

A STUDY ON CUSTOMER RELATIONSHIP MANAGEMENT PRACTICES IN BANKING SECTOR

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ABSTRACT

Customers play a predominant role in service marketing. Financial services produce a challenging sector and bear professional skill in designing product/services. Out of other financial service, banking is oldest and important financial service sector. Customer Relationship Management (CRM) has a massive influence in service sector, to win and hold customers for long term efficiency. In the early half of 90s, the relationship marketing idea was formally introduced into the service marketing field. Banks found it more beneficial to hold and reward the existing customers as opposed to pursuing new customers. The essence of CRM is to make customers and hold them. Therefore, in current situations banks mainly focus on satisfaction of the customers which indicates that the customer is delighted and satisfied by using the service.

Hence the researcher made an attempt in this study to analyze the level of satisfaction on customer relationship management practices in the selected private sector banks. Customer Relationship Management (CRM) is major concern among the service providers especially the banks, if there is lack of understanding. Banks manages their relationships with the customers in their own way. However, the customers' perception on CRM practices among banks should also be taken into consideration.

The activity of CRM must attend the needs of customers as priority without delay in time; the banks can create a customer data base and make more awareness to customers significantly. Hence the CRM concept may be focused so that the customers are treated as first priority or royally in banking services. Thus, the banks need to focus in improvement of the customer satisfaction in utilizing various modern banking services and should provide more friendly services to customers that make the modern banking activity a pleasure experience for the customer to use.

Keywords: Commitment, Customer Relationship Management, Loyalty, Banks Service Quality & Trust.

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INTRODUCTION

One of the strategies of Customer relationship management is to focus on understanding customers as individuals to give valuable service instead of as part of a group. The relationship between a firm and its customers are critical and managed by CRM. The knowledge management and CRM are directed towards enhancing and continuously delivering good services to customers.

To explain customer relationship management, we focus on understanding the three components of customer relationship management which are customer, relationship and their management. The Management of customer relationships is not only valuable but also important to the business. In present Situation, many businesses such as insurance companies, banks and other service providers understand the role and importance of Customer Relationship Management from business point of view and its potential value to help them in acquiring new customers plus retaining existing ones and maximizing their lifetime value.

Banking field is a customer-oriented service where the customer is the Prime focus. So, there is a need of Research in such field to understand the customers need and attitude so as to build a long relationship with them. All the marketing activities under Customer Relationship Management, are designed to build, develop, maintain, and sustain a successful relationship with the target customers.

The relationship between customers and banks depends on the effectiveness of understanding the different needs of customers at different stages and give service accordingly. The objective is to analyze all the available data about the customer effectively.

So that the analysis helps firms understand and assess a customer's current and potential value.

The banks' ability to respond towards the customers' needs make the customers feel good and make loyal rather than just part of a large customer. From Business point of view, CRM is a fruitful strategy to pinpoint the bank's most valuable customers and prospects, and devotes time and attention to expanding account relationships with those customers through customized marketing, discretionary decision making, reprising and customized service-all delivered to one who use bank services through the various sales channels. In order to get better result with the organizational change strategies, the banks should communicate with the customers about the change in service providing facilities to alter their attitudes and behavior accordingly.

CUSTOMER RELATIONSHIP MANAGEMENT

In current Scenario, CRM i.e. Customer Relationship Management is the business hot topic and buzzword. The promises of CRM are to deliver faster customer service in less costs, give more valuable service for customer satisfaction with better retention and ultimately achieving loyal customer. All this is done in hope for more current and potential sales and profits. According to companies, the goals can be best achieved through identification and satisfaction of the customers' needs and wants.

Customer Relationship Management is a process to first identify, then target, acquiring, and last retaining the customer for better outcome. Customer Relationship Management give better and easier method to understand customer needs, and in building and maintaining relationship with customers by providing the most suitable products and valuable services with enhanced customer

experience. To maintain a database of customer contacts, purchases, and technical support among other things, it integrates all sub systems to evaluate the data and get beneficial information. This database helps and supports the company in identifying the needs of the customers to improve the quality of the relationship.

