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## CRM Initiatives of Public and Private Sector Banks in India

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### ABSTRACT

Maintaining relations with the existing as well as potential customers has become an inevitable part for the growth and profitability of all the banks in the present scenario marked by the rising competition among various banks. So it would be interesting to know what customer relationship management initiatives have been adopted by the select public sector and private sector banks to retain their existing customers and also attract new customers; and also does it have any impact on the satisfaction level of customers towards the bank and does it help in increasing their loyalty towards the bank. In this an attempt has been made to first study the level of awareness in the customers about customer relationship management initiatives taken by their banks, and its effect on customer satisfaction and loyalty, and then to suggest suitable changes in the customer relationship management practices and process to ensure higher level of satisfaction of the select banks such as State Bank of India, UCO Bank, Oriental Bank of Commerce, Axis Bank, ICICI Bank and HDFC Bank.

**Keywords:** Customer Loyalty, Customer Satisfaction, Relationship Management, CRM approaches, Banking sector, Cash Transactions

### 1. INTRODUCTION

Banks are financial institutions that provide banking and other financial services like accepting deposits and providing loans to their customers along with cash management services and reporting the transactions of their portfolios and their accounts, throughout the day. There are also some non-banking institutions that provide certain banking services without meeting the legal definition of a bank.

The banking system in India should not only be hassle free but it should also be able to meet the new challenges posed by technology and any other internal and external factors. For the past three decades, India's banking system has numerous outstanding achievements to its credit. However, it needs to control lot of complex terrain, suffer the indignities of the foreign rule and the pang of partition in order to confidently competing with the modern banks of the world.

### **1.1. CRM initiatives in Indian Banks**

Regulation and technological improvements are responsible for the vast majority of innovations in banking. The regulatory changes made in the 1980s fueled much of the industry's growth, then reducing as bankers focused on amassing market presence resulting into a significant merger action.

Bankers at all points of the CRM spectrum are looking for a way to quantify their return on investment — either what it actually is or, what it should be and over what period of time should the value be comprehended. For example, financial impact of ATMs leads to a marginal increase in the fee income substantially offset by the cost of significant increases in the number of customer transactions. The increase in the customer satisfaction has translated to loyalty that resulted in higher customer retention and growing franchise value. Similarly, the primary value of offering Internet banking services lies in the increased retention of highly valued customer segments.

## **2. LITERATURE REVIEW**

Mittal R.K. and Kumar Rajeev, (January-June 2001) have depicted that technology, people and customer are the three elements on which the success of banking lies. In the evolving competitive and technological driven banking period, banks need to strive hard for retaining and enlarging their customer base. They attempt to analyze the concept of *e*-CRM in Indian banks from its various dimensions covering particularly its need, process, present status and future prospects.

Kabiraj Sajal, Agarwal D. P. and Singh Deepali, (June 2004) discussed that the knowledge savvy consumer market is challenging the Indian retail banking industry to redefine itself. Not only are new financial products and the ways to deliver them to the customer demanded, but also new business approaches and models. According to the researchers in today's situation, the Indian retail banks can only stay competitive only building lifelong partnerships with their customers. CRM allows retail banks to integrate customer-interaction channels and provide consistency to their interactions with customers, generate improved customer intelligence, customize their offerings and communications to customers, accomplish customer interactions and relationships more effectively, and manage the customer portfolio by assessing the lifetime value of customers.

Coltman T.R. (2007) discussed about the market enthusiasm generated around investment in customer relationship management technology in contrast to the nay-saying by many academic and business commentators. The research revealed that a superior CRM capability can deliver improved performance.

Wikstrom Carl-Erik and Isomaki Hannakaisa, (2008) said that application of information technology to marketing through customer relationship management software is growing rapidly, but the risk of failure remains high. They argue that research in CRM implementation success should focus more on human-centered issues. They introduced a conceptual framework for a holistic view of humans in CRM and apply the framework to earlier research on CRM implementation. The results depict that in most CRM approaches the prevailing conception of humans is monistic.

