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A study on customer relationship management in banking sector with special reference to public and private sector banks in tirunelveli district

Abstract

Customer Relationship Management is a vital factor to improve the performance of the banks. Most of the banks in India are now turning to Customer relationship Management as they are increasingly realizing that the cost of acquiring new customers is for higher than the cost of retaining existing customers. The focus of customer relationship management 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. The present research work studies the different aspects of Customer Relationship Management among private and public sector banks, through an empirical survey of customer and employees of banks. The focus of the study is to examine the need of Customer Relationship Management (CRM) for Indian Banking Industry especially in Tirunelveli district and how far these banks are achieving success in creating and maintaining CRM. Further the study also emphasis to understand the view points of customers about their experience in context of the CRM implemented by their banks.Financial position and customer inquiry or response are the important perception about customer relationship management in customer acquisition among customers of public sector banks and the important perception about customer relationship management in customer

acquisition among the customers of private sector banks are financial position and customer inquiry or response.

Keywords: Customer Relationship Management, Customer acquisition and Customer interaction

Introduction

Customer Relationship Management is a vital factor to improve the performance of the banks. Most of the banks in India are now turning to Customer relationship Management as they are increasingly realising that the cost of acquiring new customers is for higher than the cost of retaining existing customers. This quest has led to the implementation of customer relationship management in banks. The concept of customer relationship management is the initial stage of implementation in banks. Customer relationship management philosophy work in a bank is quiet complex as well as a challenging task for its implementation is based on certain key principles.

The focus of customer relationship management 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[1].

Statement of the Problem

The present research work studies the different aspects of Customer Relationship Management among private and public sector banks, through an empirical survey of customer and employees of banks. The focus of the study is to examine the need of Customer Relationship Management (CRM) for Indian Banking Industry especially in Tirunelveli district and how far these banks are achieving success in creating and maintaining CRM. Further the study also emphasis to understand the view points of customers about their experience in context of the CRM implemented by their banks.

Significance of the Study

The present study has made a conscious effort to group all such strategies together for the benefit of the customers and the banks. The success of the entire concept of Customer Relationship Management depends on its ability to generate customer satisfaction. A highly satisfied customer will continue to find ways to strengthen the relationship with the banks. Such satisfied customers would ever cherish their association with the bank. Many

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[1] Xu, Y., Yen, Dc., Lin. B., and Cha, D., (2002) "Adopting Customer Relationship Management Technology", Industrial Management &Data systems, Vol.8, No.102, pp.442-452.

researchers have highlighted the importance of customer satisfaction in general through their exploratory studies.

Customer Relationship Management (CRM) is a modern concept that deals with establishing a relationship with a fair and just manner with the customers.It requires a systematic planning & execution of various aspects of relationship management. Though CRM is considered to be the most important assets of every organization, there are areas where management needs to improve upon its performance to enhance relationship with customers. In the competitive market environment, there should be a special emphasis on CRM and the modern banking system and practice aims at the same.

Need of the Study

The necessity for the study arises because the banking sector helps in the economic development of the country and to fulfill this, customer satisfied first by providing better services with the help of computer and other innovated technologies. Knowing the future perspective of customers and banking sector, it becomes easy and efficacious for the stakeholders to build a medium term or even a long term relationship with the customer. Hence there is a need for customer survey, identifying their requirements and satisfaction.

Objectives of the Study

The specific objectives of the study are

(i) To analyse the perception of customers towards Customer Relationship Management among public and private sector banks.

(ii) To identify the factors influencing the customers' perception towards customer relationship management.

(iii) To offer suitable suggestions to improve the customer services of the banks based on the findings of the study.

Methodology

In the present study, the descriptive research design has been used. The descriptive research is marked by a clear statement of the problem, specific hypothesis, detailed information needs, sample selection, data collection and processing and analysing of the collected data to get valid inferences in the form of findings. The present study deals with the perception of the customers towards Customer Relationship Management in public and private sector banks. Hence, the present study is purely descriptive in nature.

Sampling Design

As the population size is infinite, 999 respondents are selected as sample among the population using stratified random sampling. The sample has been stratified as 744 from public sector bank customers and 255 from private sector bank customers in Tirunelveli district. They were contacted personally to collect the data. Interview schedule has been used to collect the data.

