

# A Study on Customer Relationship Management in Banking Sector With Special Reference to Thanjavur District

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**Abstract-** *Customer is the main point in the development of successful marketing strategy. Marketing strategies is both influence and are influenced by consumers' affect and cognition, behavior and environment. In the banking field a unique 'Relationship' exists between the customers and the bank. The lack of understanding on Customer Relationship Management (CRM) is always a concern among the service providers especially banks. Banks have their own way of managing their relationships with the customers. However, the perception of customers on CRM practices among banks should also be taken into consideration. Here in this paper, effort is given to banks customers' in the issue of CRM practices. It is observed that the approach of CRM by the bank customer is to some extent same and one but the reach is quiet distinguishable. Hence, CRM is an inevitable tool of marketing that can be considered as Critical Responsibility of Market with regard to Banks in present context.*

relationship management, we first need to understand three components which are customer, relationship and their management Banking sector is a customer-oriented service where the customer is the KEY focus. Research is needed in such sector to understand customers' need and attitude so as to build a long relationship with them. Customer Relationship Management includes all the marketing activities, which are designed to establish, develop, maintain, and sustain a successful relationship with the target customers. CRM identifies the present and future markets, selects the markets to serve and identifies the progress of existing and new services. CRM can be defined as the development and maintenance of mutually beneficial long-term relationships with strategically significant customers. Successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization's strategy, people, technology and business processes.

## I. INTRODUCTION

Banking is a service oriented industry in which the main functions are meeting the customer requirement, money transactions and maintenance of records. The banks have to grow only when they perform their functions properly. In this chapter, an attempt has been made to analyze the growth and development of public sector and private sector banks. Customer relationship management is one of the strategies to manage customer as it focuses on understanding customers as individuals instead of as part of a group (Lambert, 2010). Managing customer relationships is important and valuable to the business. The effective relationship between customers and banks depends on the understanding of the different needs of customers at different stages. The ability of banks to respond towards the customers' needs make the customers feel like a valuable individual rather than just part of a large number of customers.

Managing customer relationships requires managing customer knowledge. CRM manages the relationships between a firm and its customers. To understand more in customer

Customer Relationship Management (CRM) is a comprehensive approach for creating, maintaining and expanding customer relationships. CRM does not just belong to sales and marketing. CRM is an intelligent blend of marketing and information technology for serving the customer with greater care and value.

## II. CUSTOMER RELATIONSHIP MANAGEMENT

The Customer Relationship Management (CRM) in general is operationally defined by authors as a management focuses of acquiring customers by understanding their requirements and, by fulfilling their requirements more than their expectations and attracting new customers through customer's specific strategic marketing approaches. The process invites total commitment on the part of the entire organization in evolving and implementing relationship strategies that would be rewarding to all concerned.

In today's highly competitive business world, CRM is becoming the ultimate solution for both customers as well as organizations. Any organization must have a clear idea as to why it loses its customers. This would help in informing proactive and reactive measures to minimize or avoid the same.

### III. CRM IN BANKING SECTOR

Banking is a service industry. Over the last few decades, technical evolution has highly affected the banking industry. For more than 200 years, banks were using branch based operations. Since the 1980s, things have been really changing with the advent of multiple technologies and applications. Different organizations got affected from this revolution; the banking industry is one of it. ATM displaced cashier tellers, telephone represented by call centers replaced the bank branch, internet replaced the mail, credit cards and electronic cash replaced traditional cash transactions, and interactive television will replace face-to-face transactions, the bank would need a complete view of its customers across the various systems that contain their data. If the bank could track customer behavior, executives can have a better understanding, a predictive future behavior and customer preferences. The data and applications can help the bank to manage its customer relationship to continue to grow and revolve. The success of CRM Strategy depends upon its ability to understand the needs of the customer and to integrate them with the organization's strategy, people, technology and business process. Financial services are in a structural change whereby competition and customer demands are increasing.

