CUSTOMER RELATIONSHIP MANAGEMENT IN BANKING: A DRIVING FORCE FOR RELATIONAL APPROACH

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Abstract

CRM as "process of acquiring, retaining and growing profitable customers". Lawrence Handen

The Banking and financial service is the one that almost connect all segments of customers through its specialized feature of convenience through digital means. CRM helps organizations to serve with a better-quality service and helps the banking sector to use the technology to connect with the human resources mostly the customer segments. These allow them to gain insight of consumer behavior and their values. CRM is the strategy for building, managing and strengthening loyal and long-lasting customer. CRM is a customer centric approach based on customer insight and acceptance. This study deals with the role of Customer Relationship Management in banking sector and the need for Customer Relationship Management to increase customer value by using some analytical methods in CRM applications.
Key words: CRM, Customer, Values, Banking sector.

INTRODUCTION

Today's customers are choosy and honour binding relationship with business units. The business units thus aim at having, enhancing and retaining customers in to their business has become order of the day. Gone are the days where in the concept of monopoly dominated and governed customers and market conditions. The enriching mantra of Mahatma Gandhi "**Customers are not depending on the business but the business totally depends on Customers**" has come again to say that all business units need to value the customers and their relationships. Thus, Customer Relationship Management (CRM) is considered as the most important tool for creating and maintaining customers that aims at *relational approach from transactional approach*. It is a binding relationship that aims at connecting with customers beyond business. The establishment of good and acceptable relationship with customers is considered necessary as the modern business units' worldwide function in stiff competition. If one product fails then naturally another similar product tries to reach the minds of customers through direct and indirect influence. The attractive features and promotional strategies aim at convincing people of all segments to be influenced, that influence is defined here as CRM. The concept of

CRM is used to deal with the existing customers and also aims at acquiring new customers. The process first starts with identifying a customer and maintaining all the corresponding details into the CRM system which is also called an 'Opportunity of Business'.

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REVIEW OR LITERATURE

Verma Akanksha (2013)[1] made a study entitled, "Study the level of customer satisfaction with customer relationship management of public and private sector banks", tells that the banking industry of India is now running in dynamic challenges concerning both customer base and performance. Today many banks are rushing to become more customer focused. In 21st century one of the approaches which are creating the buzz in the banking sector is CRM. Banks are realizing that the magical formula for attaining success in such a competitive environment is to focus on maintaining relationship with customers leading to customer's loyalty and retention.

Mahalakshmi, V. Saravanaraj, M. G and Umarani, T. S (2013)[2] in their study entitled, "The Influence of Demographic Variables of Bank Customers Towards CRM", explains that CRM in the Banking sector is an important strategy which helps the bank to build long-lasting relationships with their customer, which in turn increases the customer satisfaction.

Krishnamoorthy, V and Srinivasan, R (2013)[3] in their study titled, "Impact of Customer Relationship Management on Loyalty in Indian Banking Sector - An Empirical Study", The study shows that there is an impact on customer relationship management and customer loyalty. The study also noticed that banks words and promises are reliable; bank fulfills its obligation to customer, offering advice on how to invest are the predominant variable which has impact on customer loyalty.

Saravanakumar, M and Senthil Kumar, B (2013)[4] made a study on, "Impact of Customer Relationship Marketing Strategy and Customer Loyalty – A Study of Banking Sector in South India", it highlights that Marketing has made a paradigm shift from transactional approach to relational approach. We are living in a globalized world, where competition has become an unavoidable element of business and customers have become scarce. This has led to a situation where all the firms in the same industry are trying to attract the same customers in various ways, even while offering similar products and services. They are using relationship marketing approach to ensure that the customers remain loyal and come back to them for the same products and services.

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[1] Verma Akanksha (2013) "Study the level of customer satisfaction with customer relationship management of public sector banks and private sector banks", Asian Journal of Research in Banking and Finance, Volume.3, Issue.8, pp.62-69.

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STATEMENT OF THE PROBLEM

The world is going global with the application of modern technology in all aspects of service that leads to human interface with technology for anything and everything. At one side the automation assures fast services to customers and on the other there is less scope for proper relationship with customers. There is a wide gap between customers and the use of technology that poses a challenge in relationship with customers. Beyond this, the organization worldwide is trying to establish good and favourable relationship with customers. Thus, an attempt is made by the researcher to identify and measure how the relationship is established and maintained to ensure better service in the banking sectors which is the core area for customer and business interactions.

