CUSTOMER RELATIONSHIP MANAGEMENT PRACTICES IN BANKING SECTOR OF INDIA: A COMPARATIVE STUDY

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ABSTRACT

Banking sector plays a vital role for the growth of Indian economy. Today one of the approaches which are creating the buzz in the banking sector is Customer Relationship Management. The focus of CRM helped banks to understand the customers’ current needs, what they have done in the past, and what they plan to do in the future to meet their own goals. In CRM every customer is viewed on his life time value, and the realization is loud and clear that not only customer retention but customer satisfaction is more important than just customer acquisition for a transaction. Hence, CRM has become a major corporate strategy for many organizations. The paper reiterates the growing relevance and demand for building relationships with customers and emphasizes the usage of information technology in creating better value for the end user. The purpose of this
The paper is to study the comparative use of CRM in various public sector, private sector and foreign banks. The study also highlights the problems and challenges in the banking sector of India using CRM. Based on the findings, a set of recommendations will be made so as to pinpoint how CRM can be used to secure competitiveness.

Keywords: Customer Relationship Management (CRM), Banking Industry, public sector, private sector, foreign banks, corporate strategy

INTRODUCTION

Banks play an important role in the process of economic growth of the country by mobilizing public savings and canalizing the flow of funds for productive processes. Today, banking institutions face many challenges including global competition for deposits, loans, underwriting fees, increasing customer demands, shrinking profit margins, and the need to keep up with the new technologies. Banks and other service providers have now realize the importance of Customer Relationship Management (CRM) and its potential to help them acquiring new customers, retain existing ones, and maximize their lifetime value. Now the marketing model is changing from product-centered stage to the customer-centered stage. The new database technologies enables bankers to get the knowledge of who the customers are, what they bought and when they bought, and even predictions based on the historical behavior. The foreign banks are ahead in offering better banking services and products, coupled with smart use of IT adoption and have considerably achieved high operational efficiency in comparison to public sector and nationalized banks. Well-computerized foreign banks are beginning to compete seriously with the nationalized bank and public sector banks. They aim at a profitable and wealthy part of the market and, in contrast to the nationalized banks, do not recognize any social responsibilities to small
account holders or to a rural and semi urban clientele. Almost 70% of the businesses are still controlled by Public Sector Banks. Public Sector Banks are still dominating the commercial banking system. Customers perceptions regarding services provided by PSBs are also not satisfied. Most of the Banks believe that CRM is one of the best strategies for increasing revenue- profit margin, developing new market share and to create good brand image among the customers. This paper deals with the role of Customer Relationship Management in Indian banking sector, to gain better understanding of the role of CRM in maximizing customer profitability and to serve their customer better and meet their business objectives and a comparison has been made between different public sector, private sector and foreign banks using CRM strategy. Major Banks in India and some success stories of CRM in context with the banking industry are also presented in this section.

CONCEPT OF CRM

The process of developing a cooperative and collaborative relationship between the buyers and sellers is called customer relationship management. It is the process of managing detailed information about individual customers and carefully managing all the customer “touch points” with the aim of maximizing customer loyalty (Philip Kotler). From banks point of view CRM promises faster customer service at lower costs, higher customer satisfaction and from this, better customer retention and ultimately customer loyalty. Naturally, all this is done in hope for more sales and profits. In IT terms CRM means an enterprise-wide integration of technologies working together such as data warehouse, Web site, intranet/extranet, phone support system, accounting, sales, marketing and production to provide better services to customer. In simple term we can say CRM is:

- Putting customers at the heart of business.
- Creating win/win relationships with customers and stakeholders.
Business strategy to increase customer profitability.

Relationship marketing supported by technology.