### IV. REVIEW OF LITERATURE

Natarajan et al., (1999) have explained about the development and application of a service template as a diagnostic tool for identifying opportunities for improvements in the service package. The operations in the branch of a bank in Bangalore, India, provide the context. For 21 service attributes, the gap between the expectations of a target customer group and the actual service experience is assessed through a customer survey. A service template graphically displaying the mean values of the responses for the expectations and the perceived service is constructed. Also, for each service attribute, tests of statistical significance for the mean values of the gap are performed. The results are used to develop priorities for improvements.

Phatak and Abidi (2000) have made an attempt to study the gap between a client's expectation and perception of the quality of services. The study is based on primary data collected with the help of questionnaires in addition to secondary data. Both private and nationalized banks are

included in this study. An attempt is made to analyze the shortfalls in delivering quality services by banks and possible ways to improve the service quality.

McLachlin (2000) has explained to utilize literature from a number of disciplines, along with exploratory interviews with seven consultants and one client, to address one question, viz., "What is engagement success in consulting, from both the client and the consultant points of view"? In addressing this question, the paper considers distinctions between types of consulting, client expectations and needs, and short-and long-term revenue streams. It concludes by suggesting that a consulting engagement is successful if the consultant has met client expectations (by improving one or more of client performance, client capabilities, or organizational culture, without making any category worse) – whether or not a core need has been addressed – and the consultant has enhanced his or her reputation, with expectations of future revenue streams - whether or not any immediate income has been received.

Dale et al., (2000) pointed out that since the early 1990s there have been signs the move from total quality management (TQM) to excellence, and process control to process management that the TQM is perceived by some commentators to be out-of-date and fallen by the wayside. The paper outlines these signs and points out that they can lead to a marginalization of quality. However, through major trends such as business to business e-commerce and six sigma, there are clear indications that old style quality is coming back into the business arena because of the savings it can bring. These trends and their implications are examined in the paper.

Zhang (2000) expressed that in order to provide readers with a better understanding of China's approach to quality management, this paper presents China's quality management history, the main quality management efforts adopted by the Chinese government, the product quality situation, and the reasons for product quality problems. Finally, it has been concluded that governments can only play a role in shaping the context and institutional structure surrounding companies, they cannot create competitive industries; only companies can do that. If the quality of people, especially governmental officials, top management, and employees does not improve, it is very difficult for the country to improve product quality.

The findings of Anthony and Addams (2000) indicated that credit unions' rate is significantly higher than banks on 11 of the 14 SQ questions: access; courtesy; communication; credibility; security; empathy; tangibles; basic service; fairness; fixing mistakes; and guarantees. Also

they indicate that neither banks nor credit unions do a good job of surveying customer needs or retaining customers.

**V. OBJECTIVES OF THE STUDY**

The main objective of the study is to examine the importance of CRM in banking sector, and its impact on the ‘Customer Satisfaction’ with a special reference to Public and private sector banks.

- To provide suggestion based on the findings of the study.
- To analyze the perception of customer on CRM as a tool of banking sector in retention of customers.

**VI. METHODOLOGY**

After collecting the Primary data with the help of interview schedule, a thorough verification of data was made. Then editing work was undertaken. Data processing and data analysis was also carried out with the help of Statistical Package for Social Sciences (SPSS).

The present study is analyze the perception of the customers of the public and private sector banks. Primary data were collected through a well structured qualitative questionnaire from the selected banks. Perceptions on CRM practices are measured by using 5 point Likert scale as follows. Data whatsoever collected were processed, tabulated and analyzed by using various statistical tools, like, Factor analysis , one sample t test etc.,

**VII. FACTOR ANALYSIS FOR CUSTOMER PERCEPTION ABOUT CUSTOMER RELATIONSHIP MANAGEMENT**

The dimensionality of customer perception about customer relationship management was examined using factor analysis based on thirty two individual statements and the reliability of the subsequent factor structures was then tested for internal consistency of the grouping of the items. The thirty one factor of customer perception about customer relationship management of the bank statements are the following:

