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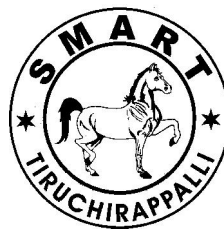
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A STUDY ON CRM PRACTICES IN BANKS

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Abstract

“Customer Relationship Management (CRM) is the process of identifying, attracting, differentiating and retaining customers. Banks are concentrating only on acquiring new customers. They seldom understand the importance and profitability of creating loyalty and retaining customers. For the last decade, many banks have been so absorbed in their own internal issues, particularly merger drives, cost-cutting and re-engineering, that customers and their relationship often received short shrift. Banks have to come out with innovative measures to satisfy the needs of both the present and potential customers and at the same time, adopt procedures to win back the lost customers. Building relationships is a challenge, especially when a firm has often millions of customers who interact with the firm in several ways. Realizing the need for Customer Relationship Management in banks, this article focuses on the bankers’ perception and customers’ perception regarding the CRM measures adopted by banks, technology used and various services offered by banks.

1.1 Introduction

“Customer Relationship Management (CRM) is the process of identifying, attracting, differentiating and retaining customers.” Customer Relationship Management has its root in Relationship Marketing which implies attracting, maintaining and enhancing customer relationships. Servicing and selling to existing customers is as important to the long term marketing success as acquiring new customers (Berry, 1983)¹. One of the determinants of the success of relationship marketing strategies of a firm is how the customers perceive the resulting service quality. This is because it is the perceived service quality that is the key driver of perceived value. It is this perceived value which determines the strength of the company-customer relationship (Berry, 1991)².

Thus in this era of increased competition, in order to prosper it will be imperative for

banks to focus on developing long-term relationships with their customers. The focus of banks should be to shift their orientation from transaction marketing to the cultivation of relationship marketing. Realizing the need for Customer Relationship Management in banks, this article focuses on the bankers’ perception and customers’ perception regarding the CRM measures adopted in banks, technology used and various services offered by banks.

1.2 Statement of the Problem

The motivation for the present study started with the observation that all over the world, there is a growing concern towards attracting and maintaining long term relationships with customers as an important corporate strategy for success and survival. The forces of deregulation, globalization and advancing technology have increased the competitive pressures on the banking industry. Banks are

¹ Berry L.L., Shostack G.L. and Upah G.D. (Eds), “Emerging perspectives on Service marketing”, American Marketing Association, Chicago, 1983, pp. 25-28.

² Berry Leonard L., Parasuraman a., (1991), Marketing services: Competing through Quality, New York: The free press, A Division of Macmillan, Inc.,

concentrating only on acquiring new customers. They seldom understand the importance and profitability of creating loyalty and retaining customers. For the last decade, many banks have been so absorbed in their own internal issues, particularly merger drives, cost-cutting and re-engineering, that customers and their relationship often received short shrift. Banks have to come out with innovative measures to satisfy the needs of both the present and potential customers at the same time, adopt procedures to win back the lost customers. Building relationships is a challenge, especially when a firm has many millions of customers who interact with the firm in many ways (from e-mail to call centers to face-to-face interactions) [Steven, 2002]³.

1.3 Objectives of the Study

The main objective is to evaluate the CRM practices in banks. The specific objectives are as follows

1. To study the technology used in banking sectors for adopting CRM practices in their banks.
2. To evaluate bankers' perception about CRM measures adopted in banks.
3. To understand customers' opinion and perception towards attitudinal environment prevailing in banks, customer services and CRM practices followed in banks.

1.4 Hypotheses

The study is based on the following hypotheses

1. There exists relationship between CRM measures adopted by banks.
2. There exists relationship between their attitude towards deposit schemes, credit schemes and services offered.
3. There exists relationship between the technologies used in public and private sector banks.

4. There exists relationship between demographic variables of respondents and their opinion regarding the attitudinal environment in banks, customer services offered and CRM measures adopted in banks.
5. There exists relationship between demographic factors and respondents' opinion on procedures adopted by banks for opening of account and availing loan, e-banking services and effective CRM practices adopted by public and private sector banks.

1.5 Methodology

1.5.1 Sources of Data

The study is based mainly on primary data. Primary data were collected through interview schedule to bankers and structured questionnaire to customers.

1.5.2 Sample Selected for the Study

A sample of 15 banks (both public and private banks) were selected for the study. Interview Schedule was administered to 10 employees of each bank and the total number of bank respondents comes to 150. Questionnaire was administered to twenty respondents of each bank and the total number was 300. The sample respondents were selected on the basis of convenient sampling method.

1.5.3 Area of Study

The study area was limited to Coimbatore city. Coimbatore, the second biggest city in Tamil Nadu, is identified as one of the fast developing metros of India. It is poised for a spectacular growth in the near future. Coimbatore, being an industrial area, many public and private sector banks have established their branches.

