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An empirical study on implementation of CRM practice in private sector banks and customer satisfaction

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Abstract

CRM, Customer Relationship Management, is neither a service nor a good, relatively it is a methodology to develop and manage the relations of the enterprise with its customers effectively and efficiently. An era has passed since the concept of CRM has been in existence. The banking sector has seen consistent enhancements in profitability & consumer satisfaction because of their large investments, despite the continued popularity & growth of CRM. Under the service sector, the banking sector has undergone dramatic changes which have led to an important development. Various trends that are emerging in the field of CRM have promised of decreasing cost and a brighter future of the customers. The priority of all banks is to need to retain the customers. It becomes very significant to know the practices of CRM adopted by banks and how they actually benefit the bank and the customers. Hence CRM is mainly a plan adopted by many enterprises as these enterprises follow "Customer is King, and they have the Power". This becomes the statement of the problem & to identify the CRM practice is PSB's.

The service providers especially bank often lack behind understanding the Customer Relationship Management (CRM). Banks have their own method of maintaining relations with their customers. However, the vision of customers on CRM practices among service providers especially banks should also be considered. CRM activity attends the wants of the customers without wasting time. By creating and maintaining database banks can generate awareness among the customers about the schemes.

Major Factors have been taken from various researches to analyse their significance for managing the questionnaire. The outcome of the questionnaire was that Private Banks seem to implement the practices of the CRM more efficiently. However, a micro analysis tells that in terms of assurance and reliability, Public Banks have scored the highest. The analysis of the results recommends that the banks (i.e., either Private or Public) are affected in the same manner by the kind of CRM practices undertaken by them.

Keywords: CRM Practices, Banks, Customer Relationship Management.

Introduction

Customer Relationship Management Is the method of managing detailed information about distinct customers and therefore carefully managing all of them keeping in mind the goal of maximizing loyalty of the customers. Philip Kotler

Where individual customers naturally use banks for services such as savings account services and current accounts services, bank mortgages, Personal loan, Housing loan, Vehicle Loan, and Educational Loan), credit & debit cards, depository services, fixed deposits, investment advisory services (for high worth individuals) etc., is where retail banking is referred to as mass-market. Before the era of the internet, customers used to select their banks based on how convenient the location of the branches of the bank was to their offices or homes. With the introduction of upgraded technologies in the banking industry such as ATMs, Internet Banking, customers can freely choose any bank for the purpose of their transaction. Hence, the consumer base of the banks has risen, and so has the choices of consumers for choosing the banks. This is just the commencement of the story. New generations of private sector banks and many foreign banks have also entered the market competition and with them they have brought various useful and innovative products and techniques, all this with the help of Globalization. Due to rising competition in the market, public sector banks are also becoming customer oriented and technology based. The changes in the retail banking

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Industry have been brought by the Market consolidation, new technology, non-traditional competition and the proliferation of the internet. Today's retail banking sector is categorised by following:

- Multiple channels of distribution (internet and branch)
- Multiple products (credit cards, securities, insurance and investments).
- Multiple customer groups (customer, corporate and small business)

Today, the customers have many expectations from bank such as:

- Providing Service "anytime and anywhere"
- Providing Service at reduced cost
- Providing Personalized service

The process of CRM is to identify, differentiate, lure and retain consumers. It is a widespread approach to maintain, create and expand relationship among customers. CRM is the consequence of the uninterrupted improvement and integration of marketing ideas newly available data, technologies and approaches of the organization. Bank being a service organization have excellent motives to adopt a comprehensive CRM strategy. The needs and wants of the customers are changing day by day. Thus, it becomes necessary for the banks providing the services to adopt the changes in the market through tracking the needs and wants of the customers. The banks can adapt to such changes only when they have a close contact with their customers. Banks adopt techniques of CRM for maintaining customer relationship and through which they ensure customer retention and customer loyalty, this all is done because customer is life blood of any business organization and the cost of customer creation is costlier than the cost of customer retention. However, the strategy followed by banks is formation of healthy relationship which changed from core transactional centric to customer centric which will ultimately lead to profits automatically.