Table 1.1

Sampling of the Study

Sl. No	Type of Banks	No. of Banks	Sample	Total Number of Respondents
1.	Public sector banks	248	3	744
2.	Private sector banks	85	3	255
	Total	**333**		**999**
			Total Sample size	**999**

Limitations of the Study

The study suffers from the following limitations

(i) The study was conducted only in Tirunelveli district of Tamilnadu. Hence, the results arrived from the study may or may not be applied to another area further the survey method which was adopted for collecting the data in this study has its own limitations.

(ii) This study focuses on only commercial banks in TirunelveliDistrict, the other banks such as Co-operative bank, PandianGrama Bank and other financial institutions are not included in this research. Hence, it is the generalization of the findings of the study with these limitations.

Analysis and Interpretation

Customers' perception about customer relationship management

Customer Acquisition

An attempt has been made to find out the significant difference in perception about customer acquisition among customers of public sector banks and private sector banks, 't' test is used with the null hypothesis as, **"There is no significant difference in perception**

about customer acquisition among customers of public sector banks and private sector banks in Tirunelveli district”. The result of ‘t’test for perception about customer acquisition among customers of public sector banks and private sector banks is presented in Table 1.

Table 1

Customer Acquisitionamong customers of public sector banks and private sector banks

Customer Acquisition	Type of Bank		T Statistics
	Public sector banks	Private sector banks	
Customer inquiry or response	3.7901	3.9789	1.136
Inquiry captured	3.0870	3.3614	1.570
Lead graded and prioritized	2.4378	2.7982	1.884
Learning motives	2.4153	2.7199	1.464
Lead nurturing or retention	2.6612	3.0904	1.954
Direct response mail programs	2.5487	2.9096	1.770
Utilization of telecommunication	3.1094	3.5964	2.365*
Focus on customer’s decision process	3.4003	3.8253	1.930
Financial position	3.8981	4.2500	1.487

Source: Primary data *-Significant at five per cent level

From the above table 1, it is understood that financial position and customer inquiry or response are the important perception about customer relationship management in customer acquisition among customers of public sector banks as their mean scores are 3.8981 and 3.7901 respectively whereas the important perception about customer relationship management in customer acquisition among the customers of private sector banks are financial position and customer inquiry or response as their mean scores are 4.2500 and 3.9789 respectively. Regarding the perception about customer relationship management in customer acquisition among customers of public sector banks and private sector banks, utilization of telecommunication is statistically significant at 5 per cent level.

Customer Interaction

An attempt has been made to find out the significant difference in perception about customer interaction among customers of public sector banks and private sector banks, ‘t’ test is used with the null hypothesis as, **“There is no significant difference in perception about**

customer interaction among customers of public sector banks and private sector banks in Tirunelveli district". The result of 't'test for perception about customer interaction among customers of public sector banks and private sector banks is presented in Table 2.

Table 2

Customer Interactionamong customersof public sector banks and private sector banks

Customer Interaction	Type of Bank		T Statistics
	Public sector banks	Private sector banks	
Interactive website	3.2264	3.7560	2.006*
Face to face transaction	3.1319	3.5994	1.812
Information through different medium of communication E-mail, telephones and Fax	3.0180	3.3855	1.341
Personnel trained to handle customer	3.0675	3.3645	1.274
Technical support available	2.9205	3.4307	2.125*
Channel management improvement	3.0810	3.6596	2.315*
Instant messaging	4.0225	4.4669	1.762
Flexibility	3.7361	4.2470	1.952
Keep customer up-to-date	3.4678	4.0361	2.065*

Source: Primary data

*-Significant at five per cent level

From the above table 2, it is understood that instant messaging and flexibility are the important perception about customer relationship management in customer interaction among the customers of public sector banks as their mean scores are 4.0225 and 3.7361 respectively whereas the important perception about customer relationship management in customer interaction among the customers of private sector banks are instant messaging and flexibility as their mean scores are 4.4669 and 4.2470 respectively. Regarding the perception about customer relationship management in customer interaction among customers of public sector banks and private sector banks, interactive website, technical support available, channel management improvement and keep customer up-to-date are statistically significant at 5 per cent level.