³ Steven.S.Ramsey, "Introduction: Strategy First, then CRM," in *The Ultimate CRM Handbook* (New York: McGraw-Hill, 2002), p 13.

1.6 Findings of the Study

1.6.1 Bankers' Perception of CRM Practices

Bankers' Perception on CRM measures

As per **Table -1.1**, the mean values of the overall mean score on the assessment of CRM measures adopted in both public and private sector banks vary between 93 and 96. The mean values of public and private sector bank respondents are 95.83 and 93.68, which shows that public sector banks stand first in adopting CRM measures effectively as per the rating given by the respondents when compared to private sector banks. The 't' test results show that at 5% level of significance, there is no significant difference between the public and private sector banks regarding the CRM measures adopted by them and hence the hypothesis is accepted.

Deposit Schemes of Banks

From the **Table- 1.2**, it is clear that mean values of the overall mean score on various deposit schemes offered by public and private sector banks vary between 26 and 30. The mean values of public and private sector bank respondents are 29.85 and 26.79, which shows that public sector banks are consistent in operations and the popularity of their deposit schemes. The 't' test results state that at 5% level of significance, there is significant difference between public and private sector banks regarding their attitude towards deposit schemes and hence the hypothesis is rejected.

Credit Schemes of Banks

Table- 1.3 states that mean values of the overall mean score on the assessment of credit schemes provided by both public and private sector banks vary between 51 and 54. The mean values of public and private sector bank respondents are 54.00 and 51.58, which shows that public sector bank stands first in providing credit schemes when compared to private sector banks. The 't' test results show that at 5% level

of significance, there is significant difference between public and private sector banks regarding credit schemes provided by them and hence the hypothesis is rejected.

Importance of Services Rendered by Banks

From the **Table- 1.4**, it is clear that mean values of the overall mean score on the assessment of services rendered by banks vary between 35 and 36. The mean values of public and private sector banks respondents are 35.03 and 35.31, which shows that private sector banks stand first in providing the basic necessities to the public when compared to the public sector banks. The 't' test results show that at 5% level of significance, there is no significant difference between public and private sector banks regarding the services provided by them and hence the hypothesis is accepted.

Technologies Used by Banks

The advent and growth of information technology has paved the way for the growth of banking industry in many aspects which act as a base for customer relationship management. Information technology helps banks to provide the services more effectively and quickly to acquire and retain their customers. **Table- 1.5** clearly states that the Chi-square result, with 'significant value of .000' at 5% level of significance, establishes significant difference between technologies used in public and private sector banks. Hence the hypothesis is rejected.

Factor Analysis

Table- 1.6 shows the results of Factor Rotated Component Matrix. Factor Analysis technique has been applied to find the underlying dimensions (factors) that exist in the 28 variables relating to CRM strategies selected for the study. Factor analysis is used to reduce the data into few factors which determine the bankers' perception of CRM practices adopted in the banks. For further interpretation of the above table, it is necessary to evaluate the appropriateness of KMO (Kaiser-Meyer-Olkin)

measure of sampling adequacy. In this study, the KMO test yields the result of 0.706 at 95 percent confidence level. It indicates that factor analysis is an appropriate technique to be used.

Under factor analysis, the principal component method was used to identify factors. As a result, out of 28 variables, 8 factors were extracted which account for more than 70% influence. Based on the rotated component matrix values, eight factors have been named under the following heads: Customer acquisition, Customer service, Customer awareness, Accessibility, Communication, Customer retention, Customer loyalty and Customer satisfaction.

1.6.2 Customers' Perception of CRM Practices

Customers' Opinion about Attitudinal Environment Prevailing in Banks

CRM technology helps organizations to organize customer touch points. A properly customized and integrated IT ecosystem can make a business to respond to a customer's needs instantaneously (e.g. keeping its catalog, web and sales team continuously updated on the changes of products and prices). From **Table -1.7**, it is clear that demographic variables such as Age, Educational qualification, Occupation, Marital status and Income have significant relationship with Customers' opinion about attitudinal environment prevailing in banks at 5% level of significance whereas the Sex of respondents does not have significant relationship with customers' opinion about attitudinal environment prevailing in banks.

Customers' Perception of Services Rendered by Banks

Banks have to evolve new approaches, new and innovative products to keep pace with growing expectations of customers with the liberalization of the economy. Despite so many measures initiated at various levels to improve the standard of customer service in banks, the

level of satisfaction perceived by various segments of customers has been very low. **Table- 1.8** states that all demographic variables have significant relationship with customers' perception of services rendered by banks at 5% level of significance. Hence the hypothesis is rejected.

