

CUSTOMER RELATIONSHIP MANAGEMENT (CRM) IN BANKING SECTOR

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ABSTRACT

In the period of intense competition, Commercial banks are competing with each other for market share. Being in such a competition, the survival and the growth of banks have been entirely dependent on the level of customer satisfaction. In this context, this paper is about the importance of Customer Relationship Management (CRM) in Banking Industry. This study reveals the importance of Customer Relationship Management in all the operations in banking industry to maintain the long term relationship with customers for ensuring their loyalty and thus less churning rate. The Research work also gives us an idea on how CRM activities have helped the private sector bank and thereby helping them in the growth. This Study also compares the CRM performance between the Public and Private sector banks. The study was carried out in Mumbai city based Commercial Banks.

Keyword:- Banking Sector, CRM, Customer, Satisfaction.

1. INTRODUCTION

With the ever increasing growth in technologies and also the development in Telecom services, this has changed the functioning of banks. With the introduction of this new technologies, the concept of Traditional Banking have been changed which lowered the cost of financial activities and transactions. Technologies has been dramatically transformed the banking activities in India. In this competitive environment, there is a continuous race between the banks to gain a greater slice of market share. In order to gain more profits and for smoother operations of the bank, they are finding ways by acquiring new customers and retaining old customers. For a new bank, acquiring new customers are important for growth, while for established banks customer retention is more important and efficient. With ever increasing demand of customers for increase in interest rate, low cost loan, easy access, reliability, quick service the competition has become intense. With this in this era, one of the approaches which is gaining importance is Customer Relationship Management (CRM), this is an effective tool to withstand such a competition. Customer Relationship Management approach helps one to understand the needs of the customers and to serve them in a professional manner. In the recent years, CRM is one of the important tool which helped in the growth of many industries, majorly banking sector. CRM is a tool which is used for understanding the customers and giving customers satisfactory feeling. As every business models attach top priorities to customer satisfaction, and hence CRM approach has become very popular in banking industry.

2. LITERTURE REVIEW

Kamath (1979) in his thesis entitled "Marketing of bank services with special reference to branches in Bombay city of syndicate bank" has concluded that quicker and better service offered by bank will be the most important variable in attracting and retaining customer. S.G Shah (1985) in his article has stated that quality of customer service in bank has to very sunk to very low and poor levels because of two vastly different reasons. The first is that even the simple routine service has broken down. The second area in which customer service is lagging is that of special situation. Codatte (1987) argues that the customers develop norms for product performance based on general product experience and these, rather than expectation from a brands performance determine the confirmation/disconfirmation process. Westbrook (1991) argues that in addition to cognitive components satisfaction judgements are also dependent on effective components as both coexist and make independent contribution to the satisfactory judgements. Levesque (1996) conducted a study to confirm and reinforced the idea that unsatisfactory customer service leads to a drop of customer satisfaction and willingness to recommend a service to a friend. This would in turn, lead to an increase in rate of switching by customers. Dr. B.C. Saraswathy (2006) in her article has stated that the mail objectives of CRM are building long term, sustaining relations with customers by delivering superior customer value and satisfaction. Instead

of trying to maximize profit for each every transaction, CRM focuses on maximizing profits over the lifetime value of customers. Undoubtedly, CRM is a potential tool in sustaining and boosting sales in this era of hyper competitive world. John Brooks former president and chairman of the council of the chartered institute of Bankers, London states “Customer care is emerging as a critical factor in the banking industry and bankers are fully conscious of the need for attaining international standard for service”.

3. OBJECTIVES OF THE STUDY

1. To Study the impact of CRM in Banking Industry.
2. To determine if CRM has an impact to customer loyalty.
3. To compare the CRM performance of Public sector and Private sector banks.
4. To give suggestions based on the findings of the study for enhancing performance of banks through CRM approach.

4. HYPOTHESIS OF THE STUDY

H0: There is no significant difference among the level of Customer Satisfaction and CRM practice between the public and private sector banks.

