IMPACT OF CUSTOMER RELATIONSHIP MANAGEMENT ON CUSTOMERS' SATISFACTION: AN EMPIRICAL EVIDENCE FROM COMMERCIAL BANKS IN KERALA

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Abstract: Bank plays a decisive role in the socio economic development of nation. Banks offer several services to boost the living standard of our citizen. In the past, owing to lack of knowledge and proper guidance, the people could not avail the full benefits from the banking industries to enhance their standard of living. It is undeniable that the habits of Indian customer is changing. This reflects in the income pattern and consumption patterns and leads to enhance banking habit of people. With the opening up of economy a number of private sector banks have join the fray and offering a plethora of products and services rechristening themselves as a financial boutiques , so banking sector become more competitive. The entire service industry is now metamorphosed to become customer–specific. In this context, the management of customer relationship in financial services demands special focus. This paper attempts to assesses the customer relationship management, from the perspective customers and analyze its impact on customer' satisfaction from commercial banks in Kerala. For measuring customer relationship management strategies, the researcher used the modified model introduced by Jayakumar.A in their study. This study is of an analytical nature based on the primary data collected from customers of public and private sector banks in Kerala. A standardized questionnaire has been used to collect primary data. The questionnaire has been personally managed on a sample size of 100(51 from public sector and 49 from private sector), chosen on a random basis from banks in Kerala. The results of this study revealed that Availability and Behavioural strategy of CRM and Network based service have direct and significant impact on customer satisfaction. behaviour of employee and product availability aspects of CRM has the greatest impact on customer satisfaction. And the effect of Empathetic service strategy & Accessibility and Direct Contact does not have any significant impact on customer satisfaction.

Keywords: customer relationship management, customer satisfaction, commercial banks.

I. INTRODUCTION

In the current scenario, the service sector plays a vital role in the development of economy of nations. The new economic has drastically changed conventional patterns of business in all sectors. Banking sector is of no exemption. With the opening up of economy a number of private sector banks have join the fray and offering a plethora of products and services rechristening themselves as a financial boutiques, so banking sector become more competitive. The customer relationship management will be the dominant primary factor in ensuring the success and survival of service provider in the Indian banking sector. The extent of customer relationship management determines the level of customer satisfaction. (Jayakumar & Sathiya, 2013)

CRM has developed into a major corporate strategy for many organizations. It is concerned with the creation, development and enhancement of individualized customer relationship with carefully targeted customer groups resulting in maximizing their total customer life time value. It is an overall business strategy that enables companies to effectively manage relationship with their customers. With the intensified competition, bank realized that they have to treats their customers with respect. Customers have a lot more choices and they do not have to be loyal to any bank. Banks are now trying to figure out ways to manage customer relationships effectively, not only to acquire new customers but also to retain existing customers. The use of CRM in banking has gained importance with the aggressive strategies for customer satisfaction and retention being employed by the bank in today's competitive milieu. This has resulted in the adoption of various CRM initiatives by these banks. Thus, this study arises as an attempt to analyze the relationship between service quality and customer satisfaction.

II. STATEMENT OF THE PROBLEM

The present day CRM includes developing customer base. The bank has to play adequate attention to increase customer base by all means, it is possible if the performance is at satisfactory level, and the existing clients can recommend others to have bank relation. Competition and globalization of banking services are forcing banks to be productive and profitable. Today's banking services industry entered an era of turbulence, where change is accelerating, market disruptions are inevitable and customers are more nervous and demanding than ever. Bank can enhance customer services by leveraging on technology maintenance of efficient service delivery standards and business process reengineering. To keep existing customers and to find out new customers bank should focus strongly on relationship management with customers.

Economic reform has opened Indian banking sector to private and foreign players. It gives rise to cut throat competition. In such a situation organizations have to adopt CRM strategies able to cope with changes and survival of fittest. It is the prime way to convince customers to use bank products and services and ensure customer satisfaction. This study was conducted to analyse the impact of customer relationship management and customer satisfaction in banking service from commercial banks in Kerala.