Oogarah-Hanuman Vanisha, Pudaruth Sharmila, Kumar Vinod and Kumar Victor Anand (2010) said that Banks operating in India have failed to impress their customers on their CRM efforts. This under-performance has occurred in spite of technological developments and new processes in place. Some of the reasons behind the unfavorable responses for banks according to the researchers are – more focus on selling, technology and call center. Ramkelawon Bhisham (2010) discussed about the battle for banks to gain a greater slice of

the market share. With the globalization effect banks are finding it increasingly difficult to meet the high growth of customer expectations. In order to lift their economic positions, banks are increasingly looking at ways of achieving organic growth through acquisition of new customers and retaining existing customers. Banks are realizing that the magical formulae for attaining success in such a competitive environment are to focus on maintaining relationship with customers leading to customer loyalty and retention. Since the word customer is associated with CRM, many banks are under the misconception that they secure competitiveness by implementing CRM as a piece of software. Padmaja /Hyderabad,(2010)talked about today's customers buying decisions. He said that the responsibility of the organizations to provide what they need so that they can do their job appropriately. His research focused on the role of Customer Relationship Management in banking sector and its need to increase customer value.

Urdzikova Jana, Jakabova Martina and Saniuk Sebastian (2012) research focused on the customer in relation to the use of customer relationship management in selected business subjects in Slovakia. The main goal of the research has been mapping of current state to ensure the principle of customer orientation and utilizing of CRM in organizations and industrial enterprises in Slovakia. Deshmukh Monal (2012) emphasized on to determine the worth of CRM implementation on customer contentment and perceived business performance. Also, there is a strong relationship between CRM implementation and customer satisfaction as well as business conductance. It was discovered that frequent rate of getting in touch with customers and recovery of services facilitates in retention of customers. Attainment, regular interaction and evaluation of customers directs towards improved customer loyalty and employee feelings. The research has provided with an outline about the impact of CRM efforts on the magnitude of customer satisfaction and apparent business conductance. Das Sanjay Kanti (2012)focused on the fact that customers are the focal point in the development of successful marketing strategy. He has made a modest attempt towards the idea that CRM can be adapted uniformly in the banking industry for the betterment of all the Banking Services provided by banks. He said that the perception of customers on CRM practices among banks should also be taken into consideration. The researcher has observed that the approach of CRM by SBI and other nationalized banks are to some extent the same but the reach is quiet distinguishable. It is due to their profile, their capability and the strategy of CRM in making it and reaching down to customers. On the contrary, it can be asserted that the background of both banks is also found as a big cause for reaching the top CRM. According to Bhatnagar Sarita (2012) CRM has become inevitable for the growth and profitability of Banks. The practices are adopted by banks to generate better understanding of the customer for product development, segmentation, appropriate targeting, campaign management and maintenance of long term profitable and mutually beneficial relationships with customers. The paper investigates the impediments to successful implementation of CRM. An attempt is made to chart out a strategic framework to realize the benefits of Customer Relationship Management.

Alehojat Syedesoraya, Chirani Ebrahim and Delafrooz Narges, (2013)said that effective customer relationship management has become a critical challenge in the business competition. This paper conceptualizes CRM Process consideration of the different perspectives that exist in CRM process; the researchers grouped the different perspectives on the CRM process implementation. Sahoo Ajit Kumar and Sahoo Rashmita (2013) studied the primary objective of identifying the factor important for selecting a particular bank. This paper focused on the role of banking personnel in customer satisfaction and identified factors important for choosing a particular bank and identified three factors– effectiveness of marketing

programme quality service and convenience in transaction influencing the bank brand selection of sample customers. Behera Ajay Kumar, Nayak Dr. Narayana C. and Dr. Das Harish C (2013) aimed to provide an analysis on the relationship between Information Technology usage, CRM and performance of bank in Bhubaneswar. In this research perceptions of all the branch managers, staff members and customers were collected. The relationship between variables was measured and the analysis suggested that IT usage has a positive linear relationship with financial performance and quality performance of bank branches. Bank performance was found to have a correlation with factors such as staff attitude towards IT usage, IT literacy level of bank staff and scope and complexity of the IT applications. Coltman Tim R., Devinneyb Timothy M. and Midley David F(2013) examined the impact of customer relationship management on the firm's performance using a hierarchical construct model. Following the resource-based view of the firm, strategic CRM is abstracted as an endogenously determined function of the organization's ability to harness the capabilities that comprise of physical assets, like IT infrastructure and organizational capabilities, such as human analytics and business architecture. The results reveal a positive and significant path between a superior CRM capability and the firm's performance. In turn, superior CRM capability is positively associated with human analytics and business architecture. However, the results suggest that the impact of IT infrastructure on superior CRM capability is indirect and fully mediated by human analytics and business architecture. They also found that the CRM initiatives jointly emphasize customer intimacy and cost reduction outperform those taking a less balanced approach.