BANKING SECTOR AND CRM

The bank system is facing the challenges with stiff competition and advancement of technology; the services provided by banks have become more easy and convenient. A greater focus on Customer Relationship Management (CRM) is the only way the banking industry can protect its market share and boost growth. Over the last some years, banks are highly focusing on the CRM and are expected to provide better services to satisfy customers in all respect. Banks are required to complete view of its customers across the various systems that contain their data before implementing any CRM practices. If the bank could track customer behaviors, executives can have a better understanding, a predicting future behaviors, and customer preferences. In this way, the data and the applications will help the bank to manage its customer relationship and continue to grow and evolve. Now information technology has brought about changes in the banking industry, forcing them to re-engineer many of their basic processes and systems. Few of the technology-driven electronic banking services being offered are viz. Automated Teller Machines ATM, Electronic Clearing Service (ECS), Electronic Funds Transfer (EFT), tele-banking, internet banking etc. New technological capabilities could be effectively used to create value and to better manage customer relationship. In IT enable practices foreign and private sector banks are more efficient than public sector banks. PSBs are need to focus on its services, technology and employees for better customer relations. The financial institutions seeking to adopt a customer relationship model should consider following business requirements:

- Customer centric culture, organization and infrastructure should be created.
- Maximize customer profitability and securing customer relationships.
• Efforts should be made to retain existing customers and database to create new customer.

• Create a database to analyze customer’s demand, need, aspiration, preferences and taste etc.

If CRM practices implemented properly it would be able to provide following benefits to banking business:

• Plummeting costs of sales and costs of acquiring new customers.

• Identifying and targeting the most profitable customers and having a deeper knowledge of customers.

• It would make call centers more efficient and provide better customer services.

• It would increase profitability and will get more marketing or cross selling opportunities.

• Helpful to discover new customer and sales staff close deals faster.

• Increase customer revenue, return on investment (ROI) and customer satisfaction.

OBJECTIVE OF STUDY

Following objectives are planned in the present investigation:

• To assess the awareness of Customer Relationship Management at selected public sector, private and foreign banks.

• To analyze the level of customer centric from both customer and employee point of view.

• To assess various aspects of services provided by the public sector, private sector and foreign banks.
• To analyze the performance of CRM as a tool of banking sector in retention of customers.

• To assess the extent of use of services especially the IT enabled services in these banks.

RESEARCH METHODOLOGY

The study focuses on the CRM practices in private, public and foreign sector banks in India. This is an exploratory and analytical research using primary data collected through a questionnaire and secondary data through literatures, books, articles, journals and internet. Some aspects of service quality: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding or knowing the customer and tangibles have been measured to see the gap between customer expectations and experience.

Research design

Since, the nature of the current research is more qualitative as it does not require quantitative data such calculations, exact results, numbers and anything that is measurable. On the other hand, the current research is highly focused on social and cultural aspects. For that reason, most data has been collected from customers and employees questioners and its techniques seem relevant for the nature of current research. Exploratory and descriptive research design was chosen to find out various services provided by public sector, private sector and foreign banks, the extent of adoption of IT enabled services among customers provided by banks.
Sample planning and Data collection

The present study was conducted in public sector, private sector and foreign banks of India. Since researcher was unable to reach every state of India, primary data was collected from customers of selected banks of different zones of UP only. But the sources of secondary data was formed from News paper, Magazines, Reports, Research Bulletins, Journals annual reports of select banks and CRM related literature and other library sources on all over India basis. It is a comparative and analytical one through the perceptions of the customers. Primary data was collected through a well structured qualitative questionnaire from the customers. Data thus collected was processed, tabulated and analyzed by using various statistical tools, namely, Arithmetic mean, Standard Deviation and Pie-Charts etc.

Firstly, some banks from each category on the basis of having maximum number of branches selected. State Bank of India (SBI) and Oriental Bank of Commerce (OBC) from public sector, ICICI and HDFC from private sector and HSBC and Barclays from foreign banks were selected. Care was taken to see that branch should provide maximum IT enable services.

Due to paucity of time researcher was not able to collect large number of data but still we were able to find suggestions which are going to help the bank to perform better. Initially, from different banks across UP, two different questionnaires were designed to conduct interviews from bank customers and employees in terms of use of CRM. After identification of branches and designed questionnaires, the researcher visited banks. For the purpose of collection of primary data, a sample of 120 customers including employees of the select banks, 20 from each selected bank of different zones UP were randomly selected. The following types of questions were asked:
Interview Schedule for Customers

Major questions of questionnaire were made to identify the problems customers are facing using the facilities from their bank. The following types of questions were used in interview schedule:

- Their perception on services provided by bank.
- Behavior and response of employees and the best service provided by bank.
- Their suggestion or recommendations regarding CRM.
- Security issues with internet banking, phone banking and online shopping etc.
- Extent of using IT enabled services.
- Call centres availability and timely response of queries.