III. SIGNIFICANCE OF STUDY

More competition and increased regulation made it more difficult for banks to stand out from the crowd. However, the development of CRM gave proactive banks access to technology that helped them to improve customer retention by using customer feedback to offer conveniences like ATMs and Online banking. Banks can also use CRM tools to improve customer satisfaction by using data collected through customer sign-ups, transaction and feedback processes. The present study is an attempt to analyze the impact of customer relationship management and customer satisfaction in banking service from commercial banks in Kerala. This study will be useful to service providers for making competitive edge in banking business. It enables us to have an understanding of CRM perceptions of banking customers and leads how to improve the level of customer satisfaction with respect to CRM aspects.

III. OBJECTIVES OF THE STUDY

The study made with the following objective;
1. To assess the impact of customer relationship management aspects on customer satisfaction of customers of commercial banks in Kerala.
2. To identify the CRM factors contributing customer satisfaction in banking service of commercial banks in Kerala

IV. LITERATURE REVIEW

A lot of books, articles and papers are written about customer relationship management and customers as well as companies' employees are hearing this phrase more and more in today's business world. However, if different people are asked about what customer relationship management (CRM) represents, it is mostly possible that one could get different answers with different meanings depending on who is being asked. Some people might say that CRM is a way to computerize someone's business, others would think of a series of tools and techniques, a marketing program designed to attract customer loyalty etc. (Robert-Phelps, 2001). Different authors and researchers have also given different definitions of CRM. Some of them are of the opinion that CRM is a process or methodology belonging to the information industry methodologies or integrated information systems that can help a company to manage its customer relationships in a managed way (Buttle, 2009)

customer relationship management is an important strategy in managing customers, as it focuses on understanding customers as individuals instead of as part of a group and each of these individuals has a choice ((M D Lambert, 2010); (Robert-Phelps, 2001). Because customers have a lot more choices and they may decide not to stay loyal to any company in particular, companies on the other hand are trying to find new ways to effectively manage customer relationships, consisting not only in acquiring new customers but also in retaining their existing customers (Jasola & Kapoor., 2008)

(SIMO & BREGASI, 2013) Conducted an empirical study about Customer Relationship Management and Challenging Aspects in the Banking Sector: Case of Albania and conclude that CRM has caught the attention of managers in the improvement of their tools and strategies development as part of their marketing. The main factors to be taken into consideration according to the managers exposed to the empirical research are, among others: customer satisfaction, customer retention, implementation of hardware and software and the transparency regarding procedures.

(Buttle, 2009) Revealed that CRM is the core business strategy that integrates internal processes and functions, and external networks, to create and deliver value to targeted customers at a profit. It is grounded on high quality customer related data and enabled by information technology.

(Kanti, 2012) made an attempt to compare customer relationship management in banking between SBI and other nationalized commercial bank in India and revealed that Successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business, by integrating them with the organization's strategy, people, technology and business processes.

Customer relationship management (CRM) is a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer. It involves the integration of marketing, sales, customer service, and the supply-chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value (DOHNAL, 2002). Communication with customer partners is a necessary process of relationship marketing. It helps in relationship development, fosters trust, and provides the information and knowledge needed to undertake the cooperative and collaborative activities of relationship marketing. Successful organizations use three steps to build customer relationships:

i. Determine mutually satisfying goals between organization and customers.
ii. Establish and maintain customer rapport.
iii. Produce positive feelings in the organization and the customers. (CHAPMAN A.)

Customer relationship management is a broad term that covers concepts used by companies to manage their relationships with customers, including the capture, storage and analysis of customer and internal process information. Customer relationship management includes: - CRM processes that help identify and target their best customers, generate quality sales leads, and plan and implement marketing campaigns with clear goals and objectives. - CRM processes that help form individualized relationships with customers (to improve customer satisfaction) and provide the highest level of customer service to the most profitable customers (LENDEL & MILAN KUBINA., 2008).

The forgoing overview of literature reveals that though various studies were done on customer relationship management and customer satisfaction. Every investigation showed the customer relationship management and its relationship to customer satisfaction. This research was conducted to make an empirical evidence on an impact of customer relationship management on customer satisfaction. It will be useful to service providers for making competitive edge in business. Hence the relevance of the study.