### **2.1. Challenges in CRM implementation in Banks**

- 1. Measuring CRM benefits:** A key basic CRM challenge is to establish a measurement method. Banks may find it difficult to build the initial business case justification and then to prove the worth or success of their investment. When banks seek to justify the cost of their investment in CRM-related technology they usually focus on numbers, typically those related to decreased costs and increased sales.
- 2. Customer profitability:** Many banks use profitability as a key component in determining in what way to treat their customers. Many banks allow the use of an accountant's approach to the measurement process resulting in accurate allocations in textbooks that often do not accurately reflect the activities they are intended to measure.
- 3. The 80-20 Rule:** Most banks make critical pricing decisions based on 80-20 rule, where 80 per cent of profits are derived from 20 per cent of customers. But the use of inaccurate cost information and unproven hypothesis on customer buying behavior make this rule difficult to apply. One significant problem is that banks let their customers use the bank's products and services in an unprofitable manner. By providing a lower level of service to these customers, the bank faces the danger of driving them away to institutions that provide better service.

## **3. RESEARCH METHODOLOGY**

The following data was collected from the customers of select banks in Delhi-NCR region and from different websites, reports, journals and such other sources.

#### 4. ANALYSIS AND FINDINGS

**Table 1**  
**Customers data**

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
Valid	No	19	10.5	10.5	10.5
	Yes	162	89.5	89.5	100.0
	Total	181	100.0	100.0	

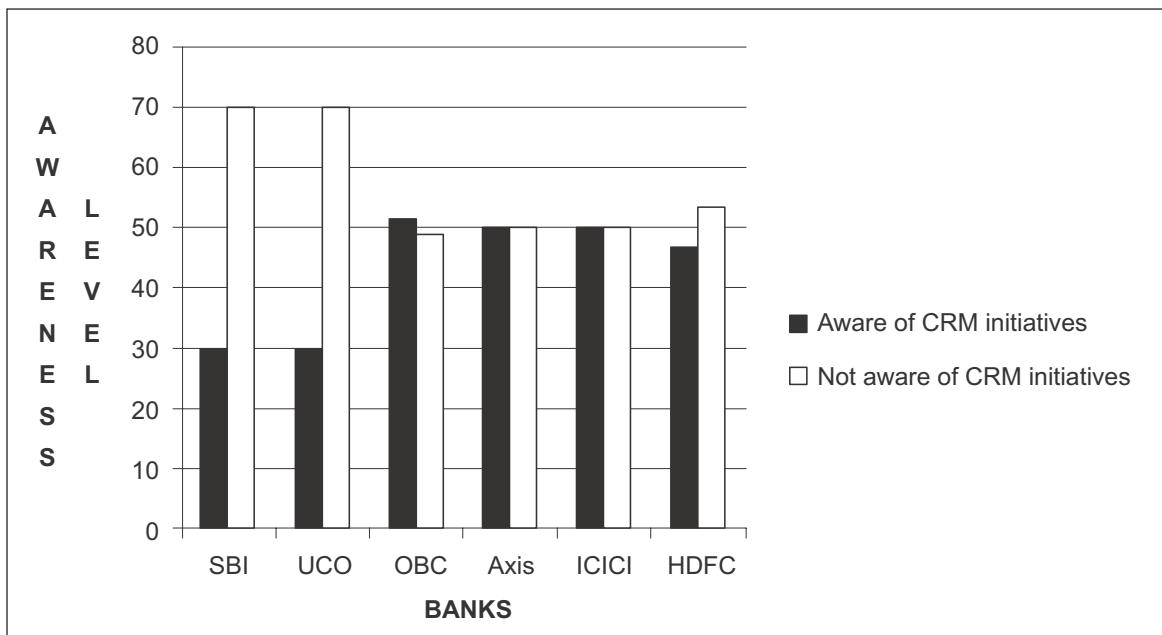
This table shows that 89.5% of the banks take detailed information of their customers.