OBJECTIVES OF THE STUDY

1. To study the socio-economic profile of the customers accessing banking services.
2. To observe the prominent CRM practices of commercial banks with particular reference to private and public sector banks.
3. To study the significantly influencing variables on CRM practices and to identify the impact of CRM practices on customers.
4. To offer suggestions to the bank officials and other stakeholders to enhance effective customer service.

HYPOTHESES

1. There is no significant difference in perception about CRM among the different customers of public and private sector banks in rural and urban areas.
2. There is no significant difference in CRM practices among different socio-economic conditions of the customers of public and private sector banks in rural and urban areas.
3. There is no significant relationship between the level of satisfaction towards CRM and socio-economic conditions of the customers of public and private sector banks in rural and urban areas.

METHODOLOGY

The primary and secondary data have been collected from different sources. Secondary data were collected from various published and unpublished sources, including journals, magazines, publications, reports, books, dailies, periodicals, articles, research papers, websites, bank publications, manuals, and booklets, etc. The primary data were collected through an interview schedule.

COLLECTION OF DATA

Interview Schedule was prepared for the purpose of collection of data. This study followed personal survey method. The required sample respondents were personally approached with the questionnaire to elucidate the data for the study.

SAMPLING DESIGN

As the population size is infinite, 672 respondents are selected as sample among the population using stratified random sampling from both private and public sector banks. They were personally approached to collect the data with the help of an Interview schedule.

STATISTICAL TOOLS USED

The collected data has been processed with the help of appropriate statistical tools like Garrett's Ranking Technique, ANOVA, t-Test and Chi-Square test

PERIOD OF THE STUDY

The entire study has been conducted for a period of five months from August 2021 to January 2022. Nevertheless, the required primary data were collected from the field for a period of one year.

LIMITATIONS OF THE STUDY

The study was conducted only in Tiruchirappalli district of Tamilnadu only with selected bank branched of both private and public sector banks, hence, the results arrived from the study may or may not be applied to another area. Out of the total population, only 672 respondents were selected for eliciting first-hand information only

528 responses have been identified to be reliable. In view of time and monetary constraints, it was not possible to contact more than the selected number of respondents. This study focuses on only commercial banks, the other banks such as Co-operative bank and other financial institutions are not included in this research study.

ANALYSIS AND INTERPRETATION

The study has been concluded with a final sample of 528 respondents that include a majority of male respondents and female respondents to the tune of above 33 per cent. The data have been collected from the customers of rural, urban and semi urban branches. As the private sector banks have no much rural branches, the rural and semi urban branched are clubbed as one segment for soliciting response, it is classified to find the difference in the opinion relating to various perception aspects of customers in their opinion on the CRM practices by the banks. The study also has collected data from two different groups of customers namely the customers using private sector banks and customers using private sector banks. The opinion relation to their perception is presented as, in both private and public sector banks, the customers feel that there is a fast adoption of technology, which is customer centric and user friendly. There is every attempt made by the bank officials to provide a fast and quick service to customers. The quality of the service is the prime focus for both private and public sector banks. The customers are impartially treated by both the sectors with business focus and positive impact. However, there is a fast track opinion on certain aspects.

General findings of the study:
1. A large majority of the respondents are male and most of the are employed as government sector employees, private sector employees and professionals. The average income of the respondents ranges from 25,000 – 50,000.
2. The preference for banks

Reasons for Selecting the Public Sector Banks and Private sector banks

The choice of the bank by the customers may be related to the availability of a single bank in case of rural areas, but in case of the urban and semi-urban areas the attitude of the customers is different to select the bank, be it a private or public sector bank.

But today anywhere banking concept is floated and hence a native of rural may have an account in urban or semi urban areas. Thus, the customer opinion may be related to the type of banks and not their locality.

It is identified that among the customers of public sector banks, the rural customers have given first rank to availability of the bank and its services, the semi-urban and urban customers have given first rank to fully computerized infra.

It is found that among the customers of private sector banks, the rural, semi urban and urban customers have given first rank to quick processing.

