An Impact of Customer Relationship Management Practices in the Banking Sector

Dr.P.Jayakumar
Assistant Professor
Department of Commerce
St.Thomas College of Arts and Science,
Koyambedu, Chennai.107.

ABSTRACT

One of the main areas that contribute to the nation's economic development is the banking industry. When offering services to consumers, the Reserve Bank of India sets higher standards for all banks. There are now more banks in the nation, both public and private, and all of them provide their clients with sophisticated services. Currently, all banks are developing their services in accordance with client demands and needs. Customers are the market's king, as the slogan implies, and they are also keeping an eye on the banks to make sure they are meeting their needs. To increase their operations and position themselves favourably against the competition, all banks must concentrate on customer relationship management. Products or services that banks offer to consumers; as a result, how banks retain their relationship with customers after selling products is crucial. Banks will see positive growth if they have made a priority of meeting the needs of their clients. Customer Relationship Management (CRM) is viewed as a critical difference in a market where companies compete for clients and have increasingly become a vital component of corporate strategy. Measuring customer satisfaction is an indication of how successfully an organisation is supplying goods and/or services to the market. Due to the aggressive strategies utilised by banks in the current competitive era for client acquisition and retention, the usage of customer relationship management in banking has become increasingly important.

Keywords: *Customer Relationship Management, Banks, Attitude towardsclients, Efficiency of banking service, Service quality.*

1.1 INTRODUCTION

The function of banks is crucial in this regard for the county's development based on economic issues. One significant industry that has an impact on the nation's financial development is the banking industry. Numerous public and private banks offer their clients services under their own names. The Reserve Bank of India, however, oversees and controls all banks. One of the key goals of every bank is to meet the needs of the clients. Currently, effective client relations and the manner in which services are provided are important factors for the banking sector. Due to the competition in the banking industry, each bank focuses on service improvement in accordance with its own strategy. Building strong client relationships is a crucial component of the banking industry.

CRM is a business strategy that matches product and sales strategies with the needs and preferences of customers. Following that, services are delivered promptly via customer-favoured methods. Focusing on the creation of a business strategy and aligning an organisation to serve customers are the first steps in effective CRM. CRM technology solutions are then used to carry out these company strategies. Only after learning about the attitudes and behaviour of its clients, an organisation design the most effective business plans. Behaviour studies reveal the goods or services that have been used in the past and are presently being purchased. Studies on attitudes reveal what consumers are considering and feeling about upcoming purchases. It involves gathering pertinent transactional and survey data, putting the data into a data repository, and then using analytical approaches to uncover customer behaviour patterns and attitudes. An actionable business strategy can be built to generate multi-channel consumer interaction strategies that provide the best goods or services after the information from the data has been gathered. CRM has evolved to include a strong emphasis on managing "customer equity" assets. The creation of a business plan comes first in this method. The creation of a data architecture that enables consumer interactions comes next. Then, a technological foundation is created to deliver CRM outcomes. In order to create an ongoing conversation with the customers, customer communication channel strategies are created and technology is leveraged for strategy execution.

While providing services to customers, each bank concentrates on the boundaries of its own capabilities. To serve all consumers and broaden the scope of their banking operations, many banks, however, go beyond their original conceptions. Banks are able to give their customers the most recent information through these services. Every commercial transaction depends on the faith and trust between the various parties or counterparties. Customers can also withdraw or deposit money into their own accounts and request automated messages or emails to be sent to their email and mobile number. This will strengthen the bonds between banks and clients.

Banks can analyse this and adjust their services to better meet client needs. Customers may now complete transactions quickly and where they are sitting. In the past, customers had to visit the bank in the morning and wait in queue until the afternoon or even the evening to complete the necessary transactions. Today, however, customers can complete their transactions quickly and receive confirmation from the banks. As a result, customers and banks develop strong relationships.