5. RESEARCH METHODOLOGY

A Structured questionnaire was designed to collect the primary data. Sampling method is used for collection of data and this data was collected by conducting personal interviews with the customers. Total 8 banks were taken into consideration for this study, Out of 8, 4 banks were selected from Private sector and 4 Public sector banks were taken into consideration. The four Public sector banks were, State Bank of India, Union Bank of India, Dena Bank, UCO Bank and the four Private sector banks were ICICI Bank, HDFC Bank, Kotak Bank and Axis Bank. All the 8 banks were from Mumbai district, Maharashtra. A sample of around 160 respondents, of diversify socioeconomic background, having different education study and also from different age groups. Out of 160 respondents, 80 were from Public sector and other 80 were from Private sector banks. All the data was collected an collaborated and mean and SD was found. The satisfaction and dissatisfaction level of customers towards CRM have been qualified on a basis of Likert scale having 5 points.

The five points and their scores are given below:

Table-1: Likert Scale.

Parameters	Score
Very Satisfied	5
Satisfied	4
Neutral	3
Dissatisfied	2
Very Dissatisfied	1

A High Score corresponds to customer is extremely satisfied and vice versa. Various parameters have been taken into consideration with is given below. The mean and T test is used for testing the hypothesis.

6. RESULTS AND INTERPRETATION

This section discusses the outcome of the research conducted with considering various parameters. This section discusses the CRM practices followed by the public and private sector banks and the customer level satisfaction with respect to the Likert scale.

6.1 Ability to Resolve Complaints.

Several questions were asked to the respondents for understanding the Ability to Resolve Complaints. The table below is the interpreted on the basis of the responses

Table 2: Ability to Resolve Complaints.

Sr No.	Variable	Private Sector Banks	Public Sector Banks
		Mean	Mean
1	Outcome of Complaints	4.81	4.36
2	Handling of Complaints	3.7	3.12
	Combined Mean	4.25	3.74

The data can be easily interpreted from the above table 2. The Ability to solve complaints of the customers majorly leads to the customer satisfaction. The various variable like outcome of complaints and handling of complaints, how one performs this task, which ultimately leads to the customer satisfaction. The views of the customers regarding this is been observed in table 2. The combined mean score of Private Sector Banks is 4.25, which is between satisfied and very satisfied according to Likert scale which was mentioned above. The combined mean of Public Sector Banks is 3.74 which is between Neutral and satisfied on Likert Scale.

6.2 Customer's Satisfaction for activities by Bank Staff.

Several questions were asked to the respondents for understanding the level of Customer Satisfaction for activities by Bank Staff. The table below is the interpreted on the basis of the responses.

Table 3: Customer's Satisfaction for activities by Bank Staff

Sr No.	Variable	Private Sector Banks	Public Sector Banks
		Mean	Mean
1	Knowledge of bank staff	3.56	2.78
2	Helpfulness nature of bank staff	4.2	3.45
3	Courtesy of bank staff	3.85	2.5
4	Attitude of bank staff	2.32	2.18
5	Quality of information received from bank staff	3.25	2.42
	Combined Mean	3.43	2.66

The data can be easily interpreted from the above table 3. The satisfaction level of customers in banking sector mainly depends on the activities performed by the bank staff which includes various variables like knowledge of staff, Helpful nature of staff, courtesy and attitude of staff, etc. The response for the bank staff is given in table 3. The combined mean for Private Sector banks is 3.43 which is between satisfied and neutral on Likert scale, while the combined mean for Public Sector banks is 2.66 which is between neutral and dissatisfied.

6.3 Customers Satisfaction with value added banking services

Several questions were asked to the respondents for understanding the level of Customer Satisfaction with value added banking services. The table below is the interpreted on the basis of the responses.