Perception about customer relationship management based on Educational Qualification

For registering perception, the educational qualification plays an important role, as the education moulds people to think rationally over issues and hence a comparative opinion is sought among the customers based on type of bank and educational qualification relating to CRM.

There is a significant difference in perception about customer relationship management among different levels of educational qualification of customers of public and private sector banks.

Perception about customer relationship management based on Occupation

CRM is a most important aspect as stated earlier, some may be busy due to their work and work pressures, and others may have time conscious relating to any type of work. The bank should plan to provide service considering their occupation, area of residence. If not done there will a difference of opinion relating to the CRM practices by the banks be it public sector or private sector banks. The gathered outcome is presented below on the perception of customers relating to CRM.

There is a significant difference in perception about customer relationship management among different occupation level of customers of public and private sector banks in semi-urban area.

Perception about customer relationship management based on area of residence

There is a significant difference in perception about customer relationship management among different areas of residence of customers of public and private sector banks in semi-urban area.

There is a significant relationship between the area of residence of the customers of public and private sector banks in semi-urban area and their level of satisfaction towards the customer relationship management in various sectors of banks.

Opinion regarding quick response to complaints

Dissatisfaction is one of the most important aspects that generate the attitude and mind set of the customers. The dissatisfaction from the customers is mostly presented to the officials in the form of complaints, these complaints may be relating to charges, interest rates, online hangouts, delay in services, non-responsive staff, and other means, it is important to the bank officials to address these issues in a quick manner, otherwise the customers will be forced to take the matter outside the bank as opinion about their services, hence it is important to address the complaints of the customers as quick as possible. *In public sector banks, a majority of 25.9 per cent of the respondents disagree that banks give quick response to complaints. In private sector banks, a majority of 37.5 per cent of the respondents strongly agree that bank gives quick response to complaints.*

General outcome

1. It is found that the CRM in case of private sector bank seems to be good when comparing with the CRM practices of the public sector banks.
2. It is found that the private sector banks have recruited young people to work on establishing the CRM in all spheres of their banking services, this help the private sector banks to reach out the customers in a systematic manner that leads to a long-lasting relationship.
3. The public sector banks have some constraints which does not permit them to take a free step to establish a good reach with customers.
4. Regular and periodic personal touch is established by the private sector banks, there is a back-end office works to connect with the customers regularly, but the customers are hesitant to believe them as most of these initiatives are not properly told to the customers.
5. The customers also feel that one to one relationship is good in case of both the sectors of the banks.
6. The online service without physical feel is full of challenges to the customers of all segments, there should be proper line created by the banks that make the customers feel that online virtual services could be believed with.

SUGGESTIONS

General suggestions to bankers

Gender: Women should be encouraged more to open and operate accounts in banks as it is found that there are very a smaller number of women customers in both private and public sector banks taken for this study. According to the study, 37.8 per cent of the female customers have account in both the public and private sector banks. The public and private sector banks should realize that the female customers have more potential to be part of the banking services and must try to attract them into the banking fold.

Age: The study confirmed that out of the total respondents, only 13.5 per cent of the customers are in the age group above 60 years. It shows the unbalanced customers in the study area. In this regard, the public and private sector banks may consider offering special services to the customers who are in the age group of above 60 years of age to increase the customer base as they will be loyal to the banks if they establish good CRM approach and will be valuable with quality transactions.

Educational Qualification: The study shows that out of the total number of respondents; 20.2 per cent of the customers of public and private sector banks are graduates. The public and private sector banks have very little per cent of customers with graduation. In this regard, the public and private sector banks may consider in creating awareness to them to increase the customer base in this type of customers.

Occupation: It is evident from the study that majority of the government employees and private employees have account in public and private sector banks than the other occupational categories. The study shows that 8.5 per cent of the customers are business people. In this regard, the public and private sector banks may consider creating awareness among the business people who will be a real resource to bank with regular transactions with huge volume of transactions.

Place of Residence: It is confirmed that 25.7 per cent of the respondents are residing in rural area have account in public and private sector banks. Rural customers do not have adequate knowledge about the public and private sector banks. In this regard, the public and private sector banks may consider in creating awareness to them to have account in their banks with proper orientation and guidance to open and operate accounts.