Many of the organizations are not treating the customer with dignity. Standing in queue to buy something was very common and expected. In order to buy a ticket, the customers required to go to airports because the airlines kept them there. Customer is the king and organizations must realize it to increase the potential of earning.

Nowadays, countless businesses such as insurance companies, banks and other service providers understand the significance of Customer Relationship Management (CRM) and its potential value to help in acquiring new customers plus retain existing ones and maximize their lifetime value. At this stage, the relationship with customers will need a strong coordination between marketing departments and IT to provide a long-term retention of selected customers.

The globalization phenomenon has made up the opportunity for the entry of new generation multinational banks includes foreign banks in general and private sector banks into the Indian banking market. Many experts of banking field argue that the world class services offered by these new generation banks have a tremendous bearing on the mindset and expectations of Indian banking customers. The services that are offered by these banks are characterized on a 24-hour X 7 day a week basis with a focus on delivering higher quality of service across the multiple channels.

In this context, mobile banking, internet banking and other internet technologies have emerged as a better option before the Indian banks. In addition to these modern services such as Internet banking, Tele-banking, Automated Teller Machine (ATM) and Mobile banking are also offered by Indian banks to serve customers better. In against this backdrop, the various researches's on understanding the demographics of customers' and their attitudes towards customer relationship management (CRM) practices are gaining importance.

Some researches that were organize on the customer service given aspects of Indian banking scenario, highlighted the need for designing practical and effective Customer relationship management (CRM) systems for increasing the customer satisfaction and loyalty, Reserve Bank of India (RBI) instructed all public sector banks to primarily focus on implementing the better customer relationship management (CRM) systems through multiple touch points of CRM systems such as websites, call centers, interactive kiosks and email systems across various service units and support processes. Research studies further realize that customer relationship management (CRM) is emerging as an offshoot of the modern technological landscape by incorporating business intelligence, customer demographics and Internet proximity and therefore takes its place at the central importance of the modern banks. These technological advancements and international competitive pressures have reoriented the public sector commercial banks in India to give more attention to the changing customer needs and wants and implement effective CRM in the light of the changes in the consumer demographics.

Adoption of CRM Technology in Banking System

The Information Technology revolution had a major impact in the Indian banking sector. The application of computers software had introduced online banking system in India. The modern innovation and computerization of the banking industry in India has improve banking industry after economic liberalization in the year 1991 as the country's banking sector has been exposed to the world's market. The Indian banks were finding it difficult to compete with the global banking standards in terms of customer service to provide convenience without the use of the information technology and computer system and software.

Reserve Bank of India (RBI) in year 1984 formed a Committee whose chairman was Dr C Rangarajan, Deputy Governor, Reserve Bank of India, on Mechanism in the Banking sector. The major recommendations of the committee were the implementation of MICR Technology in all the banks in the metropolis in India. It provided the standardized cheque forms and encoding and decoding system.

In the year 1994, the RBI set up Committee whose head was Dr. C.R. Rangarajan, on the Computerization in Banks which emphasizing on the settlement operation must be computerized in the clearing houses of Reserve Bank of India in Bhubaneswar, Guwahati, Jaipur, Patna and Thiruvananthapuram.

Its other recommendation stated that there should be National Clearing of inter-city cheques at Chennai, Delhi, Kolkata, Mumbai, and MICR should be made Operational. In addition to this, it focused on computerization of banking services in all branches and increasing the connectivity among branches through computers. It also

suggested implementing of online banking facilities. The committee submitted reports in year 1989 and computerization of all branches started from the year 1993 with settlement between IBA and bank employee's association.

In 1994, A Committee form headed by Shri.WS Saraf, Executive Director, Reserve Bank of India, on Technology Issues relating to Cheque Clearing, Payments System and Securities Settlement in the Banking sector was set up with and emphasized on Electronic Funds Transfer (EFT) system, with the internet communication network as its carrier. It said that MICR clearing should be set up in all banks with more than 100 branches.

NEED OF STUDY

Banking sector has always been the center of attention of society due to its important role in the finance world and the prosperity of world's economy. In the banking field a unique 'Relationship' exists between the bank and its customers. But because of various reasons and apprehensions like risk of failure, financial burdens, marketing inertia etc., many banks are still following the ways of traditional marketing and only few banks are making attempts to adapt CRM.