Banking operations offer a wide range of services to the public and have several branches around the state and nation. There are several income levels in the country. All socioeconomic classes conduct banking transactions in accordance with their own needs. Banks with various areas and locations should simultaneously determine what services clients need and cater to those needs. They must segment their offerings and offer consumer preferences in various ways across various branches. Therefore, keeping customers is a crucial component of all banks' positive success.

1.2 REVIEW OF LITERATURE

Numerous definitions of CRM have been provided in the literature. These definitions differ mostly in how they treat CRM's technology and interpersonal components.

CRM is characterised as "a combination of business process and technology that seeks to understand a company's customers from the perspective of who they are, what they do, and what they are like" **Couldwell, 1998.**

According to **Peppers and Rogers 1995**, "The marketplace of the future is undergoing a technology-driven metamorphosis" is the technological definition of CRM.

Cook and Hababou, 2001 were interested in all sales efforts, including those that were not directly related to volume. Additionally, they created a modification to the common data envelope analysis (DEA) framework using the principles of goal programming, which produces metrics for both sales and services.

According to **Beckett-Camarata et al. 1998,** managing relationships with consumers was essential to the long-term survival of the company (particularly with employees, channel partners, and strategic alliance partners). Additionally, it was stressed that customer connection management based on social exchange and equity greatly aids the company in creating cooperative, profitable, and long-lasting relationships.

In the context of a CRM endeavour, he has defined four concepts: enterprise, channel management, relationships, and management of the entire organisation. The organisational issues of culture and communication, management metrics, and cross-functional integration, particularly between marketing and information technology, have been identified by **Ryals and Knox 2001** as the three key issues that can enable the development of Customer Relationship Management in the service sector.

Due to the fact that it not only gives an organisation a competitive edge by forging long-lasting relationships with its clients but also because it has become an essential tool for the organization's survival, the importance of customer relationship management has significantly increased in recent years **Buttle, 2004**.

Service quality is regarded in marketing as an important component that helps organisations reap benefits, and this has been underlined in the research as well **Izogo & Ogba, 2015**.

According to **Mullins 2004**, attitude is the inclination to react or act in a particular way and involves judgments about things, people, and other individuals. Having satisfied consumers is an organization's largest issue in the present business world. Therefore, businesses should hire people who have good interpersonal and communication abilities rather than those with more specialised knowledge.

Hanley 2008 also discussed attitude and behaviour in terms of how it may be demonstrated by providing an environment where customers feel welcomed and appreciated and receive prompt assistance with any concerns they may be having.

Long-term clients, according to **Brun, Durif, and Ricard 2014**, are less sensitive to losses caused by a particular transaction because they frequently place a high value on previous satisfaction levels. Additionally, the study found that banks with better client relationships are more profitable. All banks must keep positive client relations in order to continue operating their businesses for an extended period of time while making good financial gains.

According to **Bhat, S.A., & Darzi, M.A. 2016**, the relationship between marketing

investments and customer gratitude leads to gratitude-based exchange behaviour, which improves firm performance. When there is a good relationship between the bank and the customers, the customers will have a favourable opinion of the bank. Customers express some thanks to banks when their needs and wants are met at the appropriate moment.

Adapa, S., and Roy, S.K. (2019) compared the operations of the banking sectors in Indian and other nations with regard to the notion of customer relationship management. According to research, banking activity in developed countries has a significant impact on keeping up positive client relations. The strategies and technological advancements in the financial operations of the industrialised countries are to blame for this.