Customers' Perception of CRM Measures Adopted by Banks

The importance of customer satisfaction cannot be overstated. Without customers the service firm has no reason to exist. Every service business needs to proactively define and measure customer satisfaction. Simply stated, if customer perceptions meet expectations, the expectations are said to be confirmed and the customer is satisfied. If perceptions and expectations are not equal, the expectation is said to be disconfirmed. **Table- 1.9** clearly states that demographic variables such as Sex, Educational qualification, Occupation, Marital status and Income have significant relationship with Customers' Perception of CRM measures adopted by banks at 5% level of significance whereas the Age of respondents does not have significant relationship with Customers' perception of CRM measures adopted by banks.

Opinion on Procedures Adopted for Opening of Account and Availing Loans

Based on the chi-square test, as shown in **Table- 1.10**, it is clear that demographic variables such as Age, Educational qualification, Occupation, Marital status and Income have significant relationship with respondents' opinion on procedures adopted by banks for opening of account and availing loan at 5% level of significance whereas the Sex of respondents does not have significant relationship with respondent's opinion on procedures adopted by banks for opening of account and availing of loan.

Opinion on e-banking Services

With the advent of modern technology and innovations in IT sector, most of the services

are provided through online. **Table- 1.11** clearly depicts that demographic variables such as Sex, Age, Educational qualification, Occupation and Income have significant relationship with respondents' opinion on e-banking services at 5% level of significance whereas respondents' marital status does not have significant relationship with respondents' opinion on e-banking services.

Opinion on Effective CRM Practices Adopted by Public and Private Sector Banks

CRM technology is being followed in all banks, both private and public. Banks differ in the use of the type of technology or software used by them in maintaining customer relationship. Based on the chi-square test shown in **Table- 1.12**, it is clear that demographic variables such as Sex, Age, Educational qualification, Occupation, and Income have significant relationship with respondents' opinion on effective CRM practices adopted by public and private sector banks at 5% level of significance whereas respondents' marital status does not have significant relationship with respondents' opinion on effective CRM practices adopted by public and private sector banks.

1.7 Conclusion

The service sector in India is fast growing and their contribution to economic development is really impressive due to advancement in Information Technology. Bankers can further identify the extent to which they are able to maintain customer relationship and the measures they can take to improve their relationship. Effective implementation and monitoring of CRM approaches by banks will result in providing superior services to their customers, gaining long-term loyalty, and finally, realizing more revenues by banks. Hence in the light of this situation, it is pertinent to focus on the quality of banking service, and the banker -customer relationship.

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Table 1.1
Bankers' perception on CRM practices

Sector	N	Mean	Std. Deviation	t-test Sig value
Public Sector	60	95.8333	10.71537	.226
Private Sector	90	93.6778	10.60192	

Source : Primary Data

Table 1.2
Bank Deposits

Sector	N	Mean	Std. Deviation	t-test Sig value
Public Sector	60	29.8500	3.57877	.000
Private Sector	90	26.7889	3.11753	

Source : Primary Data

Table 1.3
Credit Schemes

Sector	N	Mean	Std. Deviation	t-test Sig value
Public Sector	60	54.0000	3.25733	.000
Private Sector	90	51.5778	3.05374	

Source : Primary Data

Table 1.4
Services Rendered by Banks

Sector	N	Mean	Std. Deviation	t-test Sig value
Public Sector	60	35.0333	3.33429	.582
Private Sector	90	35.3111	2.79504	

Source: Primary Data

Table 1.5
Technologies Used by Banks

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	83.882	9	.000
Likelihood Ratio	106.149	9	.000
Linear-by-Linear Association	8.915	1	.003
N of Valid Cases	150		