V. OPERATIONAL DEFINITION

A. Customer Relationship Management:

Customer Relationship Management is rightly explained as a management process of acquiring customers by understanding their requirements, retaining customers by fulfilling their requirements more than their expectation and attracting new customers' specific strategies marketing approach.

B. Customer satisfaction:

Customer satisfaction is the extent to which a product's perceived performance matches a buyer's expectations: if the products performance matches or exceeds expectations the buyer is satisfied; if performance falls short of expectations the buyer is dissatisfied (Kotler, 2003),

C. Commercial Bank

Commercial banks are those banks which carry out the normal business of banking such as accepting deposits, giving out loans and other banking services. It includes public sector banks, private sector banks and foreign banks.

VI. METHODOLOGY

A. Instrument

This study is an analytical in nature based on primary data. The primary data for the analysis are collected, by the researcher, from the customers' of commercial public sector banks and private sector banks in Kerala. It is collected with the help of structured questionnaires. Questionnaire measures customer relationship management strategies by implementing 21 variables developed from literature review. The instrument used is a seven-point Likert scales, representing a range of attitudes from 1 – strongly disagree to 7 – strongly agree to measure service quality and to measure Customer satisfaction (9 variables were used) seven-point Likert scales, representing a range of attitudes from 1 – extremely dissatisfied to 7 — extremely satisfied.

B. Sampling

For the collection of samples survey, multistage deliberate sampling technique was used. For the purpose of the study once district (Kozhikode) selected from 14 districts in Kerala randomly. Then selected district divide into three levels viz City, Thaluk and Panchayath. The primary data is collected from a sample of 100 persons from customers of commercial banks from Kozhikode city, Vatakara thaluk and Nadapuram panchayath.

C. Research Hypotheses

In order to investigate the objectives of the study, the following hypotheses have been developed.

H0: There is no significant impact of service quality dimensions on customer satisfaction of commercial banks in Kerala.

H1: There is significant impact of service quality dimensions on customer satisfaction of commercial banks in Kerala.

D. Variable Measurements

Independent Variables:- Customer relationship management (CRM)

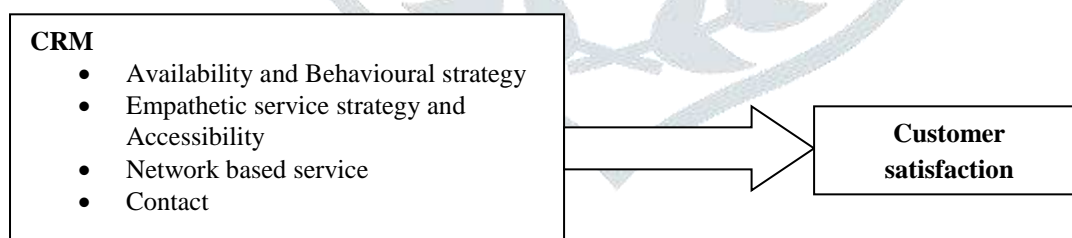**Dependent Variables :-** Customer satisfaction

E. Research Framework

Figure 1. Research conceptual model

VII. STATISTICAL ANALYSIS

The collected data were presented in tables for the purpose of analysis. The primary data were analyzed with the help of computer package namely MS. Excel 2010 and SPSS 23. Statistical Inferences used are as follows:

1. Factor Analysis

The factor analysis has been used to reduce the data collected on 21 variables into smaller number of manageable variables by exploring common dimensions existing among the variables.

Table 1. **KMO AND BARTLETT'S TEST**

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.784
Bartlett's Test of Sphericity	Chi-Square	1208.242
	df	210
	Sig.	.000

High value of KMO (0.784 > .05) of indicates that a factor analysis is useful for the present data. The significant value for Bartlett's test of Sphericity is 0.000 and is less than .05 which indicates that there exist significant relationships among the variables The resultant value of KMO test and Bartlett's test indicate that the present data is useful for factor analysis.

Table 2

Independent Variables - CRM	Eigen values	% of Variance	Cumulative %
• Availability and Behavioural strategy	5.987	28.511	28.511
• Empathetic service strategy and Accessibility	3.768	17.944	46.455
• Network based service	1.664	7.925	54.380
• Direct Contact	1.543	7.346	61.727

Extraction Method: Principal Component Analysis.