1.3 Statement of the Problem:

There are more contests between various banks, and they all offer their services in a positive way. One of the most common consequences of effective CRM activities is increased customer loyalty. It was argued that CRM initiatives result in passionate consumer loyalty and a stronger relationship bond. More so than relationship investment and frequency of interaction, specific CRM initiatives like developing expertise, encouraging customer dependency, and improving customer commitment and loyalty. This showed that different relationship activities have distinct effects on loyalty. Thus, CRM characteristics have a favourable effect on client loyalty, which encourages customer pleasure and cross-selling. One significant industry that is now developing quickly is the banking sector. It also contributes to the economic growth of the nation. Banks are required to keep proper and positive customer relations. As a result, banks are expanding their branch networks across the nation and the states. One of the issues facing banks is meeting client needs; as a result, banks must concentrate on research activities regarding what services customers are looking for from banks. To learn more about the needs wants, desires, and goals of their consumers, banks must conduct a pilot study. All of these factors will encourage banks to uphold positive client connections. In this study, how customer relationship management impacts the banking sector is highly emphasised.

1.4 OBJECTIVES OF THE STUDY
1. To know how effective is CRM in retaining bank customers.
2. To study the effects of CRM on banks as well as on their employees.
3. To study the techniques of Customer Relationship Management in the banking activities
4. To focus on the diversified area of banking to maintain a good relationship with customers.

1.5 RESEARCH METHODOLOGY

1.5 (a) SOURCES OF DATA

Data for the study were gathered from both primary and secondary sources. The primary sources of information are questionnaires and opinions gathered from respondents, while secondary data comes from the Internet and business-related periodicals, journals, books, and newspapers.

1.5 (b) USAGE OF SAMPLING TECHNIQUE

Convenience sampling was used as the sampling approach for administering the questionnaires because the information needed was not particularly technical in nature, as well as considering the study's breadth and the size of the target segment. 200 responders were the maximum number of participants in the survey. This was done in consideration of the time limitations and the fact that this amount would be sufficient to meet the information needs necessary to demonstrate the patterns.

1.6 LIMITATIONS OF THE STUDY

1. The survey is limited to Chennai city only.
2. The survey is limited to 200 respondents only.

1.7 Analysis and Interpretations

Table 1 Gender

Gender	Frequency	Percent
Male	124	62
Female	76	38
Total	200	100

From the table, it is inferred that the **majority** 62 percent of the respondents are male and 38 percent of the respondents are female.

Table 2 Age

Age (in years)	Frequency	Percent
20-30	128	64
30-40	40	20
Above 40	32	16
Total	200	100

From the table, it is opined that the majority 64 percent of the respondents fall under the age group of 20-30, followed by the respondents falling under the age group of 30-40 (20 percent) and the respondents aged above 40 (16 percent)

Table 3 Qualification

Qualification	Frequency	Percent
Schooling	24	12
Diploma	48	24
Under Graduate	20	10
Post Graduate	108	54
Total	200	100

From the table, it is understood that the majority (54 percent) of the respondents are postgraduate, followed by the respondents who are diploma holders (24 percent), schooling (12 percent) and undergraduate (10 percent).

Table 4 Income

Monthly Income (Rs.)	Frequency	Percent
below 20000	8	4
20,000-40,000	68	34
40,000-60,000	108	54
above 60,000	16	8
Total	200	100

From the table, it is explored that the majority (54 percent) of the respondents fall under the monthly income group of Rs.40,000-Rs,60,000, followed by the respondents under the income group of Rs.20,000-Rs.40,000 (34 percent); above Rs.60,000 (8 percent) and the respondents below Rs.30,000 (4 percent).

Table 5 Factors Governing Customer Relationship Management In Banking Sector

FACTORS	SA	A	N	D	SDA
Automated Email Banking	40	80	26	20	34
Social Customer Relationship Management	52	44	40	30	34
CRM through digitised banking system	30	80	20	40	30
Segmentation of banking services	46	36	70	38	10
Retention of customer base	52	54	56	24	14

SA = STRONGLY AGREE,   A= AGREE, N = NEUTRAL, D = DISAGREE, SDA = STRONGLY DISAGREE

The table depicts the factors which govern Customer Relationship Management in the banking sector. The factors listed above are Automated Email Banking, Social Customer Relationship Management, CRM through digitised banking system, Segmentation of banking services and Retention of customer base. It is understood from the table that the factors contribute to positive customer relationship management in the banking sector.

