

# ***THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT***

## **Dynamics of Customer Relationship Management Practices and Its Impact on Delivering Customers Satisfaction by Commercial Banks**

**K. Aswathanarayana**

Assistant Professor, Department of Commerce & Management,  
Government First Grade College, Karnataka, India

**Dr. Bheemanagouda**

Associate Professor, Department of PG Studies and Research in Commerce,  
Vijayanagara Sri Krishnadevaraya University, Bellary, Karnataka, India

### **Abstract:**

*Indian banking sector by the end of 2013 contributed 10% to the overall GDP of the economy; and outperformed rest of the other sectors operating in India. In the process of its continuous development, it is facing a number of challenges; both within the industry and with its customers and the financial institutions operating within the system. One of the major challenges faced by the Banks in the contemporary banking scenario is to administer the Customers relationship and be highly responsive to their demands with high level of efficiency. Creating a long term sustainable relationship with their customers ensures them with the benefits of creating competitive resources. Hence, it is extremely important for any bank to retain its customers and integrate satisfaction delivered to them within the domain of their set objectives. In this regard, banks will have to necessitate proactive measures that can help the banks in understanding the requirements of the customers and design such services in response their expected value from the services availed from the banks. Hence, present study aims to evaluate how adoption of CRM practices by banks is facilitating them in creating more potential opportunities; and enhancing the quality of services by attaining highest level of satisfaction on the service background.*

**Keywords:** *Customer relationship management, delivering customers satisfaction, dynamics of CRM, and Indian commercial banks*

### **1. Introduction**

Indian Economy in the recent past has reported an extraordinary development, which has been observed from various facets each being major contributors to the economic growth and has acted as a catalyst for growth in its Gross Domestic Product (GDP being the lead indicators of economic prosperity of any Country); be it agriculture, industry or service sector (being one of the key contributors to the GDP creating prospective employment opportunity for the major resource of Indian Economy i.e. Human Resources). The development Indian agriculture, (being Primary sector and back bone of economy); growth of industries, increase in service sector which creates large number of employment opportunities, create wide market opportunities and these sectors which total depends on financial sector. In the service sector, financial service is the lifeblood of economic activity and in the financial service; banking (being one of the service sectors) plays an increasingly important role in the economy of a nation. These factors supporting this growth would be the mechanism for the banking sector and demands more and more in establishment of banks in India. As a result, the establishment and growth of more and more public sector banks, private sector banks, multinational banks, co-operative banks and other indigenous banks in India. This would lead to increased flow of savings to the banking system and a demand for retail banking and personal banking services like housing loans, wealth management, insurance and other financial needs. There was a severe competition among the banks to attract new and potential customers and retain the existing customers becomes great challenge for the banking sector. The operational, functional and customer relationships practices of public sector banks are regulated and controlled by the Reserve banks of India and they are not independent but subject to obligations of RBI. The financial aspects of private sector banks are also regulated by the Reserve banks of India but they are independent in adoption of CRM practices. The CRM Practices of banks are not statutory obligations but functional strategy. This leads to adoption of CRM practices in the banking sector for sustainability and perpetuity in the ever changing competitions.

### 1.1. Objectives of the Study

Adoption of CRM practices by banks provides for enhancing service quality, and provides value to the process of customer retention. To make a rational evaluation of the same following objectives are set;

1. To study the need for adopting CRM practices in light of market dynamics observed around,
2. To evaluate the contributions of CRM practices in enhancing the competencies among the employees, and
3. To evaluate the role played by CRM in building internal competencies and report continuous and sustainable growth

## 2. Review of Literature

CRM today, hardly any information is whether for the organization or the customer benefit, in actual terms. No study has yet reported in precise form and figure, as to what and how much an organization, employing the CRM philosophy has benefited out of it, while the claims are many. Still more limited is literature on what is in it for the customer need to be explored. CRM is a sound business strategy to identify the bank's most profitable customers and prospects and devotes time and attention to the expending account relationship with those customers through individualized marketing, reprising, discretionary decision making and customized services.

(Berry 1995), stresses that attracting new customers should be viewed only as an intermediate step in the marketing process. Developing close relationships with these customers and turning them into loyal ones, are equal aspects of marketing. Thus he proposed relationship marketing as attracting, maintaining and in multi service organizations- enhancing customer relationships.