The next step in the process is to decide about the number of factors to be derived. The rule of thumb is applied to choose the number of factors for which 'Eigen values' with greater than unity is taken by using Principal Component Analysis method. The Component matrix so formed is further rotated orthogonally using Varimax rotation algorithm which is the standard rotation method (Kaiser, 1958). All the statements are loaded on the four factors.

Table 3

Rotated Component Matrix[a]				
	Component			
	1	2	3	4
1. Personal contact				.826
2. General and promotional communication	.832			
3. Personal reports	.792			
4. Various service offered by the bank	.628			
5. Bank staff are courteous and give proper guidance	.922			
6. Friendly Behaviour of the officials	.793			
7. May i help you counter	.821			
8. Understand customer needs and requirement	.845			
9. All information pamphlets and banners are displayed for customers	.759			
10. Grievance redresses system	.812			
11. Customers friendly				.761
12. Important and valuable customers		.736		
13. Omdurman committee		.788		
14. Customization of bank service to suit customers specific need		.802		
15. Better physical appearance of bank		.628		
16. Internet service and advance technology		.685		
17. Efficient and reliable ATMs		.849		
18. Appropriate location of ATM counters		.921		
19. Answer the phone call in courteous manner and end in friendly way				
20. Core banking			.818	
21. Efficient and reliable Mobile banking			.808	
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.				
a. Rotation converged in 5 iterations.				

The total variance accounted for, by all the four factors with Eigen value greater than 1 is 61.727 percent and the remaining variance is explained by other variables. Among the four factors, the first factor accounts for around 28.511 percent of variance which is the prime criteria considered by any customers in CRM aspects.

The statements are converted into 4 factors using factor analysis

Statements 2-10	Availability and Behavioural strategy
Statements 12-18	Empathetic service strategy and Accessibility
Statements 20 & 21	Network based service
Statements 1 & 11	Direct Contact

2. Reliability Analysis

Reliability test is a judgment of the degree of stability and consistency between multiple measurements of a variable. Cronbach's alpha is the commonly accepted measurement technique with a generally agreed lower limit of 0.7 (Nunnally., 1967). The following Table provides an overview of the reliability scores. As can be seen from this table, all the alpha coefficients were above the required level of 0.7. Thus it can be concluded that the measures used in this study are valid and reliable. A multiple regression analysis was used to determine the relative importance of CRM characteristics in predicting the customer satisfaction

Table 4 Reliability

Scale	Number of items	Cronbach's Alpha
Availability and Behavioural strategy	9	0.930
Empathetic service strategy and Accessibility	8	0.802
Network based service	2	0.701
Direct Contact	2	0.695
Customer Satisfaction	9	0.796

3. Descriptive Statistics Analysis

Table 5: Summary of Means, standard deviations

Variable	Mean	Std.Dev	Level Category
Availability and Behavioural strategy	5.36	0.87617	High
Empathetic service strategy and Accessibility	5.40	1.15924	High
Network based service	5.80	0.84087	High
Direct Contact	6.34	0.68490	High

Norms for Level of Customer Satisfaction

Level Category	Score Range
Low	1.00 – 3.00
Medium	3.00 – 5.00
High	5.00 – 7.00

Table (4) shows that customers of commercial banks in Kerala perceived Direct Contact (with the highest mean scores, i.e. M = 6.34, SD = 0.6849) to be the most dominant service quality and evident to a considerable extent, followed by Network based service (M = 5.80, SD = 0.84087), Empathetic service strategy and Accessibility (M = 5.40, SD = 1.15924 and Availability and Behavioural strategy (M = 5.36, SD = 0.87617) which were all rated as high practices by Kerala commercial banks. The standard deviations were quite high, indicating the dispersion in a widely-spread distribution. This means that the effects of CRM on customer satisfaction are an approximation to a normal distribution. This also indicates that respondents were in favor of customer satisfaction.