Interview Schedule for Employees

The entire customer related accounts and information recorded and handled by employee. The success of CRM practices implemented largely depends upon employees. IT department plays an important role in providing prompt services to customers. Thus a set of questions prepared for employees to know the extent of CRM practices used in bank:

- Need to implement CRM in banks is it to improve performance, to satisfy customer or as a status symbol.
- Customers’ awareness regarding CRM in bank.
- Availability of ATMs, net banking, phone banking, call centres, customers grievance cells etc.
- Service provided to organization and individual customers.
• Their suggestion or recommendations to improve customer retention and satisfaction.

ANALYSIS & FINDINGS

CRM has emerged as a popular business strategy in today’s competitive environment. It is a discipline that enables the companies to identify and target their most profitable customers. The first objective of this study is aimed at understanding the extent to which the CRM is implemented by the different Public, Private Sector and Foreign banks. For this purpose, the customer’s perceptions about the CRM have been measured.

Customer’s perception of service quality provided by banks

Customers’ perceptions regarding the impact of CRM on service quality have been studied which are based on the five-dimension model. The five dimensions on which CRM has been perceived by the customer are responsiveness, infrastructure, reliability, employee’s behavior and assurance provided by bank to their customers. Table 1 shows that majority of respondents were not satisfied with infrastructure of SBI and OBC, whereas 80% respondents were absolutely satisfied by infrastructure of ICICI bank. It is found that infrastructure of private and foreign banks are far better than PSBs.

The same situation like infrastructure can be seen regarding employees behavior. Majority of respondents were not satisfied with employee’s behavior of SBI (65%) and OBC (60%). Whereas 80% respondents were satisfied with HSBC and 90% with Barclays. It shows that customer satisfaction level with employee behavior was higher in private and foreign banks than nationalized banks. It would be due to strong management system of the above banks. PSBs are required to make a strong policy to train their employee regarding CRM practices.
Almost 80% respondents were satisfied with the surety given by SBI and 70% with OBC. It means they trust more on nationalized banks than private and foreign banks. Respondents trust more on PSBs for locker facility, insurance and for fixed deposits. Foreign banks and private banks are required to create more trust on customers by providing them surety of accounts.

The analysis of data shows that almost 70% respondents were satisfied with reliability of HSBC and 80% with Barclays. A little less than half (40%) were satisfied with reliability of OBC. 60% respondents were from SBI, ICICI and HDFC were satisfied. The reliability of OBC was not seen well.

By analyzing the data it can be seen that more than 70% respondents believe that Private and Foreign bans are more responsive than PSBs. They try to solve the problem of customers as soon as possible. Due to short working hour nationalized banks are not quite responsive. They take time to solve the problem of customers; their call centers are also not aware and respond quickly. Due to well computerized infrastructure private and foreign banks get more customers attention and respond quickly. Nationalized banks are also required to improve computerized infrastructure and train employees.
Table 1

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Customer’s perception of information given to them by banks

To implement good CRM practices banks are required to inform their customers about new services or schemes introduced by them. They need to educate customers, to inform and to make them aware about banks policies, programs and practices. Chart 1 show that majority of respondents believe that private and foreign banks inform them by sms, advertisement or through mail. But nationalized banks are not so aware about this. The reason behind not informing customers about new service/scheme would be poor communication and customer service of nationalized banks. Analysis of data shows that only 30% and 20% of
respondents of SBI and OBC answered positively to be informed by bank about any new service or scheme. The study analyzed that more than 70% of respondents believed that private and foreign banks communicate more openly than PSBs.

Customer’s perception of IT enabled services provided by banks

Consumer banking services have become easier and convenient. Apart from technology, the changing demographic structure of Indian population that shows a young working population has created a demand for better services. Today’s many IT enabled services provided by banks to their customers like ATMs, Biometric ATMs, RTGS, online tax accounting system, Teller System, Internet Banking, and Introduction of Plastic Money: Credit Card, Debit Card, Smart Card. Mobile and E-Mail Alerts, Electronic Cash etc.
The respondents have shown unfavorable views with respect to banking experience, transaction accuracy and promptness of nationalized banks. The study demonstrates that most of the customers have positive perceptions pertaining to private and foreign banks keeping them up to date with the best ways of investing money and they are of the opinion that the information provided by their banks are up to their expectations. Nevertheless, the overall satisfaction with website being informative and easy to retrieve information is quite favorable for all banks and banks are striving to sell their experience through electronic technologies in order to create a seamless banking experience. New communication and information technologies and self-service systems provide some utilities of space and time which can be valued by the consumers. PSBs are required to adopt properly online technologies so that banking customers can gain several benefits which in turn will lead to a superior quality of service, thus, providing a seamless online experience which will enable better relationship building and management.