(Storbacka 2000), as several research studies have shown not all customers are equally profitable for an individual company. (Gummerson and Levitt 1981), another important facet of CRM is customer selectivity. (Smith 2006), building an IT infrastructure for CRM is like building a bridge; it takes comprehension of a need, engineering, reviewing, building and rebuilding. (Greenburg 2004), implementation of CRM is techniques of capture, storage, extraction, processing, interpretation and reporting of customer's data to users. (Bolton 2004), banks' customer relationship management system by suggesting that maintaining the processing of cheques, withdrawals, transfers deposits, etc. is well established. (Parvatiyar and Sheth 2001), the nature and scope of CRM are developing conceptualization regarding the value and process of cooperative and collaborative relationships between buyers and sellers. (Bhaskar 2004), Courtesy, Accuracy and Speed are the important factors in the efficient functioning of a bank. Once good service is extended to a customer, the loyal customer will work as an ambassador of the bank and the facilities growth of business.

Indian Banking System: In India over decades, technical evolution has highly affected in the banking sector. More than 100 years, banks using branch based banking operations. Since 1990s, things have been really changing with the advent of science and technology and its applications. Different organizations got affected from this revolutionary change in the business; the banking industry is also one of it Sheriff (2002). In this technology revolution, technology based remote access delivery channels and payment systems surfaced. ATM displaced cashier tellers, telephone represent call centers replaced branch banking, internet replaces the e-mails, credit cards and electronic cash replaced traditional cash transactions, and interactive televisions replaces face-to-face transactions (Sheriff 2002). Recent years, banks have adopting of relationship banking principles. The key motive behind was competitive pressure that arose from the deregulation of the financial services particularly banking in India. This leads to understand customer behaviors, executives can have better understanding with the customer's preferences. The data and applications can help the bank to manage its customer relationship to continue to grow and evolve (Dynche 2001) and (Stone and et.al. 2002), most sectors of the financial services industry are trying to use CRM techniques to achieve a variety of customers.

## 3. Need for the Study

Developing countries like India, still has a huge number of people who do not have access to banking services due to scattered and fragmented locations. But if we talk about those people who are availing banking services, their expectations are raising as the level of services are increasing due to the emergence of Information Technology and competition. Since, foreign banks are playing dominant in Indian market, the number of services offered has increased and banks have laid emphasis on meeting the customer expectations. In order to encounter the general scenario of banking industry is need to understand the customer pulses. CRM has become a major corporate strategy for many organizations. It understands individual customers and establishes relationship with carefully targeted customer groups resulting in maximizing the total customer life time value.

## 4. Research Methodology

The present study is empirical in nature and is based on descriptive research designing using structured questionnaire as the key research instruments. The CRM practices in commercial banks are evaluated from the view point of effective and relationship strength. The study was carried out by primary and secondary source of information. The secondary sources of information are extensively used to highlight the conceptual framework of CRM background and findings of the various studies. The statistical tools used for descriptions as well as for exploration. The statistical tools used are ANOVA, Pearson's correlation and chi-square was applied to test the research problems in the study. The collecting data and determination of statistical values are done through SPSS

### 4.1. Hypotheses for the Study

1.  $H_0$  = There is no significant impact of occupation background of customers on initiatives of bank on CRM practices.

The employment of an individual possesses is seen to have a greater bearing on individual's exposure/knowledge which is expected to be influenced by the initiatives of banks on CRM practices of the individual. Delivering time value services and reduction is gap

becomes core CRM practice of the bank. To make an appraisal, the required information is compiled from the respondents, summarized and presented in table 1 below; followed by a brief analysis,

<b>Occupation * Initiatives of bank on CRM Practices Cross tabulation</b>					
Occupation	Initiatives of bank on CRM practices				Total
	Bridging the gap between two	Accomplishin g specific need	Influencing others to buy services	Delivering lifetime value services	
Government employee	33	45	12	34	124
	(0.07)	(0.09)	(0.02)	(0.07)	(0.25)
Private employee	50	50	29	44	173
	(0.10)	(0.10)	(0.06)	(0.09)	(0.35)
Business	18	14	16	12	60
	(0.04)	(0.03)	(0.03)	(0.02)	(0.12)
Profession	9	12	8	23	52
	(0.02)	(0.02)	(0.02)	(0.05)	(0.10)
Agriculture	10	3	7	7	27
	(0.02)	(0.01)	(0.01)	(0.01)	(0.05)
Student	21	10	14	19	64
	(0.04)	(0.02)	(0.03)	(0.04)	(0.13)
Total	141	134	86	139	500
	(0.28)	(0.27)	(0.17)	(0.28)	(1.00)

Table 1: Showing Initiatives of bank on CRM Practices

Source: Primary data

Note: Values shown in parenthesis are percentages calculated against total respondent groups (N=500)