4. Correlation Analysis: Relationships between the Variables

Correlation matrix is defined as "a set of correlation coefficients between a number of variables" (Kline, 1998). A correlation matrix was constructed using the variables to find the strength of relationship among the variables considered in the questionnaire. SPSS version 23.0 was used

Table 5: Summary of correlations between CRM and Customer Satisfaction

Variable	Customer Satisfaction	Availability and Behavioural strategy	Empathetic service strategy and Accessibility	Network based service	Direct Contact
Customer Satisfaction					
Availability and Behavioural strategy	0.362				
Empathetic service strategy and Accessibility	-0.123	0.017			
Network based service	0.543	-0.105	0.165		
Direct Contact	0.091	0.332	0.000	-0.166	

Correlation is significant at the 0.01 level (2-tailed)

As reveals in table 5, the Pearson correlation coefficient indicates that CRM were directly and positively correlated with customer satisfaction. The highest coefficient of correlation in this research between CRM variables and customer satisfaction, however, is 0.543, which is below the cutoff of 0.90 for the collinearity problem. Thus, multi-collinearity problem does not occur in this research. These correlations are also further evidence of validity and reliability of measurement scales used in this research (Hair J.F & Tatham R.L., 1998).

There was a significant positive relationship between Availability and Behavioural strategy of CRM and customer satisfaction (r = 0.362, n = 100, p =0.000). The positively significant correlation were for Network based service and customer satisfaction (r = 0.543, n = 100, p= 0.000). Correlation between Empathetic service strategy and Accessibility of CRM and

customer satisfaction (r = 0.123, n = 100, p = 0.221) and between Direct Contact and customer satisfaction (r = 0.091, n = 100, p = 0.368). The results indicate that Availability and Behavioural strategy of CRM and Network based service have a significant and positive impact on customer satisfaction. But in Empathetic service strategy and Accessibility and Direct Contact, don't have positive and significant impact on customer satisfaction, which goes to prove that Network based service was perceived as a dominant CRM starategy; improvements in customer satisfaction levels were significant. Thus, hypotheses H0 was not supported, ie, there is significant and positive impact of two aspects of CRM (Availability and Behavioural strategy of CRM and Network based service) on customer satisfaction of commercial banks in Kerala. Also, in Empathetic service strategy & Accessibility and Direct Contact, there is significant and positive impact on customer satisfaction of commercial banks in Kerala.

5. Multiple Regression Analysis

Multiple regression analysis is a useful technique that can be used to analyze the relationship between a single dependent and several independent variables (Hair J.F & Tatham R.L., 1998). This analysis was employed to test the impact of CRM on customer satisfaction.

Table 5(1): Regression results between CRM and customer satisfaction

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.591[a]	.349	.322	.72152

a. Predictors: (Constant), Availability and Behavioural strategy of CRM , Empathetic

service strategy and Accessibility , Network based service , Direct Contact

R is th

e correlation, its value is 0.591 and R square is degree of determination, its value is 0.349.The degree of determination shows the extent to which Availability and Behavioural strategy of CRM , Empathetic service strategy and Accessibility , Network based service and Direct Contact influences the customer satisfaction. Here the customer satisfaction is determined to an extent of 34.9% Availability and Behavioural strategy of CRM , Empathetic service strategy and Accessibility , Network based service and Direct Contact

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26.544	4	6.636	12.747	.000[b]
	Residual	49.456	95	.521		
	Total	76.000	99			

a. Dependent Variable: Customer satisfaction

b. Predictors: (Constant), Availability and Behavioural strategy of CRM , Empathetic service

strategy and Accessibility , Network based service and Direct Contact

ANOVA table shows that the significant value is less than 0.01, which means dependent variable that is customer satisfaction is significantly predicted by independent variables that is CRM (Availability and Behavioural strategy of CRM , Empathetic service strategy and Accessibility , Network based service and Direct Contact) at 99 % of confidence level.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.985	.946		3.155	.002
	Availability and Behavioural strategy of CRM	.158	.066	.209	2.374	.020
	Empathetic service strategy and Accessibility	-.138	.088	-.132	-1.574	.119
	Direct Contact	.042	.109	.032	.381	.704
	Network based service	.388	.072	.479	5.410	.000
a. Dependent Variable: Customer satisfaction						

The effect of Availability and Behavioural strategy of CRM, Empathetic service strategy and Accesability, Network based service and Direct Contact on customer satisfaction is given by the regression equation, at 5% significant level

Customer Satisfaction =2.985+.209 Availability and Behavioural strategy of CRM +.388 Network based service

