but insignificant correlation between knowledge management and performance of the branches. This is not in agreement with the findings of previous works. Some examples are as follows: “Knowledge management, learning, innovation, flexibility, environmental uncertainty, top management support and organization culture have been identified as critical processes for organizational long term success and growth” [13]. “An organization ought to carry out a critical research on KM which can create sustainable competitive advantage within the framework” [14]. “Knowledge plays a vital role in today’s challenging business environment and contributes largely towards sustained business performance” [1]. The positive correlation of knowledge management and performance of organizations have been proven in many other studies [15,16,17,18].

Although an insignificant correlation was found here between knowledge management and service quality, emphasis on subjects of strategic management is still very important since florescence of knowledge innovation will never cease and will change with competitive environments and new circumstances in marketplace. As an important source of competitive advantage and value creation, knowledge is regarded as a key factor to reach sustainable development. In general, knowledge is a determining factor for companies with global ambitions. In addition, knowledge known by companies is a dynamic source which needs accurate management [19].

It can be concluded that although a positive and insignificant correlation was found in the present study between knowledge management and service quality, it is still very crucial to pay attention to knowledge management as it has been proven to be one of the most important bases of success in companies to achieve their goals. However, it is strongly recommended to take obsessive measures in order to run effective managerial techniques in order to make the best use of knowledge for proposing the best level of services, especially in banking sector.

Future studies are directed toward evaluation of the relationship between knowledge management and service quality in broader spectra such as various banks in a city or a province. Furthermore, we recommend determining different strategies of knowledge management and their relationships with performance in different organizations.

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