The need for successful CRM strategy by the business can be noted as follows

- 1. Creating a Customer-centric Organization and developing an infrastructure in order to provide service the customers.
- Understanding and applying those tactics to lure and retain the customers which are most profitable.
- After proper segmentation gaining a vision of wants and anticipations of the customers.
- With the development of Customer Relationship profitability should be maximized from each and every customer.

Objectives

- To review the literature on the idea and employ of CRM in banking industry.

- To study the level of awareness of CRM practices in Private Sector Banks.
- To understand and evaluate the effectiveness of CRM in banking sector.
- To access the customer satisfaction level towards the CRM practices in Private Sector Banks.
- To offer suggestions based on the findings of the study.

Research methodology

- **Primary Data:** The first hand information was collected by the researcher after finalizing the study area. Through well-structured questionnaire primary data was collected. It was collected from 100 respondents using convenient sampling technique.
- **Tools used for Analysis:** Percentage Analysis & Rank Analysis.
- **Study Area:** The study was conducted in Lucknow city. Banks selected were ICICI Bank, Axis Bank, HDFC Bank.

Limitations of Study

This study consists of following limitations:

1. The expectations of the customers in Lucknow, Uttar Pradesh may vary from those of the rest of India.
2. The secondary data information collected carries all the limitations inherent in such data.
3. Only three public banks were selected for compare the service quality.

Review of literature

Dr. K. Ganesamurthy (2011) describe that Customer Retention Management (CRM) identifies in order to explore, to increase and lastly retain the trustworthy consumers in the competitive business era, as a technique of banking companies. This research paper attempts to study the perceptions of the customers on the practices of the CRM of Commercial Banks in India. The sample size includes 421 respondents from both private and public sector banks in Tamil Nadu, and the study reveals that the perception of consumers of CRM in banks does not vary irrespective of different demographic profiles of customers such as Gender, age, occupation, income, qualifications, in which customers have an account, type of account maintained by the customers and the period of association of customers with banks.

Morpance Reports (2008) and Teller Vision (2009) state that depending on the size of the banks their perceptions vary. However, for improving their customers' satisfaction all banks share same key opportunity that is, to help consumers achieve their financial goals. But according to the study, as the bank size increases the overall consumer satisfaction tends to decrease.

Buttle (2009) ^[4, 5] projected a value chain model of CRM. The plan of this model was taken from Michael Porter's value chain model (Porter, 1985). It includes five primary stages and four supporting stages leading to the end goal of

improved customer profitability. The primary stages of model are: customer intimacy, managing the life cycle of the customer, customer portfolio analysis, value proposition development, and network development.

Girdhar (2009) observed that by satiating the internal customers and building up healthy relations with them, the relations with the external customers can also be retained and fulfilled by the banks. Kumar & Rajesh (2009) reveal that any bank must consider the challenges affecting its customer relations that wish to either enhance its profitability or grow in size of its bank processes. The challenge before the banks is not only to obtain up to date information from each and every customer, but also to use that information to decide when to offer the most relevant products (Lau *et al.*, 2003). It is also significant to realize that if the bank is incurring from the customers, then it becomes imperious for the bank to provide better services to those particular customers, otherwise they search for other banks offering better services (Ray, 2007).

Jain and Singh (2002), Mulhern (1999) and Berker and Nasr (1998) found out that managers anticipate relations with the customers to be continuing, expected that for as long time as possible the supplier will capture the buyer's business. This research on CLV advises that many companies are using these perceptions to determine those customers to select them, for their CRM activities and also determines how much to spend for each customer for such activity.

Minna and Aino (2005), Rowley (2004), Campbell (2003) They studied and concluded that a systematic CRM system requires knowledge Management employ in CRM systems to enhance the tactical efficiency of CRM with the help of customers by acquiring and sharing knowledge with them. The significance of interface between CRM and KM systems in the banking sector has been emphasized. They found out the criticality of the interactions to understand and found out that how the following: people, processes and systems operate. The same author further suggested that customer's data can be used as a platform for CRM systems for developing loyalty, communicating, trust cultivation, services to the customer and maintaining relationship with banks.