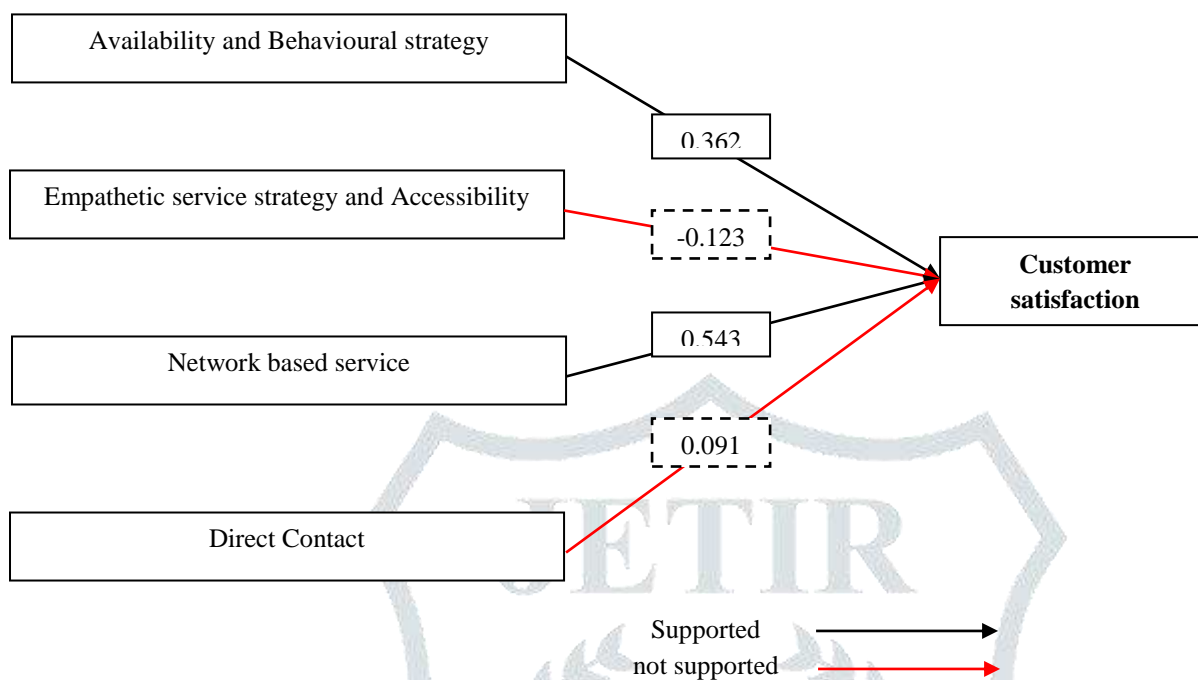Figure 2. Results concerning the hypotheses

VIII. DISCUSSIONS AND CONCLUSIONS

The objective of this study was to analyze the impact of various CRM strategies on customer satisfaction. The statements of CRM aspects are converted into 4 factors using factor analysis, that is, Availability and Behavioural strategy of CRM, Empathetic service strategy and Accessibility , Network based service and Direct Contact.

Given the research hypothesis, the results indicated that Availability and Behavioural strategy of CRM and Network based service have positive and significant effect on customer satisfaction. But, the effects of Empathetic service strategy & Accessibility and Direct Contact not have any significant impact on customer satisfaction. Testing the hypothesis of this study showed that Network based service and Availability and Behavioural strategy of CRM have the greatest impact on customer satisfaction with the rate of 0.543 and 0.362 respectively.

IX. MANAGERIAL IMPLICATION

It is understood from the present study that managers and decision makers in Kerala commercial banks to seek and improve the elements of CRM that make the most significant contributions on customer satisfaction. From a managerial point of view, it can be concluded that CRM is indeed an important predecessor to customer satisfaction. The importance of our findings for managerial decision-making processes is evident. Banks managers seeking to improve their customers' satisfaction levels, in their effort to increase loyalty, retention rates and attract new customers, may benefit by information about the effect of individual dimensions of CRM on customer satisfaction. From these conclusions, Bank managers should focus on high quality Customer relationship management to improve customer satisfaction.

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