Source: Primary Data

Table 1.6 : Rotated Component Matrix

	Component							
	1	2	3	4	5	6	7	8
Q1-Cordial Welcome	.218	-.396	-.255	-.026	.348	.160	.560	.030
Q2-Courtesy & Individual Attention	-.042	-.080	.691	-.108	.363	-.021	-.180	-.332
Q3-Promptness	-.094	-.086	-.051	.865	-.138	.032	-.146	.110
Q4-Proper Guidance signs	-.039	.062	-.764	.377	.055	-.059	.054	.081
Q5-Professional Advice	-.193	.026	-.486	.618	.077	.118	.251	-.014
Q6-Assistance of existing customers to acquire new customers	.767	.088	.258	.088	.138	.119	-.192	.131
Q7-Campaigning	.859	.197	.119	-.054	.047	-.091	.164	.079
Q8-Creating Awareness	.389	-.024	.796	-.030	.030	-.064	.157	.050
Q9-Regain lapsed & former customers	.577	-.263	-.004	-.109	.193	-.264	.043	.063
Q10-Removing fear, uncertainty & Doubt	.081	.037	-.055	.124	.146	.014	-.123	.856
Q11-Provide different schemes/products	-.054	.550	.212	.146	-.015	.331	-.185	.148
Q12-Complaints & suggestions immediately met	.315	.072	-.108	-.101	.113	.330	.198	.463
Q13-Customer requirements are attended	.001	.292	-.090	-.069	.034	.816	.063	-.010
Q14-Social get-together / Customer meet	-.013	.297	.087	.141	-.035	.766	-.128	.117
Q15-Customers feel as part of Organization	.723	-.010	.298	.226	.122	.143	-.114	.096
Q16-Generate new concepts & approaches	.839	.152	.100	.017	-.023	-.081	.215	.070
Q17-Respond speedily to the need	.516	-.017	.742	.078	.023	-.018	.148	.048
Q18-Security of Transactions	.120	.261	.108	-.096	-.078	-.165	.676	-.108
Q19-Prime Location	.272	-.170	-.053	.665	.141	-.140	-.037	.067
Q20-Highly convenient timings	.061	.871	-.025	.015	.029	.145	.036	.028
Q21-Extent of Computerization is high	-.628	.207	.102	.082	-.239	-.158	.011	.215
Q22-Complaint is solved within 24 hrs	.154	.797	-.026	-.348	.198	.049	.094	.006
Q23-Minimum Service Charges	-.130	.630	-.167	-.022	-.092	.109	.219	.005
Q24-Seek reaction & views of the customers	-.031	-.025	.063	-.809	.049	-.091	.026	.038
Q25-Inform different schemes of the bank	.211	-.124	-.344	-.009	.165	-.166	-.344	-.222
Q26-Accuracy in billing & accounting transactions	.078	.879	-.028	-.063	.077	.215	.002	.020
Q27-Answer routine queries	.092	.159	.099	.074	.836	-.114	.026	.141
Q28-Better customer interaction	.295	.001	.012	-.103	.785	.119	-.046	.060

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.
 a Rotation converged in 10 iterations.

Table 1.7
Relationship Between Demographic Factors And Customers' Opinion About Attitudinal Environment Prevailing In Banks

Demographic factors	T-value	Sig value	Sig or Not sig
Sex	-1.833	.068	Not sig
Marital status	4.579	.000	Sig
Demographic factors	F-value	Sig value	Sig or Not sig
Age	3.819	.010	Sig
Educational Qualification	12.838	.000	Sig
Occupational status	9.069	.000	Sig
Monthly income	6.933	.000	Sig

Table 1.8
Relationship Between Demographic Factors And Customers' Perception On The Services Rendered By Banks

Demographic factors	T-value	Sig value	Sig or Not sig
Sex	-2.534	.012	Sig
Marital status	3.125	.002	Sig
Demographic factors	F-value	Sig value	Sig or Not sig
Age	4.028	.008	Sig
Educational Qualification	5.089	.001	Sig
Occupational status	5.021	.000	Sig
Monthly income	20.425	.000	Sig

Table 1.9
Relationship Between Demographic Factors And Customers' Perception On Crm Measures Adopted By Banks

Demographic factors	T-value	Sig value	Sig or Not sig
Sex	3.472	.001	Sig
Marital status	3.147	.002	Sig
Demographic factors	F-value	Sig value	Sig or Not sig
Age	0.167	.919	Not Sig
Educational Qualification	3.891	.004	Sig
Occupational status	5.382	.000	Sig
Monthly income	2.923	.021	Sig

Table 1.10
Relationship Between Demographic Factors And Respondents' Opinion
On Procedures Adopted By Bank For Opening Of Account & Availing Loan

Demographic Factors	Chi-square Value	DF	Sig value	Sig or Not Sig
Sex	0.482	2	.786	Not Sig
Age	29.449	6	.000	Sig
Educational qualification	54.235	8	.000	Sig
Occupation	55.954	10	.000	Sig
Marital status	7.267	2	.026	Sig
Income	28.467	8	.000	Sig

Table 1.11
Relationship Between Demographic Factors And Respondents' Opinion
On E-banking Services

Demographic Factors	Chi-square Value	df	Sig value	Sig or Not Sig
Sex	9.174	2	.010	Sig
Age	22.658	6	.001	Sig
Educational qualification	18.515	8	.018	Sig
Occupation	62.089	10	.000	Sig
Marital status	2.374	2	.305	Not Sig
Income	26.182	8	.001	Sig

Table 1.12
Relationship Between Demographic Factors And Respondents' Opinion On
Effective Crm Practices Adopted By Public And Private Sector Banks

Demographic Factors	Chi-square Value	DF	Sig value	Sig or Not Sig
Sex	10.223	1	.001	Sig
Age	17.380	3	.001	Sig
Educational qualification	21.545	4	.000	Sig
Occupation	42.990	5	.000	Sig
Marital status	3.630	1	.057	Not Sig
Income	13.038	4	.011	Sig