Hiroshi F. (1997) had mainly concentrated on information provided electronically to the customers in various sectors of bank, so as to make the system more effective, to satisfy the wants of customer using services of bank and thus help CRM, in his study "*Electronic commerce for new management and information system infrastructure*".

Research problem

Banks have always been in the society's focus because of its significant play in the world of finance and also its role wellbeing of economies of world. There is unique relationship in the banking sector between the bank and the customers. But because of various hesitations and reasons like marketing inertia, risk of failure, financial burdens, etc., a lot of banks still follow the old traditional way of advertising and only a few numbers of banks have made an attempt to adopt system of CRM. On this basis; the researcher has made an attempt towards the idea of adaptation of CRM in the industry of banking for making its services better. Thus the want to study the role of CRM in elevation and growth of banking sector through side lining of the issues, practices and influence of CRM on banking sector.

Research methodology

This study meant to investigate how CRM practices is followed in Private Banks of Lucknow City. The target population for the study is retail customers of the Private Banks. Data has been collected from 100 respondents at various banks branches. The gathering of the data is done with the help of field survey. In order to collect the data, a well-structured questionnaire has been developed. This is a description based study using primary data which is collected through survey. The scale 1 to 5 have been developed, where 1 stands for strongly agree and 5 for strongly disagree. Before the collection of the data, a pilot test had been conducted to confirm clarity, reliability and comprehensiveness of the questionnaire. The following testing was done among random 10 consumers, which resulted in slight changes of the wordings of the points in the questionnaire. The following statistical tools were used to get the reliable information e.g. simple percentage analysis.

Analysis & interpretations

Analysis of Demographic Profile

In table-1, customers' demographic profile and its frequency have been listed. The results are shown of the profile of the customers, also major proportion of the customers is male, and aged between 41-55 years. 51% of the monthly income of the customer's falls between Rs. 10,001 - 25,000, 35% of customers is PG qualified. The occupation's outcome shows that 27% of the respondents are from Government Sector and 29% of the respondents are from the Private Sector. Also, 66% of respondents agreed that they are habitual of using online banking.

Table 1: Analysis of Demographic Profile

Characteristics	Distribution	Frequency	Percentage
Gender	Male	78	78%
	Female	22	22%
Age	18 - 25 Years	23	23%
	26 - 40 Years	28	28%
	41 - 55 Years	36	36%
	56& Above	13	13%

Monthly Income	Less than 10,000	15	15%
	10,001 - 25,000	51	51%
	25,001 - 50,000	21	21%
	50,001 & above	13	13%
Educational Qualification	Up to HSC	34	34%
	UG	15	15%
	PG	35	35%
	Professional	16	16%
Occupation	Private Sector	29	29%
	Government Sector	27	27%
	Self-Employed	26	26%
	Student and others	18	18%
Online Banking Habit	Yes	66	66%
	No	34	34%

(Source: Primary Data)

Table 2: Respondent’s opinion towards the CRM practices in The PSB

S. No.	Opinion	Respondents	Percentage
1	Strongly Agree	13	13%
2	Agree	57	57%
3	Neutral	26	26%
4	Disagree	02	2%
5	Strongly Disagree	02	2%
	Total	100	100

Table 2 shows that out of the total respondents taken for the study, 57% of the respondents have agreed that the CRM practices are followed in PSB’s.