Automated Email Banking: Out of 200 respondents, 40 respondents strongly agree, 80 respondents agree that automated email banking contributes to better customer relationship management, 26 respondents are neutral and only 20 respondents disagree and 34 respondents

strongly disagree that automated email banking contributes to the better customer relationship management.

Social Customer Relationship Management: Out of 200 respondents, 52 respondents strongly agree, 44 respondents agree that Social Customer Relationship Management contributes to better customer relationship management, 40 percent of the respondents are neutral and only 30 respondents disagree and 34 respondents strongly disagree that Social Customer Relationship Management contributes to the better customer relationship management.

CRM through digitised banking system: Out of 200 respondents, 30 respondents strongly agree, 80 respondents agree that the digitised banking system contributes to better customer relationship management, 20 respondents are neutral and only 40 respondents disagree and 30 respondents strongly disagree that digitised banking system contributes to the better customer relationship management.

Segmentation of banking services: Out of 200 respondents, 46 respondents strongly agree, 36 respondents agree that segmentation of banking services contributes to better customer relationship management, 70 respondents are neutral and only 38 respondents disagree and 10 respondents strongly disagree that segmentation of banking services contributes to the better customer relationship management.

Retention of customer base: Out of 200 respondents, 52 respondents strongly agree, 54 respondents agree that retention of customer base contributes to better customer relationship management, 56 respondents are neutral and only 24 respondents disagree and 14 respondents strongly disagree that retention of customer base contributes to the better customer relationship management.

Testing the hypothesis: Based on the above analysis, testing of the hypothesis is required to validate the various parameters applied by the banks. The following is the hypothesis:

H_0 = There is no significant difference in the techniques followed by banks to maintain good CRM

H_1 = There is asignificant difference in the techniques followed by banks to maintain good CRM

Table 6 One Sample T-test to test the significance of various parameters

One-Sample Test	
Parameter	**(Sig 2 tailed)**
Automated Email Banking	0.000
Social Customer Relationship Management	0.000
CRM through digitised banking system	0.000
Segmentation of banking services	0.000
Retention of customer base	0.000

From the t-test of a 5% significance level, it is suggested to reject the null hypothesis and acceptthe alternative hypothesis. This indicates that, the alternative hypothesis, H1: There is a significant difference in the techniques followed by banks to maintain good CRM **is accepted**. The Null hypothesis of H0: There is no significant difference in the techniques followed by banks to maintain good CRM **is rejected.**

1.8 Findings and Conclusion:

Findings

- It is found that majority 62 percent of the respondents are male and 38 percent of the respondents are female
- It is explored that the majority 64 percent of the respondents fall under the age group of 20-30, followed by the respondents falling under the age group of 30-40 (20 percent) and the respondents aged above 40 (16 percent)
- It is understood that the majority (54 percent) of the respondents are postgraduate, followed by the respondents who are diploma holders (24 percent), schooling (12 percent) and undergraduate (10 percent).
- it is explored that the majority (54 percent) of the respondents fall under the monthly income group of Rs.40,000-Rs,60,000, followed by the respondents under the income group of Rs.20,000-Rs.40,000 (34 percent); above Rs.60,000 (8 percent) and the respondents below Rs.30,000 (4 percent).
- As far as factors that govern Customer relationship management are concerned, the majority of the respondents do not disagree that Factors contribute to the improvement in customer relationship management.

Conclusion

Banks have to keep on innovating the new patron of services to be given to the customers according to their requirements. In the present scenario, more private banks are playing avital role in society. They are coming up with sophisticated methods of services for their customer. So it is suggested that Banks keep on doing customer-oriented research to improve their patron of banking services to customers. Through this, they can maintain a good relationship with customers which leads to Customer Relationship Management developmental activities.

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