- The cash certificate enjoy a high interest rate
- The interest rate on R.D. is high
- Customers are given sufficient time for them repayment of loan
- Safe deposit locker
- The interest rate on the loans and advance are low
- Collection of draft

- Electronic clearing services
- Money transfer / Mail transfer
- The customer selects a bank based on the quality of services offered by them
- The granted loan amount is released in installments’
- The parking space is enough
- The customer always feels that borrowing from the bank is more easy
- ATM facilities
- The bank business hours is convenient to customers
- The banker feels that customers are the real assets of the bank
- The banker issues the draft within the specified time
- Customers are satisfied with the existing services
- The loan is granted but the payment is delayed
- The selection of bank is influenced by the range of services
- All the services are done quickly
- The purpose of opening of an account is to get loans and advances
- The loans and advances are granted to customers without much difficulties
- The time required for opening of an account is normal
- The bank is easily accessible
- The services are provided to all needed customers
- The interest rate offered for F.D. is high
- The customer opens an account to realize draft, cheque, etc.
- Bank normally accepts installment repayment methods’
- The D.D. is realized within the specified time
- The banker takes more time to grant a loan
- The time taken for the encashment of cheque is normal

<b>KMO and Bartlett's Test<sup>a</sup></b>		
Kaiser-Meyer-Olkin Measure...		.766
Bartlett's Test of Sphericity	Approx. Chi-Square	4903.829
	df	496
	Sig. Bartlett	.000

Source: Output generated from SPSS 20

High value of KMO (0.766 > .05) of indicates that factor analysis is useful for the present data. The significant value for Bartlett’s test of Sphericity is 0.000 and is less than .05 which indicates that there exists significant relationships among the variables. The resultant value of KMO test and Bartlett’s test indicates that the present data is useful for factor analysis.

Total Variance Explained									
Component_Total	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.537	14.179	14.179	4.537	14.179	14.179	3.498	10.930	10.930
2	4.119	12.871	27.049	4.119	12.871	27.049	3.336	10.426	21.356
3	3.093	9.665	36.715	3.093	9.665	36.715	3.155	9.858	31.214
4	2.728	8.524	45.238	2.728	8.524	45.238	2.841	8.879	40.093
5	2.378	7.433	52.671	2.378	7.433	52.671	2.202	6.881	46.974
6	2.102	6.568	59.239	2.102	6.568	59.239	2.164	6.762	53.736
7	1.904	5.951	65.190	1.904	5.951	65.190	2.090	6.531	60.267
8	1.330	4.156	69.347	1.330	4.156	69.347	1.920	6.001	66.269
9	1.283	4.011	73.357	1.283	4.011	73.357	1.830	5.718	71.987
10	1.130	3.531	76.888	1.130	3.531	76.888	1.568	4.901	76.888
11	.938	2.932	79.820						
12	.894	2.793	82.613						
13	.793	2.480	85.093						
14	.693	2.166	87.258						
15	.656	2.051	89.309						
16	.602	1.883	91.191						
17	.537	1.679	92.871						
18	.450	1.405	94.276						
19	.417	1.302	95.578						
20	.262	.818	96.396						
21	.237	.741	97.138						
22	.201	.627	97.765						
23	.136	.424	98.189						
24	.126	.393	98.582						
25	.101	.315	98.897						
26	.091	.285	99.182						
27	.082	.258	99.440						
28	.076	.236	99.676						
29	.050	.155	99.831						
30	.025	.077	99.909						
31	.018	.056	99.964						
EXTRACTION PC...									
a. Selected variables Marital Status Married...									

The total variance accounted for, by all the ten factors with Eigen value greater than 1 is 71.987 percent and the remaining variance is explained by other variables. Among the ten factors, the first factor accounts for around 10.930

percent of variance which is the prime criteria considered in Customer perception about CRM of the bank.