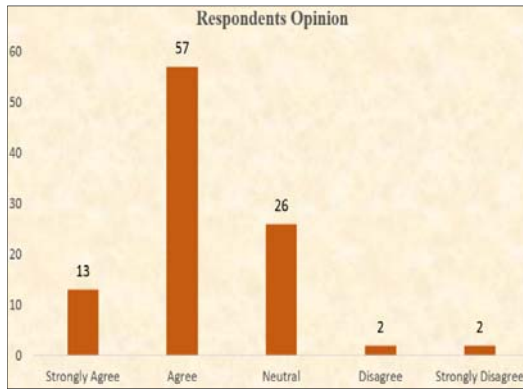


Table 3: Source of Receiving Information

S. No.	Source	Respondents	Percentage
1	Bank Pamphlets	12	12%
2	Bank Advertisements	15	15%
3	Emails	32	32%
4	SMS	29	29%
5	Outdoor Advertisements	10	10%
6	Others	2	2%
	Total	100	100

From the table, it can be found that out of the respondents taken for the study, the information received to the respondents through E-mail are 32%, and 29% of the respondents have received information through SMS.

Table 4: How long you have been the customer of the Bank

S. No.	No. of Years	Respondents	Percentage
1	0-5 Years	36	36%
2	5-10 Years	43	43%
3	10-15 Years	14	14%
4	15-20 Years	04	04%
5	Above 20 Years	03	03%
	Total	100	100

It can be deduced from the above table that out of total respondents, 43% of the respondents have been customers of the bank for 5-10 years, 36% of the respondents have been customers of the bank for 0-5 years.

Table 5: Type of Loan availed by the Respondents

S. No.	Opinion	Respondents	Percentage
1	Home Loan	29	29%
2	Vehicle Loan	21	21%
3	Business Loan	16	16%
4	Loan on Fixed Deposit	08	08%
5	Educational Loan	12	12%
6	Jewel Loan	05	05%
7	Personal Loan	09	09%
	Total	100	100

It is well understood from the above table that out of total respondents taken for the study, 29% of the respondents have availed Home Loan, and 21% have availed Vehicle Loan.

Table 6: You are aware of the following CRM Services of the PSB

S. No.	CRM Services	Aware		Not Aware		Total
		No.	%	No.	%	
1	Online Services	78	78%	22	22%	100
2	ATM	86	86%	14	14%	100
3	Credit	51	51%	49	49%	100
4	SMS Alert	65	65%	35	35%	100
5	Demat Services	22	22%	78	78%	100
6	E-Pay	32	32%	68	68%	100
7	Easy Loan	47	47%	53	53%	100

The above table shows that, 86% of the respondents are aware of the ATM services of the PSB's, 78% of the respondents are not aware of the Demat services.

Table 7: Problems faced by the respondents during Bank Transactions

S. No.	Problems	Respondents	Percentage
1	Time delay in issuance of DD's & other instrument	43	43%
2	Biased attitude towards customers in different at the time of sanction of loans/withdrawal of deposit	19	19%
3	Much dependent on officials for clarifying doubts	12	12%
4	Default in ATM machine	26	26%
5	Total	100	100

From the above table it is evident that 43% of the respondents are facing time delay in issuance of DD's and other instrument problems, 26% of the respondents are facing the problem of default in ATM machine.

Table 8. Level of satisfaction about the services in PSBs

S. No.	Services	HS	S	N	DS	HDS	Total	Mean	Rank
		5	4	3	2	1	100		
1	Time Taken to open an a/c is short	12	58	10	12	08	100	3.54	5
		60	232	30	24	08	354		
2	Issue of DD, Cheque Book & ATM Card	24	63	8	03	02	100	4.04	1
		120	252	24	06	02	404		
3	Regular updating of Pass Book	15	24	48	10	03	100	3.86	2
		75	96	192	20	03	386		
4	Quick Transfer of funds	18	19	56	05	02	100	3.46	8
		90	76	168	10	02	346		
5	Clear answer for customer queries	12	20	55	08	05	100	3.26	9
		60	80	165	16	05	326		
6	Time taken to process a loan application is short	21	35	28	10	06	100	3.55	4
		105	140	84	20	06	355		
7	Easy payments made Debit/Credit	20	12	68	0	0	100	3.52	6
		100	48	204	0	0	352		
8	Online enquiries have reduced the service time	4	22	67	05	02	100	3.21	10
		20	88	201	10	02	321		
9	Easy access to cash in 24 hours ATM counters	15	20	63	02	00	100	3.48	7
		75	80	189	04	00	348		
10	Redressal of customer complaints	12	71	09	06	02	100	3.85	3
		60	284	27	12	02	385		

It can be obvious from the table that out of the respondents taken for the study Issue of Cheque Book, DD, ATM card services is ranked 1st by the respondents, while online enquiry was ranked 10th by the respondents.