Customer’s perception on response of complain made by them to banks

The study shows that majority of respondents are satisfied by the prompt response of private and foreign banks. More than 60% of respondents believe that private and foreign banks solve their problems as soon as possible. The nature of complaints were found to be cheque delay, draft delay, extra charges by foreign and private banks and applicable loan delay etc. Most of the matter of nationalized banks are unsolved and they take time to respond the complain. Only 30% and 20% of respondents of OBC and SBI respond positively but 80% are not satisfied with their response. Due to this reason some time customers of PSBs do not expect the matter to be solved, while sometimes they do not want to go for complaining.
Employees Perception on CRM of their Bank

Most of the banks in India have invested on purchasing and installed the latest CRM packages however, CRM practices of private and foreign banks are far better than public sector banks. These banks especially in the rural areas of India are still dealing with a many problems. These problems are gathered from the interviews with different bank employees. 80% employees of foreign banks were satisfied by services provided by them to customers, employees of private banks were also seem satisfied but only 30% employees of public sector bank were satisfied by services provided by them. According to them Banks should realize that in order to keep their customers and attract new ones, they have to provide all the information about their services. Otherwise, it would be hard for them to survive in the competitive market. Other major problem is that the I.T staff is not fully
trained in terms of technology especially CRM. Infrastructure of bank should also be improved and try to reduce the customers visit to the bank by redressing the problems on phone or e-mail.

Suggestions given by Respondents

The overall findings of this research reveal that the Nationalized Bank has failed to convince their customers on their CRM efforts. Various CRM initiatives and dimensions of PSBs measured in this study report unfavorable response and private banks were little favorable. This underperformance has occurred in spite of technological developments and new processes in place. So, for proper application and implementation of CRM in different banks the respondents suggest following points;

- Infrastructure, ambience and employees behavior of nationalized banks should be improved.
- Working hour and IT enabled services of PSBs should also be improved.
- There should be more help desk for dealing with customer.
- Front office executives of private banks should stop looking at customers for multiple product promotion and start focusing on making the customers feel comfortable in terms of service consumption.
- It is important for banks to handle the customers directly through their human resources rather than IVRS (recorded voice) at the appropriate stage in the process.
- Nationalized banks should employ more relationship executives for catering the needs of the people visiting the banks.
- Foreign and private banks levied high charges on different services, it should be reduced and communication with customer should be increased.
• Foreign banks are not giving proper guidelines. They should not misguide customers and all information regarding them should be provided.

• Interest rate given by banks on customer deposits and working hour should be increased.

• Try to reduce the customers visits to the bank by redressing the problems on phone, e-mail etc.

• Most of the PSBs are not having up-to-date website to inform their customers about their latest products and services, it should be improved and IT personnel should be fully trained.

CONCLUSION

Customer Relationship Management is concerned with attracting, maintaining and enhancing customer relationship in multi service organizations. CRM goes beyond the transactional exchange and enables the marketer to estimate the customer's sentiments and buying intentions so that the customer can be provided with products and services before the starts demanding. Customers are the backbone of any kind of business activities, maintaining relationship with them yield better result. In this paper we have introduce CRM and uncover some of the major problems and weaknesses while using the CRM applications in the public, private and foreign banks of India. To highlight major problems researcher have conducted several interviews from different bank customers and employees. In order to improve the current CRM strategy, a comparative analysis between different have been performed. The study shows that customers are not so aware about different IT enabled services. They are using only ATMs and shopping cards. Banks are required to educate their customers. Employees of nationalized banks are not well trained, they need to be trained and infrastructures also need to improve. For easy accessibility of customers private and
foreign banks should increase their branches and new branches should be opened in wide space.

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