**Table 2**  
**Awareness of CRM initiatives**

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
Valid	No	107	59.1	59.1	59.1
	Yes	74	40.9	40.9	100.0
	Total	181	100.0	100.0	

This table shows that 40.9% customers are aware of the CRM initiatives taken by their banks. 55.88% customers of public sector banks are aware of the CRM initiatives taken by their banks; while 47.43% customers of private sector banks are aware of it.

#### 4.1. Level of Awareness of Individual Banks' Customers



**Figure 1**

This figure shows that 30% of customers of State Bank of India and UCO Bank are aware of CRM initiatives taken by their banks, 51.28% customers of Oriental Bank of Commerce are aware of CRM initiatives taken by their banks, 50% customers of Axis Bank and ICICI Bank are aware of CRM initiatives taken by their banks, 46.66% customers of HDFC Bank are aware of the CRM initiatives taken by their banks.

**Table 3**  
**Collection of Cheque / Cash From Residence**

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
Valid	No	150	82.9	82.9	82.9
	Yes	31	17.1	17.1	100.0
	Total	181	100.0	100.0	

It was found that 82.9% banks do not provide pick up of cheques/ cash from the residence of their existing customers.

**Table 4**  
**Delivery of Cash at Residence**

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
Valid	No	166	91.7	91.7	91.7
	Yes	15	8.3	8.3	100.0
	Total	181	100.0	100.0	

91.7% banks do not provide the service of delivery of cash to their customers at their residence.

**Table 5**  
**Services of Wealth Manager at Residence**

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
Valid	No	156	86.2	86.2	86.2
	Yes	25	13.8	13.8	100.0
	Total	181	100.0	100.0	

It was found that 86.2% banks do not provide the service of wealth manager to their customers at their residence.

**Table 6**  
**Provision of Relationship Manager**

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
Valid	No	151	83.4	83.4	83.4
	Yes	30	16.6	16.6	100.0
	Total	181	100.0	100.0	

It was found that 83.4% customers have not been provided with a relationship manager.

**Table 7**  
**Approached Relationship Manager/ Branch Manager for Problems**

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
	No	110	60.8	60.8	60.8
Valid	Yes	71	39.2	39.2	100.0
	Total	181	100.0	100.0	

60.8% customers have never approached their relationship manager or branch manager for any problems faced while their dealings with the banks.

**Table 8**  
**Resolution of Problem / Complaint**

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
	Immediately on the spot	25	13.8	21.4	21.4
	Within 24 hours	32	17.7	27.4	48.7
	Within 48 hours	20	11.0	17.1	65.8
Valid	Within 72 hours	5	2.8	4.3	70.1
	Within a week	13	7.2	11.1	81.2
	More than a week	9	5.0	7.7	88.9
	Not resolved	13	7.2	11.1	100.0
	Total	117	64.6	100.0	
Missing	System	64	35.4		
	Total	181	100.0		

It was found that 21.4% customers got their problem resolved immediately on the spot, 27.4% got it resolved within 24 hours, 17.1% got it resolved within 48 hours, 4.3% got it resolved within 72 hours, 11.1% got it resolved within a week, 7.7% got it resolved within more than a week, 11.1% did not get their problem resolved.

**Table 9**  
**Level of Satisfaction**

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
	Fully satisfied	56	30.9	30.9	30.9
	Not at all satisfied	12	6.6	6.6	37.6
Valid	Somewhat satisfied	97	53.6	53.6	91.2
	Very happy	16	8.8	8.8	100.0
	Total	181	100.0	100.0	

It was concluded that 30.9% are fully satisfied and 53.6% are somewhat satisfied, while 8.8% are very happy with their banks.