Findings

The analysis of the results received recommends that the both the banks (Public or Private) are likewise affected by the kind of CRM initiatives undertaken by them. Now, the banks are under huge pressure to retain the old customers due to the rise in the competition in Banking Sector. These would confirm better relations with the customers and also develop loyalty among them, which is very difficult and significant in competitive world of today. Different banking sector can achieve this by developing a powerful relation with their customers. In order to satisfy the wants of the customers the banks need to provide better and quality services.

- ❖ Majority (57%) of the respondents have agreed upon the practices of CRM in PSB's.
- ❖ Most (32%) of the respondents are getting information via the E-mail.
- ❖ Most (43%) of the respondents have been the bank's customers for 5 – 10 years.
- ❖ Most (29%) of the respondents have availed Home Loan.
- ❖ Majority (86%) of the respondents are aware about the ATM service provided by the PSB's.
- ❖ Majority (78%) of the respondents that they are not aware of the Demat service of the PSB's.
- ❖ Most (43%) of the respondents are facing the problem of time delay in issuance of DD's and other instrument problems.
- ❖ The respondents have ranked 1st the services provided by the PSB like issue of cheque, DD and ATM card services.

Suggestions of the study

The Indian Banking Sector of India comprises of various banks but all of them are alike in molecule. In today's competitive environment, the Banks rather than depending upon the traditional skills, they need to adopt suitable marketing skills. The banks should continuously introduce new services, in order to compete in the market and motivate the employees and customers and ensure bank's development: -

1. Bankers should educate the consumers about various services offered to them with the help of consumer meets.
2. The employees of the bank have to be friendly with the consumers, also keeping in mind the rules and regulations of the bank.
3. Bank should try to introduce new means and techniques which make its consumers highly related with the quality of services.
4. Banks have to identify, analyze and then solve the problems faced by the consumers, within a short span of time which will help in availing the confidence of the consumers.
5. Banks have to innovate and develop new products and services so as to lure new consumers and retain the existing ones.
6. Banks should be in regular touch with the consumers so as to identify and solve their problems.
7. Also, banks should adopt strict and strong marketing strategies along with well-informed marketing officers, who can provide all the information in a transparent manner related to the goods and services that bank provides.
8. Banks, over a period of time, can revise the strategies of CRM strategies. An attempt should be made by the banks to create a healthy relation with the customers by being in regular touch with them and driving out feedbacks.
9. The collected information of the customers should be kept safe for future queries, which in turn helps the customers in getting a feeling of belongingness.
10. CRM is very important in order to develop relations with the customers, by selling new goods and services in order to develop the bank.

However, to evade unethical and unhealthy practices, the practices of CRM should be conducted in principled and decent way.

Conclusion

Both the banks, Public and Private, have converted them into profit making business. The new track has guaranteed them, in order to conduct a business; they can take a more practical approach. While analyzing the Implementation of CRM practices in both the sectors, the result came out to be that the Private Sector Banks have implemented the practices of CRM more efficiently with comparison to the Public Sector Banks. Practically speaking, it indicates that, the Private Sector Banks are being much more innovative in order to understand

their customers and in developing and maintaining good relations with them.

Due to advancement in Information Technology the Service Sector in India is growing very fast and their contribution to economic development is really impressive. Among numerous services provided by service sector, banking services lodge a key role both in the development of individual consumer in their social life and in business. The study of the above will be useful to the banking sector to know the perceptions of bank and expectation of the consumers in context to the services rendered by them. Bankers can identify the level to which they will be able to maintain relations with the consumer and thus they can take measures accordingly, to improve the relationship between consumers. Hence the concept of CRM may be emphasized in relation to banking services, so that the customers are treated royally. Banks not just need to be high-tech but high touch also, in order to be successful.

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