The above table exhibits the association existing between the occupation of the respondent groups and the initiatives of bank on CRM Practices that becomes the basis for qualifying a bank for transaction. This is with an objective of appraising the general assumption of the market that there is a significant association with the occupation carried out by the individual and his/her transactional needs will determine the initiatives of bank on CRM practices and which they wish to carry out such transactions. The study hence evaluates the following hypothesis;

- $H_0$  = There is no significant impact of occupation background of customers on initiatives of bank on CRM practices.
- $H_1$  = There is significant impact on the customers' occupation background on initiatives of bank on CRM practices

To study the hypothesis the non parametric test, i.e.  $X^2$  is used

<b>Chi-Square Tests</b>			
	Value	df	Asymp. Sig. (2-sided)P
Pearson Chi-Square	30.248	15	.011
N of Valid Cases	500		
Pearson's R	.056		

Table 2

A close observation of the above discloses the following;

The derived value of  $X^2 > X^2_{0.05}$  i.e.  $30.248 >$  Standard value @5% level of significance denoted by P in the table above which is 0.011 ( $> 0.05$  though not very well defined). Hence we can conclude that though there is direct expressed relationship and there is certainly an implied relationship between the occupation of the customer and initiatives of bank on CRM practices and the factors that would make good to qualify the banker and their services. This relationship is expressed by Pearson's R (correlation factor) of 0.056 which indicates a low degree of positive correlation.

Evaluation of factors on the basis of satisfactory level of CRM Practices					
Response	Factors Evaluated				
	Level of CRM Practices adopted *	Level of importance towards rapport initiatives**	CRM applications in the bank ***	Guidance from the staff on services ****	Overall customer services offered *****
	90	138	75	134	79
	206	239	256	238	275
	182	116	152	101	131
	22	7	17	27	15
Average	125.00	125.00	125.00	125.00	125.00
Weighted Values	842	1001	872	952	903
Weighted Averages	1.68	2.00	1.74	1.90	1.81
Sum	500	500	500	500	500

Table 3: Showing Evaluation of factors on the basis of satisfactory level of CRM Practices

Weights assigned to corresponding values are as under;

*	3 = HS, 2 = Moderately Satisfied, 1 = Satisfied, -1 = Dissatisfied				
**	3 = VI, 2 = I, 1 = Neutral, -1 = Not so important				
***	3 = E, 2 = G, 1 = S, -1 = NS				
****	3 = A, 2 = O, 1 = R, -1 = Not at all				
*****	3 = E, 2 = G, 1 = S, -1 = NS				

Table 4

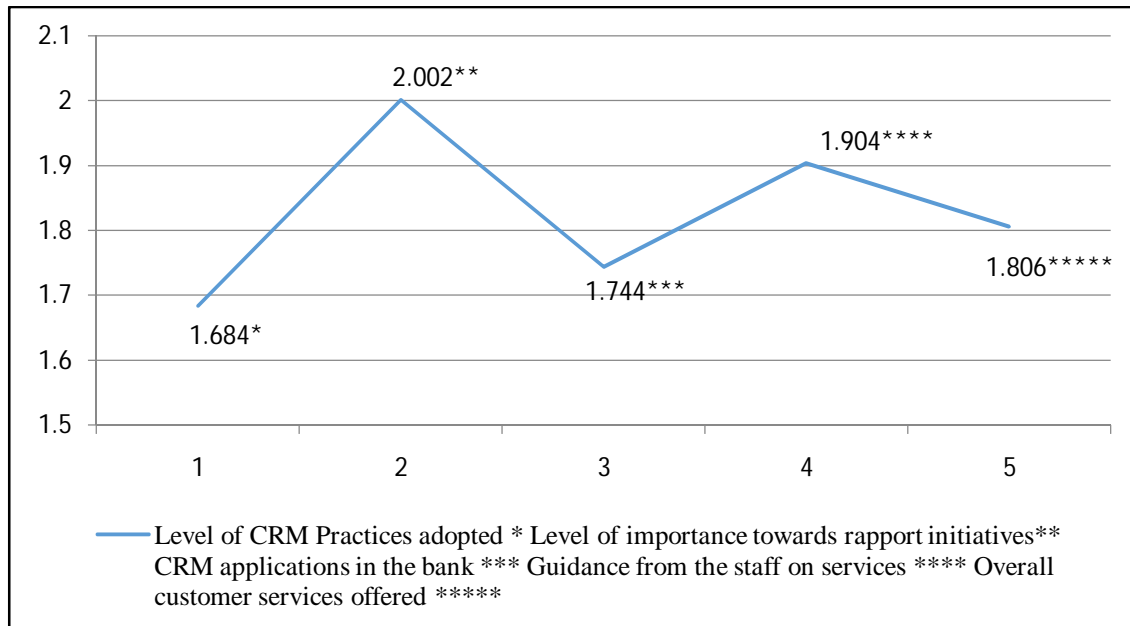


Figure 1: Factors determining the level of efficiency of CRM Practices

The loyalty of an individual possesses is seen to have a greater bearing on individual’s exposure/knowledge which is expected to be influenced by the initiatives of bank to retain a loyal customer. Delivering time value services and reduction in gap becomes core CRM practice of the bank.