#### 4.2. Satisfaction Level of Customers of Public Sector and Private Sector Banks

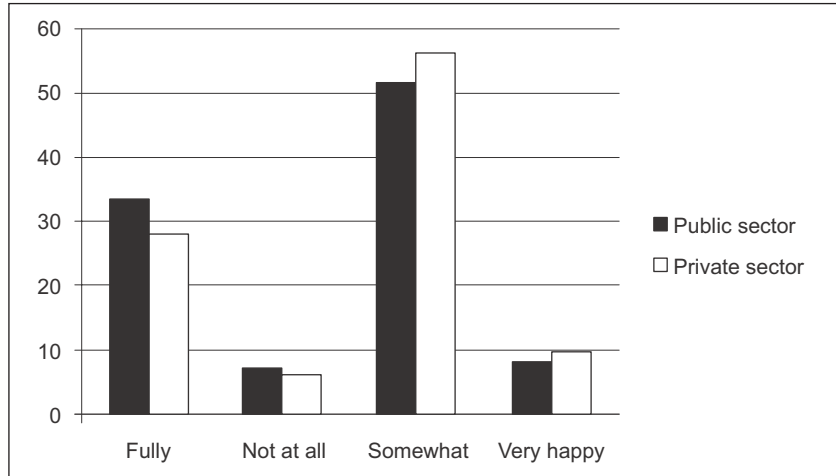


Figure 2

It was found that 33.33% customers of public sector banks are fully satisfied with their banks, 51.5% are somewhat satisfied and 8.08% are very happy. 28.04% customers of private sector are fully satisfied, 56.09% are somewhat satisfied and 9.75% are very happy.

#### 4.3. Satisfaction Level of Customers for Individual Banks

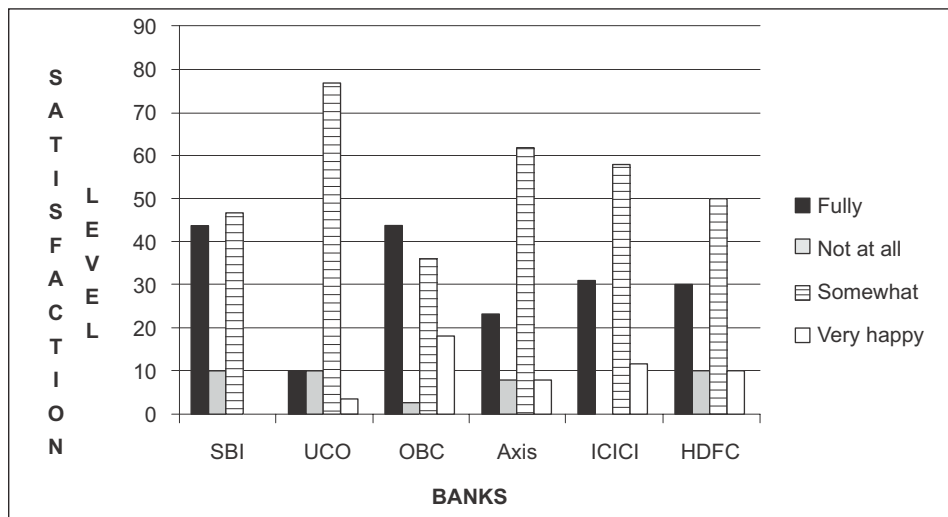


Figure 3

It was found that 43.33% customers of State Bank of India are fully satisfied, 10% are not at all satisfied and 46.66% are somewhat satisfied. 10% customers of UCO Bank are fully satisfied and not at all satisfied, 76.66% are somewhat satisfied and 3.33% are very happy. 43.58% customers of Oriental Bank of Commerce are fully satisfied, 2.56% are not at all satisfied, 35.89% are somewhat satisfied and 17.94% are very happy.



23.07% customers of Axis Bank are fully satisfied, 7.69% customers are not at all satisfied, 61.53% are somewhat satisfied and 7.69% are very happy. 30.76% customers of ICICI Bank are fully satisfied, 57.69% are somewhat satisfied and 11.53% are very happy. 30% customers of HDFC Bank are fully satisfied, 10% are not at all satisfied, 50% are somewhat satisfied and 10% are very happy.

**Table 10**  
**Customers Recommending Banks To Their Relatives and Friends**

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
Valid	No	41	22.7	22.7	22.7
	Yes	140	77.3	77.3	100.0
	Total	181	100.0	100.0	

It was found that 77.3% would recommend their banks to their family and friends.

**Table 11**  
**Cross Tab Analysis**

*Cross tab on level of satisfaction and recommend bank to relatives and friends*

		<i>Have you or will you recommend your bank to your family and friends for opening an account or availing other services?</i>		<i>Total</i>
		<i>Yes</i>	<i>No</i>	
How would you rate your satisfaction level with the services of the bank?	Not at all satisfied	1	11	12
	Somewhat satisfied	72	22	94
	Fully satisfied	51	8	59
	Very happy	16	0	16
	Total	140	41	181

36.42% customers who are fully satisfied with their banks, would recommend their banks to their family and friends, while 51.42% customers who are somewhat satisfied, would recommend. 53.63% customers, who are somewhat satisfied with their banks, would not recommend their banks.