Customer Retention

An attempt has been made to find out the significant difference in perception about customer retention among customers of public sector banks and private sector banks, 't' test is used with the null hypothesis as, **"There is no significant difference in perception about customer retention among customers of public sector banks and private sector banksin Tirunelveli district"**. The result of 't'test for perception about customer retention among customers of public sector banks and private sector banks is presented in Table 3.

Table 3

Customer Retentionamong customers of public sector banks and private sector banks

Customer Retention	Type of Bank		T Statistics
	Public sector banks	Private sector banks	
Innovative services	3.4078	4.0211	2.230*
Concentration of existing customers	2.9294	3.3795	1.778
Understanding customer's needs	2.5607	3.0271	1.755
Build trust through relationship	2.7031	3.1175	1.497
Decrease in the number of complaints	3.0735	3.5723	1.865
Implement anticipatory service	3.2759	3.7530	1.729
Proper guidance to new customers	3.3463	3.9669	2.184*
Secure customer relationship	3.7166	4.2259	1.749
Individual care to customer	4.0585	4.3765	1.520
Customer empowerment	3.6477	3.9729	1.468

Source: Primary data

*-Significant at five per cent level

From the above table 3, it is understood that individual care to customer and secure customer relationship are the important perception about customer relationship management in customer retention among the customers of public sector banks as their mean scores are 4.0585 and 3.7166 respectively whereas the important perception about customer relationship management in customer retention among the customers of private sector banks are individual care to customer and secure customer relationship as their mean scores are 4.3765 and 4.2259 respectively. Regarding the perception about customer relationship management in customer retention, innovative services and proper guidance to new customers are statistically significant at 5 per cent level.

Factors Influencing Customer Relationship Management Practices in Public Sector Banks

Growing Competition Factors

An attempt has been made to find out the significant difference in growing competition factors among customers of public sector banks and private sector banks, ‘t’ test is used with the null hypothesis as, **“There is no significant difference in growing competition factors among customers of public sector banks and private sector banks in Tirunelveli district”**. The result of ‘t’test for growing competition factors among customers of public sector banks and private sector banks is presented in Table 4.

Table 4

Growing Competition Factorsamong customers of public sector banks and private sector banks

Growing Competition Factors	Type of Bank		T Statistics
	Public sector banks	Private sector banks	
Competitive interest rate	3.6642	4.1717	2.032*
Introduce attractive offers	2.9760	3.4127	1.758
Benchmark services against competitors	2.3013	2.7349	1.756
Bank provide services at home	1.6972	2.0964	1.502
Use of new technology	2.7387	3.1988	1.711
Competitors are using CRM system	3.2954	3.7319	1.576
Competitors are well equipped with CRM system	3.7166	4.2078	1.813
Competitors are using CRM practices during contact with their customers	3.8936	4.3645	1.686
Improve the relationship among customers with bank	3.7301	4.1355	1.602
Attracting customer through good relationship with existing customer and get new customers	3.9055	4.3735	1.801

Source: Primary data

*-Significant at five per cent level

From the above table 4, it is understood that attracting customer through good relationship with existing customer and get new customers and competitors are using CRM practices during contact with their customers are the important growing competition factors among the customers of public sector banks as their mean scores are 3.9055 and 3.8936 respectively. Attracting customer through good relationship with existing customer and get new customers and competitors are using CRM practices during contact with their customers are the important growing competition factors among the customers of public sector banks as their mean scores are 4.3735 and 4.3645 respectively. Regarding the growing competition factors, competitive interest rate is statistically significant at 5 per cent level.

Proliferating Customer Contact Factors

An attempt has been made to find out the significant difference in proliferating customer contact factors among customers of public sector banks and private sector banks, ‘t’ test is used with the null hypothesis as, **“There is no significant difference in proliferating customer contactfactors among customers of public sector banks and private sector banks in Tirunelveli district”**. The result of ‘t’test for proliferating customer contact factors among the customers of public sector banks and private sector banks is presented in Table 5.