Nature of Banks	Banking Organization	Number of Accounts	Nature of Accounts held				P Factor	Chi Square	R
			SB	Current	FD	RD			
Public Sector Bank	SBI	124	104	5	11	4	0.096	6.337	-0.015
	SBM	209	162	25	16	6	0.060	7.421	-0.075
	Canara Bank	93	69	12	9	3	0.112	5.988	-0.083
	Syndicate Bank	60	43	6	8	3	0.043	8.129	-0.114
	Corporation Bank	45	37	4	2	2	0.908	0.548	-0.007
	Vijaya Bank	36	31	1	3	1	0.508	1.952	0.007
Private Sector Banks	ICICI Bank	51	40	3	6	2	0.272	3.903	-0.055
	HDFC	53	41	3	9	0	0.002	14.47	-0.048
	Axis Bank	41	27	9	3	2	0.010	11.40	-0.091
	Kotak Mahindra Bank	47	38	6	1	2	0.452	2.631	-0.001
	Karnataka Bank	49	38	6	5	0	0.238	4.224	-0.014
	Federal bank	45	37	7	1	0	0.142	5.442	0.042

Table 5: Cross tabulated values between nature of banks and the nature of accounts held by respondents.

Source: Primary Data

Note: Values derived out of Cross Tabulated table, P = indicates level of significance = 5% level of significance; and (r-1) (c-1) df Derived Values of  $X^2$  are obtained using the following equation

$$x^2 = \sum \frac{(O - E)^2}{E}$$

R represents Spearman Correlation

The above table represents the influence of brand or the nature of banking on the nature of accounts and the transactions administered by the customers. A close observation of the above table reveals the following;

1. In case of public sector banks except in case of Syndicate Bank P values are greater than the standard value of 0.05 (5% level of significance) hence it can be concluded that the brand image of these banks as public sector banks and coming under the direct control and supervision of the regulatory agency i.e. RBI has a significant influence on the customer driving them towards these banks for their banking and other transactional requirements. Whereas syndicate bank, though being a nationalized bank and carrying rigorous promotional efforts as observed on both print and mass media has not been very successful in attracting the customers towards them. These factors when observed in terms of the degree of correlation we can see that expect Vijaya Bank all other banks are expressing negative correlation which shows that they are independent of choice; but, the  $x^2$  factors express the degree of freedom they enjoy.
2. In case of private sector banks except in case of HDFC bank P values are (0.002) greater than the standard value of 0.005 (5% level of significance) hence it can be concluded that the brand image of these banks as private sector banks has significant influence on the customers driving them towards these banks through carrying rigorous promotional efforts as observed on both print and mass media not attracting customers towards them. These factors observed in terms of degree of correlation except Federal bank all other banks show negative correlation which shows that they are independent of choice; but  $x^2$  factors express the degree of freedom they enjoy.

Loan activities based on level of satisfaction			
Factors	Frequency	Percent	Rank
Quick sanctioning of loans	171	34.2	1
Diversified loan services	68	13.6	3
Rate of Interest	139	27.8	2
Recovery of loans and advances	37	7.4	6
Processing of loans	43	8.6	4
No service charges	42	8.4	5
Total	500	100	

Table 6: Showing Loan activities based on level of satisfaction

Source: Primary Data

The above table exhibits the association existing between loan activities the respondent based on level of satisfaction, customer requirements that becomes the basis for qualifying a bank for transaction. This is with an objective of appraising the general assumption of the market that there is a significant association with the loan activities and his/her transactional needs will determine the level of satisfaction customer and which they wish to carry out such transactions. Quick sanctioning loans stands first position, whereas recovery of loans stands lost position i.e. sixth rank. Hence we can come to the conclusions that banks should give quick

sanctioning loans as the first priority and rate of interest should be very less and diversified loan service gets third place and recovery of loans should be lost position.