**VIII. ROTATED COMPONENT MATRIX OF CUSTOMER PERCEPTION ABOUT CRM ACTIVITIES OF THE BANK**

Rotated Component Matrix <sup>a,b</sup>										
Customer Perception about CRM	Component									
	1	2	3	4	5	6	7	8	9	10
The cash certificate enjoy a high interest rate	.925	.034	-.024	.013	-.069	.111	-.019	.006	.023	.146
The interest rate on R.D. is high	.919	-.037	.059	.091	.130	-.035	.007	.070	.046	-.096

Customers are given sufficient time for them repayment of loan	.908	.053	.022	.012	-.064	.043	.026	.064	-.019	.184
Safe deposit locker	.856	.017	.045	.057	.122	.007	-.015	.048	.105	-.168
The interest rate on the loans and advance are low	-.002	.926	.097	-.073	-.001	-.001	.091	.017	.070	.062
The cash certificate enjoy a high interest	-.016	.913	.127	-.050	.056	-.033	.102	.001	.070	-.049
Collection of draft	.004	.880	.048	-.076	-.033	.133	.015	-.109	.045	.048
Electronic clearing services	.087	.822	.068	-.063	.035	.007	.146	-.068	.019	.122
Money transfer / Mail transfer	-.021	.111	.960	.075	.014	-.012	.002	.003	.057	.099
The customer selects a bank based on the quality of services offered by them	-.003	.107	.953	.104	.047	-.015	.018	-.014	.062	.078
The granted loan amount is released in instalments	.011	.094	.929	.029	.051	-.026	.016	.013	.095	.032
The parking space is enough	.349	.043	.890	-.089	-.014	.083	-.004	.210	-.118	.171
The customer always feels that borrowing from the bank is more easy	.060	-.103	.010	.942	.062	.043	-.038	-.023	-.105	.067
ATM facilities	.065	-.080	.060	.930	.087	.031	-.024	-.030	-.073	-.022
The bank business hours is convenient to customers	.022	-.080	.095	.873	.081	-.024	.056	.078	-.152	.065
The banker feels that customers are the real assets of the bank	.004	-.006	-.013	.209	.839	.126	-.102	-.012	.067	.210
The banker issues the draft within the specified time	-.011	.105	-.073	.146	.776	.116	-.112	-.016	.160	.243
Customers are satisfied with the existing services	.054	-.002	.075	.002	.684	-.099	.228	.095	-.013	-.098
The loan is granted but the payment is delayed	.102	-.045	.222	-.244	.731	.005	-.209	.082	.054	-.203
The selection of bank is influenced by the range of services	.059	.021	.026	.095	.076	.882	.038	.043	.073	.046
All the services are done quickly	.039	.079	-.011	.065	-.052	.870	-.077	.047	.041	.099
The purpose of opening of an account is to get loans and advances	.027	-.007	-.024	-.102	.061	.706	.060	-.084	-.094	-.081
The loans and advances are granted to customers without much difficulties	-.001	.102	-.006	.005	-.016	.031	.903	-.175	.083	.116

The time required for opening of an account is normal	.057	.124	.085	.043	.075	-.011	.901	-.150	.028	.025
The bank is easily accessible	.077	-.185	.071	.071	.195	-.018	.931	.091	-.210	.155
The services are provided to all needed customers	.112	-.074	.039	.068	.001	-.063	-.173	.902	-.002	.074
The interest rate offered for F.D. is high	.164	-.093	.021	.042	.043	-.029	-.209	.902	.018	.060
The customer opens an account to realise draft, cheque, etc.	-.132	.011	.051	-.204	.135	.185	-.027	.948	-.036	-.186
Bank normally accepts instalment repayment methodx`	.064	.104	.084	-.142	.114	-.023	.120	-.001	.904	-.063
The D.D. is realised within the specified time	.071	.075	.074	-.179	.087	.026	.094	-.002	.902	.046
The banker takes more time to grant a loan	-.006	.028	.041	.131	.270	.069	.011	.008	.014	.757
The time taken for the encashment of cheque is normal	.074	.146	.278	-.031	-.054	-.020	.034	.049	-.039	.751
a. Rotation converged in 7...										
b. Selected variables Marital Status Married...										