With this background; the researcher has made a modest attempt towards the idea that CRM can be uniformly adapted in the banking industry for betterment of Banking Services. Particularly in banking sector, the role of CRM is very vital in leading the banks towards a high level and better volume of profits. So, there is a need of study to analyze the role of CRM in development and promotion of banking sector through the sidelines of the practices, problems and impact of the CRM on banking sector, continuously. Four main factors regarding CRM in the banks can be

identified as follow:

- A. Customer Satisfaction
- B. Customer Retention
- C. Hardware and Software Implementation
- D. Transparency regarding procedures

REVIEW OF LITERATURE

According to Parvatiyar and Sheth 2001; The models that banks have used to implement CRM are multiple and diversified by active interactions supported by networks. Furthermore, banking marketing has developed a Multi-Channel-Distribution strategy. Consequently, CRM is supported by latest technology as well as internet and other communication instruments. In fact, the basis of CRM implementation on the banking sector is algorithm, information network, segmentation, IT system and sales and customer support.

According to Knox et al., 2003; A CRM is a strategic approach designed to improve stakeholder value (the value the customer receives, the value the organization receives, and the customer retention value and its economics) through developing suitable relationships with key customers in customer segments and through channel and media integration (channel and media suitability, channel and media structure, and multichannel and multimedia integration). CRM unites the potential of relationship marketing and Information technology to deliver potential and profitable long-term relationships.

According to Hedley Kimberley et al., 2006; It has been observed that the 2015 will present tremendous challenges to the retail banking industry. Customers will become more individualistic and, at the same time, more controlling in their relationships with

banks. For banks, the segmentation through traditional approaches and go-to market techniques will become obsolete. How retail banks stand and compete in the marketplace will also change dramatically.

According to Bargal Hitendra & Sharma Ashish 2008; Added that banks will have to adopt diversified services, open their branches at the shopping centers, implement proper training system, install their web system, offer proper customer complaint system, define high performance system to improve the behavior of the employee and performance-based appraisal system to improve the overall services of the banks. Customers play a vital role in the selection of a particular bank. Today, easy accessibility, proper customer care and number of years in business are considered as the significance factors that influence a customer's choice of a bank.

According to Das Kallol et al., (2009) explores the association between deployment of CRM best practices and loyalty of profitable customers in Indian retail banking. They developed the best practices of CRM which may be helpful to the organizations toward attaining comprehensive CRM deployment. The study reveals that State Bank of India (SBI) and Bank of Baroda (BOB) are lagging behind their counterparts from other sectors regarding deployment of the best practices.

According to Morpace Reports (2008) and Teller Vision (2009); State that the perception of banks varies depending on their size. However, all banks show the same vital opportunity for improvement in customer satisfaction i.e. helping customers in order to attain their financial goals. But according to the study, the overall satisfaction of customer tends to decrease as bank size increases. This

means, customers of national banks tend to be less satisfied than customers of regional or local banks.

Dr. K. Ganesamurthy et al., 2011; They report that Customer Retention Management (CRM) consider as a technique of banking companies in order to explore, retain and also increase the potential of loyal customers in the uncertain competitive business era. This research paper attempted to study the customers' perspectives on CRM practices of Commercial Banks in India, the sample size include 421 respondents from public as well as private sector banks in Tamilnadu, and the study disclose that customers' perception of CRM in banks does not change irrespective of different classifications of customers such as age, sex, occupation, education, income level, the bank in which customers have an account, type of account maintained by the customers and the period of customers' association with banks.

RESEARCH METHODOLOGY

In order to achieve the design objectives of the study and to analyze the various factors with appropriate methodology has been adopted. The present study is exploratory as well as descriptive. The present study is based on primary as well as secondary data. The primary data has been collected from a sample of 200 customers of Bank Customers. The Primary data has been collected with a well structured and pre tested questionnaire which was based on Likert five point scales, secondary data has been collected through internet and website of the bank.