Measures for retaining customers			
Factors	Frequency	Percent	Ranking
Carry diverse service practices	114	22.8	2
Quick reply to queries	255	51.0	1
Develops products/services on feedback	106	21.2	3
Cross-selling of the products	25	5.0	4
Total	500	100.0	

Table 7: Showing retaining of loyal customers on Ranking Analysis  
Variance=9127.333

Initiatives of bank to retain loyal customer			
Factors	Frequency	Percent	Ranking
Short term loans in urgency	136	27.2	2
Extention activities	40	8.0	4
Customer need Assessment	221	44.2	1
Advice on Investments	103	20.6	3
Total	500	100.0	

Table 8  
Variance=5682

$$F = \frac{\sigma_1^2}{\sigma_2^2} = 1.606359,$$

$\sigma_1^2 = \text{variance of larger value}$

$\sigma_2^2 = \text{Variance of smaller value}$

$$F_{\text{cal}} = 1.6064$$

$$F_{0.05} = V_1 V_2, V_1 = n_1 - 1 \text{ and } n_1 = 4$$

$$V_2 = n_2 - 2 \text{ and } n_2 = 4$$

$$F_{0.05} = 19.2$$

$$R = F_{\text{cal}} < F_{0.05}$$

Hence,  $H_0$  is accepted

There is significance between the opinion of the customers towards measures adopted for retaining the customers by the bankers and initiatives of the bank to retain the loyal customers.

$$\text{Spearman's Rank Correlation}(R) = -0.4$$

$$t = \frac{r}{\sqrt{1-r^2}} \times \sqrt{n-2}$$

$$t = \frac{-0.4}{\sqrt{1-(-0.4)^2}} \times \sqrt{4-2}$$

$$t = -0.6172134$$

$$|t| = \pm 0.6172$$

$$t_{0.05} \text{ at } (n-2) \text{ df} = 4.303$$

$$|t|_{\text{cal}} < t_{0.05}$$

$H_0$  is rejected and we can say that the correlation existing between the factors is negative and also very insignificant.

## 5. Conclusion

The successful in reporting growth from all the perspectives, the rate of growth over the evaluation period the purpose of observing the performing efficiency of banks keeping as criteria on implementation of CRM practices which create and deliver value for the customers. Thus, CRM, high-quality attributes of the product/service and differentiation proved to be the most important factors for customers. Majority of banks both public and private sectors banks in a competitive way rendering quality, innovative, efficient services to its customer door steps. But need to concentrate on customer retention, customer lifetime value and make them loyal to an organization in a long run existence.

## 6. References

- Berry and Leonard L. (1983), Relationship Marketing of Services- Growing interest, Emerging Perspectives, Journal of the Academy of Marketing Sciences, pp. 236-245.
- Buttle F (2004), Customer Relationship Management, Concepts and Tools. Oxford: Elsevier Butterworth-Heinemann. Read.

- iii. Chang, Y (2003), Dynamics of Banking Technology Adoption: An Application to Internet Banking, Department of Economics, University of Warwick, January.
- iv. Greenberg, P. (2004). CRM at the Speed of Light: Essential Customer Strategies for the 21st Century. McGraw-Hill Professional.
- v. Greenburg (2004), CRM at the Speed of Light: Capturing and Keeping Customers in Internet Real Time, McGraw-Hill, Berkeley, CA.
- vi. Gummerson E (2002). Total Relationship Marketing in Marketing Management, Relationship Strategy & CRM Approaches for Network Economy, Oxford: Butterworth.
- vii. Gummerson, Evert (1981), The New Marketing- A Developing Long – Term Interactive Relationships, Long Range Planning, (August), pp. 10-20.
- viii. Parvatiyar and Sheth (2001), Customer Relationship Management: Emerging practices, process and Discipline, Journal of Social and Economic Research h Vol.3, No.2, pp.1-34.
- ix. Philip Kotler, Kevin Keller, Abraham Koshy and Jha (2009), Marketing Management, Pearson Prentices Hall. Pp. 128-130.
- x. Rose (2007), Corporate Director Social Responsibility: Ethics Verses Shareholders Value, Journal of Business ethics, Vol.73, No. 3, pp.319-331.
- xi. Russ Pat (2007). Customer Relationship Management in Retail Banking, EDS Business Transformation Outsourcing, CRM Services, pp. 1-14.
- xii. Shainesh G and Rameesh Mohan (2001), Status of Customer Relationship Management in India; A survey of service Firms, Customer Relationship management: Emerging Concepts, Tools and Applications, Tata McGraw-hill Publishing Company Limited, New Delhi, Section V, Chapter 38, pp. 349-358,
- xiii. Shruthi V K and Devraja T S (2012), Customer Relationship Management as a Potential Tool for Ascertained Competitive Advantage: A Study on Indian IT Industry, International Journal of Management, Vol. 1, Issue 4, pp. 1-18.