All the statements of the customer perception about CRM activities of the bank are loaded on the ten factors.

**The statements are converted into 10 factors using factor analysis.**

The cash certificate enjoy a high interest rate, The interest rate on R.D. is high, Customers are given sufficient time for them repayment of loan, Safe deposit locker

**The following one aspect related to Customer perception about CRM activities of the bank is converted into four factors**

- The interest rate on the loans and advance are low
- The cash certificate enjoy a high interest
- Collection of draft
- Electronic clearing services

**The following one aspect related to Customer perception about CRM activities of the bank is converted into four factors**

- Money transfer / Mail transfer
- The customer selects a bank based on the quality of services offered by them

- The granted loan amount is released in instalments
- The parking space is enough

**The following one aspect related to Customer perception about CRM activities of the bank is converted into three factors**

- The customer always feels that borrowing from the bank is more easy
- ATM facilities
- The bank business hours is convenient to customers

**The following one aspect related to Customer perception about CRM activities of the bank is converted into four factors**

- The banker feels that customers are the real assets of the bank
- The banker issues the draft within the specified time
- Customers are satisfied with the existing services
- The loan is granted but the payment is delayed

**The following one aspect related to Customer perception about CRM activities of the bank is converted into three factors**

- The selection of bank is influenced by the range of services
- All the services are done quickly
- The purpose of opening of an account is to get loans and advances

**The following one aspect related to Customer perception about CRM activities of the bank is converted into three factors**

- The loans and advances are granted to customers without much difficulties
- The time required for opening of an account is normal
- The bank is easily accessible

**The following one aspect related to Customer perception about CRM activities of the bank is converted into three factors**

- The services are provided to all needed customers
- The interest rate offered for F.D. is high
- The customer opens an account to realise draft, cheque, etc.

**The following one aspect related to Customer perception about CRM activities of the bank is converted into two factors**

- Bank normally accepts instalment repayment methodx`
- The D.D. is realised within the specified time

**The following one aspect related to Customer perception about CRM activities of the bank is converted into two factors**

- The banker takes more time to grant a loan
- The time taken for the encashment of cheque is normal
- Apart from that, the dimension “Customer awareness about CRM activities of the bank” comprises 32 statements. Out of thirty two statements, ten statements contribute more towards Customer perception about CRM activities of the bank. The statements are (1) High Interest and safe deposit (2) Electronic clearing services, (3) quality of services (4) ATM facility (5) Customers are satisfied with the existing services (6) services are done quickly (7) Account open is time required is normal (8) services are provided to all needed customers (9) Bank normally accepts instalment repayment (10) The banker takes more time to grant a loan

## IX. CONCLUSION

- Implement the customer centric process in bank
- Employee relationship management first before customer relationship management.
- Increase customer experience through the web site.
- Most importance should be given to handling online transaction and using e-commerce and mobile banking services.
- It should be realized that customer relation cannot be built overnight. CRM should be considered as Continuous Relationship Management.
- Data gathered from the customers should be given proper value and it should be properly utilized.
- The consumers should be encouraged by the way of rewards, prizes for using more and more Banking facilities. The bank should improve the service quality for retention of existing customers that will attract the other customers too.

The Banking sector is developing and getting higher day by day in urban and semi urban areas; there is large number of customers using the services in the urban and semi urban areas. So a wide scope in rural areas is expected in the days to come. This study is significant to banks as they get information on what are items that are important to customers so as to maintain the relationship.

## X. CONCLUSION

The general discussion can be said that the bank is yet to develop an integrative approach which focuses on the customer needs and to deliver to it. As shown by the study, the bank is far from developing a customer centric approach both for the customer as well as for the employees. Thus, for customer relationship management to deliver to its expectations, it should play an integrative role within the bank and ensure that all processes are integrated in the bank global strategy, which is far from reality in the study above.

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