Table 5

Proliferating Customer Contact Factorsamong customers of public sector banks and private sector banks

Proliferating Customer Contact Factors	Type of Bank		T Statistics
	Public sector banks	Private sector banks	
New technology to improve communication to customers	3.6987	4.1928	2.032*
Ability to help customers	3.0975	3.4639	1.728
Customer information is accessible at each point of contact	2.4918	2.8705	1.626
Increase customer convenience using a variety of distribution channels	2.9385	3.3253	1.168
Maintaining Customer database	3.1469	3.7590	2.434*
Greeting during their birthdays/religious festivals/Anniversary	3.3823	3.8313	2.024*
Customer forum	3.3133	3.7349	1.787
Educate the customers	3.3883	3.8524	2.058*
Geographical spread of customers	3.2774	3.7108	1.737
Creating transparency	3.4993	3.9488	1.733
Consistency	3.8636	4.2229	1.534

Source: Primary data

*-Significant at five per cent level

From the above table 5, it is understood that consistency and new technology to improve communication to customers are the important proliferating customer contact factorsamong the customers of public sector banks as their mean scores are 3.8636 and 3.6987 respectively. Table further reveals that consistency and new technology to improve communication to customers are the important proliferating customer contact factorsamong the customers of public sector banks as their mean scores are 4.2229 and 4.1928 respectively. Regarding the proliferating customer contact factors among the customers of public sector banks and private sector banks, new technology to improve communication to customers, maintaining customer database, greeting during their birthdays/religious festivals/Anniversary and educate the customers are statistically significant at 5 per cent level.

Intensifying Customer Information Factors

An attempt has been made to find out the significant difference in intensifying customer information factors among customers of public sector banks and private sector banks, ‘t’ test is used with the null hypothesis as, **“There is no significant difference in intensifying customer informationfactors among customers of public sector banks and private sector banks in Tirunelveli district”**. The result of ‘t’test for intensifying customer information factors among customers of public sector banks and private sector banks is presented in Table 6.

Table 6

Intensifying Customer Information Factorsamong customers of public sector banks and private sector banks

Intensifying Customer Information Factors	Type of Bank		T Statistics
	Public sector banks	Private sector banks	
May I help you counter	4.0105	4.4669	1.969
Deposit &cash counter	4.0721	4.5301	1.910
Seating arrangement for waiting time	3.2639	3.6627	1.731
Bank uses phone calls and personal visit to communicate with customer	2.8996	3.2801	1.524
All information pamphlet are displayed to	2.9535	3.3163	1.498

customers			
Addressing customer queries	3.9115	4.3524	2.152*
Up-to-date customer information	3.5517	3.8705	1.650
Parking facility	3.1664	3.4979	1.526

Source: Primary data

*-Significant at five per cent level

From the above table 6, it is understood that deposit &cash counter and May I help you counter are the important intensifying customer informationfactorsamong the customers of public sector banks as their mean scores are 4.0721 and 4.0105 respectively. Table further reveals that deposit &cash counter and May I help you counter are the important intensifying customer informationfactorsamong the customers of private sector banks as their mean scores are 4.5301 and 4.4669 respectively. Regarding the intensifying customer information factors among customers of public sector banks and private sector banks, addressing customer queries is statistically significant at 5 per cent level.

Suggestions

- It is suggested that data gathered from the customers and should be given proper value. Further, it should be properly utilized for further process.
- It is suggested that customers should be educated through advertising campaigns, seminars, audio and video programmes regarding the information about how the banking sector is performing in foreign countries and their effectiveness.
- CRM promotes customer awareness, CRM should be implemented in the banking sector and CRM have emergedas important factors that are necessarily required for CRM in banking sector.
- Customers also have responded positively towards creating all round friendly environment, CRM attracts new customers and it helps to build customer loyalty and these are major factors, though it is suggested that bank should understand the factor and the attitude of the customers towards effective CRM in banking sector.
- The customers should be encouraged by the way of rewards, prizes for using more and more banking facilities.
- It is suggested that banks should operate CRM practices in rural areas of banking also because there are favourable attitude of customers for the development.
- It is suggested that bank should understand Employee Relationship Management first before customer relationship management.

- The CRM benefits in the banking sector should be highlighted by the banks in their advertising campaign to spread awareness and persuade the customers of the remote villages.

Conclusion

The public sector banks and private sector banks have transformed themselves into profit oriented business organizations besides playing a developmental role in the economy. This new orientation has bound them to take a more pragmatic approach for conducting the business. While analyzing the CRM Implementation in public sector banks and private sector banks, it was found that the public sector banks and private sector banks have been able to implement the CRM practices more effectively. This indicates that strategically speaking, the public sector banks and private sector banks have been more innovative in understanding their customers and in building good relations with them.

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