Customer Relationship Management was judged on the variables like Providing customized services and products, Routinely asking the customer to provide feedback, Bank website is user friendly, Well developed privacy policy, Transparent and well defined

system, Communication tools are very effective, Increasing customer convenience, Consistent customer experience, Customer is the biggest asset of the organization, Retaining existing customers, Conducting customer loyalty programmes, Excellent employee response, ATMs are adequately provided.

OBJECTIVE OF STUDY

1. To study the role of CRM in present banking sector.
2. To study the implementation CRM programs in banking sector.
3. To study the consumer perception towards CRM techniques in banking sector.
4. To study the positive and negative aspects of CRM in banking sector.

SCOPE OF STUDY

CRM create a competitive advantage in terms of understanding, communicating, delivering and developing existing customers and creating new customers. Successful customer retention allows organizations to focus more on serving existing customers by building relationship. Banks adopt CRM practices and strategies to ensure better customer relationship. The study focuses from customers view point on CRM practices and CRM strategies in banks in terms of customer acquisition, customer retention, and contact management and employee's behavior.

LIMITATION OF STUDY

- The time period for the study is a limited factor and the results of the study may tend to change in future course of time, where the time period changes.
- The researcher faces some difficulty due to the lack of co-operation from some respondents and the bias of respondents cannot be completely ruled out.
- It is very hard to fetch sufficient customer

information from the bank since they maintain privacy and security in providing customer profile.

DATA ANALYSIS

The data processing, based on traditional analysis, is strictly dependent on the investigated method; new variable creation, for instance, is intended to aggregate information contained in the raw data into more useful and expressive variables. A simple example is total number of credit card transaction on current account that contains almost all the information contained in the individual transactions, but is very easy to analyze and represent. Variable discretization, based on distribution of the original variables, is intended to generate categorical variables that better show the physical reality of the problem under investigation. The Analytical Data mart is customer centric and contains the following data:

1. Demographic (age, sex, cultural level, marital status, etc.)
2. Ownership of bank's product/services
3. Product/services usage (balance,

transactions, etc.)

4. Global variables: profit, cost, risk, assets, liabilities
5. Relationship with the bank: segment, portfolio, etc.

Most sectors of the banking industry are trying to use CRM techniques to achieve a variety of outcomes. In the area of strategy, they are trying to:

- Create a customer-focused organization and infrastructure.
- Secure customer relationships
- Maximize customer profitability;
- Identify sales prospects and opportunities;
- Support cross and up-selling initiatives;
- Manage customer value by developing propositions aimed at different customer segments.
- Support channel management, pricing and migration.
- Gaining accurate picture of customer categories.
- Assess the lifetime value of customers.
- Understand how to attract and keep the best customers.

Table 1

Sl. No	Variable Name	Agree	Moderate	Disagree	Strongly Disagree	Strongly Agree
1	Providing customized services and products.	50	25	20	15	90
2	a. Saving a/c					
3	b. Current a/c					
4	c. Recurring a/c					
5	d. Online banking					
	Transparent and well defined system	85	28	12	5	70
	a. Transparent in processing application charges					
	b. Transparent in interest rate					
	c. Transparent in Yearly charges					
	d. In the bank number of transaction charges					
	Bank website is user friendly	100	10	10	0	80
	a. Systematic information					
	b. Proper uploading					
	c. Long procedure					
	d. Feedback of bank					
	Communication tools are very effective	65	74	8	3	50
	a. Telephonic					
	b. E-mail					
	c. Public news paper					
	d. Television					
	ATMs are adequately provided	55	70	40	25	10
	a. Currency withdrawal					
	b. Currency deposit					
	c. Availabilities of currency					
	d. Convenience					

Table 2**Providing Customized and Services**

Opinion	No. of Respondents	Percentage %
Strongly Agree	90	45
Agree	50	25
Moderate	25	12.5
Disagree	20	10
StronglyDisagree	15	7.5
Total	200	100

Inference: On the basis of product and services 45% of customers are strongly agree the statement bank providing customize services and product, 25% of customer agree, 12.50 % of customers are neutral and 10%, of customers disagree on the provider of

banking services on:

- a. Saving account,
- b. Current account,
- c. Recurring and
- d. Online banking facilities provided by bank.