**Table 12**  
**Cross Tab on Relationship/ Bank Manager and Response to Problem**

*If yes, how was the response to your problem?*

		<i>If yes, how was the response to your problem?</i>				<i>Total</i>
		<i>Prompt and courteous</i>	<i>Sympathetic</i>	<i>Evasive</i>	<i>No concern</i>	
Have you ever approached your relationship manager or the branch manager for any problems faced by you in your dealings with the bank?	Yes	54	12	2	2	70
	No	3	3	1	4	11
Total		57	15	3	6	81

94.73% customers who had approached their banks for problem resolution, received prompt and courteous service; 80% who approached got a sympathetic response.

## **5. CONCLUSIONS AND RECOMMENDATIONS**

### **5.1. Level of awareness in customers about customer relationship management initiatives taken by their banks**

1. 40.9 percent customers are aware of the customer relationship management (CRM) initiatives taken by their banks.
2. 55.88 percent customers of the public sector banks are aware of the CRM initiatives taken by their banks. (Figure 3),
3. 47.43 percent customers of the private sector banks are aware of the CRM initiatives taken by their banks. (Figure 3),
4. 30 percent customers of State Bank of India are aware of the CRM initiatives; 30 percent customers of UCO Bank are aware of it; 51.28 percent customers of Oriental Bank of Commerce are aware of the CRM initiatives taken by their banks; 50 percent customers of Axis Bank and ICICI Bank are aware of the CRM initiatives taken by their banks; 46.66 percent customers of HDFC Bank are aware of the CRM initiatives. (Figure 4)

### **5.2. Effect of Customer Relationship Management Initiatives On Customer Satisfaction and Loyalty**

1. 30.9 percent customers are fully satisfied with their banks' CRM initiatives, 6.6 percent customers are not at all satisfied, 53.6 percent customers are somewhat satisfied while 8.8 percent customers are very happy with their banks.
2. 33.33 percent customers of public sector banks are fully satisfied with their banks, 51.5 percent customers are somewhat satisfied and 8.08 percent are very happy. Also 28.04 percent customers of private sector banks are fully satisfied, 56.09 percent are somewhat satisfied and 9.75 percent are very happy.
3. 43.33 percent customers of State Bank of India are fully satisfied, 10 percent customers are not at all satisfied, 46.66 percent customers are somewhat satisfied; 10 percent customers of UCO Bank are fully satisfied, 10 percent are not at all satisfied, 76.66 percent are somewhat satisfied and 3.33 percent are very happy; 43.58 percent customers of Oriental Bank of Commerce are fully satisfied, 2.56 percent are not at all satisfied, 35.89 percent are somewhat satisfied and 17.94 percent are very happy; 23.07 percent customers of Axis Bank are fully satisfied, 7.69 percent are not at all satisfied, 61.53 percent are somewhat satisfied and 7.69 percent are very happy; 30.76 percent customers of ICICI Bank are fully satisfied, none is not at all satisfied, 57.69 percent are somewhat satisfied and 11.53 percent are very happy; 30 percent customers of HDFC Bank are fully satisfied, 10 percent are not at all satisfied, 50 percent are somewhat satisfied and 10 percent are very happy with their banks. (Figure 13)

### **6.3. Changes in the Customer Relationship Management Practices And Process of The Select Banks to Ensure Higher Customer Satisfaction.**

1. Bank to increase the number of ATMs so that they can transact easily at any location.
2. Public sector banks want their bank to provide door facility for the pick-up and delivery of cheque and cash from their residence.

3. Employees of the bank to change their attitude and rough behavior while dealing with them. They say that the employees should be trained as to how to deal with the customers of the bank.
4. Banks to improve their delivery of services *i.e.* they should provide prompt and speedy service.
5. Banks should improve their infrastructure so that its easier for the handicapped persons.
6. Banks to provide mobile banking services free of cost so that its accessible at any location.

## **6. LIMITATIONS OF STUDY**

1. The data collected for the research is related to the Delhi-NCR region and thus is a very region specific study, thus constricting the findings only to Delhi-NCR.
2. It was very tricky to find out the correct answers as the respondents found the procedure of filling the questionnaires cumbersome.
3. The customers were not ready to reveal their personal information in anticipation of the followed-up procedures.

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