Table 4: Customers Satisfaction with value added banking services

Sr No	Variable	Private Sector Banks	Public Sector Banks
		Mean	Mean
1	ATM Cards	4.21	2.6
2	Cheque Books	4.1	3.48
3	Demand Drafts	3.2	3.8
4	Net Banking	4.65	2.7
	Combined Mean	4.06	3.15

The data can be easily interpreted from the above table 4. The variety of value added products and services which have been offered by the banks have been given here. Customer's satisfaction level with these value added services have been observed in table 4. The combined mean of value added services of Private Sector banks is 4.06 which is on satisfied level on Likert scale. While for Public sector, the combined mean is 3.15 which is between neutral and satisfaction on Likert Scale.

6.4 Customers Satisfaction with respect to types of Accounts.

Several questions were asked to the respondents for understanding the level of Customer Satisfaction with respect to types of accounts. The table below is the interpreted on the basis of the responses.

Table 5: Customers Satisfaction with respect to types of Accounts

Sr No.	Variable	Private Sector Banks	Public Sector Banks
		Mean	Mean
1	Savings A/C	3.2	2.85
2	Current A/C	3.47	2.7
	Combined Mean	3.33	2.77

The data can be easily interpreted from the above table 5. The satisfaction level of customers with respect to the different types of accounts in banks such as savings a/c and current a/c can be observed in table 5, it can be observed that the combined mean of customer satisfaction level with respect to types of accounts in Private Sector banks is 3.33 which is between neutral and satisfied level on Likert scale, While for the Public Sector banks the combined mean is 2.77 which is between Dissatisfied and Neutral on Likert scale.

6.5 Customers Satisfaction with speed of Banking Services

Several questions were asked to the respondents for understanding the level of Customer Satisfaction with speed of Banking Services. The table below is the interpreted on the basis of the responses.

Table 6: Customers Satisfaction with speed of Banking Services

Sr No	Variable	Private Sector Banks	Public Sector Banks
		Mean	Mean
1	Cash Deposits	4.2	4.32
2	Cash Withdrawals	3.65	4.1
3	Issuance of a Draft	3.5	3.05
4	Cheque Deposits	4.8	3.75
	Combined Mean	4.03	3.80

The data can be easily interpreted from the above table 6. The customer satisfaction level have been observed with respect to the speed of banking services like cash deposits, cash withdrawals, Issuance of a draft, etc. Table 6 shows that the combined mean score for customers satisfaction in private sector is 4.03 which is Satisfaction level on Likert scale while for Public Sector the combined mean is 3.8 which is between neutral and satisfaction level.

6.6 Hypothesis Testing

Hypothesis testing is done to be more précised on the data collected with considering various parameters. Hypothesis Testing is done to study the relationship between the level of Customer Satisfaction and CRM practice between the public and private sector banks.

Table 7: Hypothesis Testing

Sr No	Variable	Private Sector Banks	Public Sector Banks
		Mean	Mean
1	Ability to Resolve Complaints	4.25	3.74
2	Customer's satisfaction for activities by bank staff.	3.43	2.66
3	Customers Satisfaction with value added banking services.	4.06	3.15
4	Customers Satisfaction with respect to types of accounts.	3.33	2.77
5	Customers Satisfaction with speed of banking services	4.03	3.80

As, the t critical two tail value (2.776) is less than that of t Stat value (5.115) and P (T<=t) two-tail value is 0.006 which is also less than our alpha value 0.05. Thus with the T test, null hypothesis is rejected and alternative hypothesis is

accepted. Thus we have concluded that, there is a significant difference among the level of customer satisfaction and CRM practice between the public and private sector banks.

7. CONCLUSIONS

With the Research conducted, It has been found that there is a relationship between Customer Relationship Management and Customer Satisfaction. Customer Relationship Management is one of the greatest approach and tool for gaining customer base and thereby surviving in this competitive environment. CRM approach should be followed by public sector banks as the customer satisfaction level is not as much as Private sector banks Now a day CRM with customer by banking sector used to get customer database, customer satisfaction level, customer loyalty, long time service, customer retention, to identify profitable customer for their bank, identify non profitable customer of bank and non-performing assets.

8. REFERENCES

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