Type of Account: In this study it is clear that 7.9 per cent of the customers have recurring deposit account and 13.7 per cent of the customers have fixed deposits account. From the study it is inferred that savings account is dominating in all the banks. So, the public and private sector banks should take necessary steps to increase the awareness regarding fixed deposit account and recurring deposit account to build the standing financial status of the banks.

Motivating factor to open account: In this study it is confined that only 13.2 per cent of the customers are motivated by zero balance account. Zero balance is the best strategy to reach the minds of large spectrum of customers. Hence the public and private sector banks should develop Zero balance system of accounts to increase the number of customers and the number of accounts. Though the no frill account was floated by RBI, today the banks are not much focused on this, as banking is a service sector, it is important on the part of the banks to create customers with the focus on inclusion and inclusive banking services. The banks personnel must be friendly and approachable to enhance and create more customers to their banks and the advertisement should be creatively designed to catch the mindset of customers with truth and sincerity.

Number of Respondents having Loan Account: Only 39.9 per cent of the customers have loan account, hence the banks should give loan facility to their customers to earn EMI from customers. Today's loans are looked as financial assets of the company with regular return that strengthens the financial transactions in an effective manner. The accumulated return to the banks may be a resource every month to sanction further loans that lead to business development by the banks.

Problems faced in Availing Loan from the Bank: Majority of the customers face the problem of demanding more securities, long period delay to sanction loan and high rate of interest, it is recommended that the banks should sanction the loan quickly with less formalities and reduce the rate of interest for the loan in line with the RBI regulations and there should be no hidden charges annexed to the loans.

Services Availed in the Account: Only 8.3 per cent of the respondents have availed credit card facility and 8.8 per cent of the respondents have availed overdraft facilities, it is suggested that the banks should give credit card facility and overdraft facility to their customers with proper orientation to avail and use such cards.

Problems faced in Opening an Account: Majority of the customers face the problem of cumbersome banking procedures; it is recommended that the banks should relax the banking procedures in order to reduce the problem of customers to open an account.

Awareness of Customer Relationship Management: Majority of 50.6 per cent of the customers are not aware about customer relationship management, hence it is suggested that the banks should take steps to make aware about customer relationship management among the customers. The aspect of CRM is not to be understood but it is to be felt, the banks should attempt to give a feel of CRM to all its customers through properly attending to the need and requirements of the customers.

Suggestions towards effective CRM practices

To the banks

Banks must aim at providing better service facilities to customers at all time without any difference as to education, amount of funds invested, the nature of accounts and the nativity of the customers.

The staff in the bank should make the customers feel free to interact, clarify and relate with them in any situation without showing any indifference. The enhanced relationship with customer will make them to feel one with the bank and take every product of the bank as their own and extend their services without much difficulty.

It is not enough to make the bank and banking services technology based, it is all the more important to banks to educate the customers to use the technology well and any little inconvenience is to be addressed by the bank in a proper manner to reduce stress.

Banks must believe the customers and must readily help them in all spheres by providing advances, loans and meeting other basic requirements well. The customers are required to speak good about their bank and their branches to help the bank to enhance more number of customers. All the good products are to be intimated to customers to make them part of the product of their banks.

To the customers

All the customers must feel that they are part of the bank and must be comfortable with all the services provided by the banks. The services are to be carried outside the bank area and must be floated with outsiders to help bank in building its image. It is not the ATM at 24 hours that matters; all the other required services are to be provided to customers at their convenience as the banking function in India has moved towards global / international transactions which require 24 hours of all the services. The charges and fees should be free for all the customers of the bank excepting the annual fee. The charge free transaction will make the customer to be comfortable with the bank and the services provided to them.

CONCLUSION

The study reveals that the most of the customers consider that productive benefit is available to the banking sector through the practice of CRM. The majority of customers are of the opinion that they are satisfied with the existing level of performance and services of their banks. So it is concluded that there is need of CRM in banking sector for attracting new customers, creating customer loyalty, retention of existing customer, making good relationship. It is concluded from the study that the majority of customers are of the opinion that they feel fairly good and very good opinion about CRM practices by the banks. It is clear from the study that the majority of customers are of the opinion that their main purpose of CRM is to enhance customer's loyalty and retention of existing customers. Proper guidance about the facilities and a good business plan is given as a major success for CRM in banking sector. Hence it is proved that a good business plan and continued guidance about facilities available to customers in banking sector, which has emerged as a successful Customer Relationship Management.

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