Table 3
Transparent and Well Defined System

Opinion	No. of Respondents	Percentage %
Strongly Agree	70	35
Agree	85	42.5
Moderate	28	14
Disagree	12	6
Strongly Disagree	5	2.5
Total	200	100

Inference: On the basis of Transparent system of the bank there are;35% of bank customers are strongly agree the statement bank providing Transparent and Well Defined System, 42.5 % of customer agree, 14 % of customers are neutral and 6 %, of customers disagree on the basis of:

- a. Transparent in processing application charges
- b. Transparent in interest rate
- c. Transparent in Yearly charges
- d. In the bank number of transaction charges

Table 4
Bank Website Is User Friendly

Opinion	No. of Respondents	Percentage %
Strongly Agree	100	50
Agree	80	40
Moderate	10	5
Disagree	9	4.5
Strongly Disagree	1	0.5
Total	200	100

Inference: on the basis of bank website user friendly, 50% of customers are strongly agree the statement bank website is user friendly, 40% of customer agree, 14% of customers are neutral but 6% of customers disagree on the basis of:

- a. Systematic information
- b. Proper uploading
- c. Long procedure
- d. Feedback of bank

Table 5
Communication Tools Are Very Effective

Opinion	No. of Respondents	Percentage %
Strongly Agree	50	25
Agree	65	32.5
Moderate	70	35
Disagree	10	5
Strongly Disagree	5	2.5
Total	200	100

Inference: On the basis of communication tools are effective; 25% of customers are strongly agree, 32.5% of customer agree, 35% of customers are neutral only 5%, of customers disagree on the basis of:

- a. Telephonic
- b. E-mail
- c. Public news paper
- d. Television

Table 6
ATMs are adequately provided

Opinion	No. of Respondents	Percentage %
Strongly Agree	10	5
Agree	55	27.5
Moderate	70	35
Disagree	40	20
Strongly Disagree	25	12.5
Total	200	100

Inference: On the basis of ATMs are adequately provided services is; 5% of customers are strongly agree, 27.5% of customer agree, 35% of customers are neutral and 20%, of customers disagree because they are facing some challenges in the area of:

- a. Currency withdrawal
- b. Currency deposit
- c. Availabilities of currency
- d. Convenience

SUGGESTIONS OF THE STUDY

- Bankers must educate and inform customers about the different services offered to the customer through customer needs and requirements.
- Programs related to awareness should be provided and must take steps effectively to attract people of all ages.
- The Bank employees have to be friendlier with customers without diluting the rules and regulations of the bank.
- Banks must introduce better means and ways that make its customer loyal and highly delighted with its quality of services.

- Banks take responsibilities to identify the problem, analyze it and solve the problems faced by the customers while availing the services within a short span of time to win over the confidence of customers.
- The results of the study disclose that a relevant gap (difference) exists between the “customers expectation and customers perception” regarding selected CRM practices in banking industry, which means that in current competitive environment, customers' expectations are changing rapidly and reaching the heights that bankers are unable to predict. To overcome this gap, banks have to strive to attract, retain existing customers and new customers by innovating and developing differentiated products and services.
- Banks should communicate or interact with the customers consistently and take their valuable feedback with regard to their problems and complaints.

CONCLUSION

The overall discussion can be said that the banks are yet to take major steps to develop

an integrative approach which not only focuses on the customer needs but also deliver it. According to the study, the bank is far from developing and implementing a customer centric approach both for the customer as well as for the employees. Thus, for better customer relationship management, it is requiring to deliver to its expectations and should play an integrative role within the bank and ensure that all processes are integrated in the bank international strategy, which is very far from present reality in the above study. The key drivers to customer loyalty are:

- Efficient complaints resolution.
- Superior quality service.
- Positive Staff Attitude.

Integrity, Honesty and Reliability is also a important factor in the reference of customer. No doubt CRM is given focus and priority to customers to take on the business world and essential to compete effectively in today's market place. A proper strategic alliance between various partners in the process of implementing CRM should be decided well ahead and once the concept is accepted it should be implemented in good faith and spirit so as to derive customer delight.

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