A COMPARITIVE STUDY ON CUSTOMER RELATIONSHIP MANAGEMENT IN PRIVATE AND PUBLIC SECTOR BANKS - WITH REFERENCE TO COIMBATORE

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ABSTRACT

In the ongoing era of financial sector reforms in India, because of intense competition commercial banks are vying with each other for market share. Customer satisfaction has become all the more significant for survival and growth of banks in view of the discerning customers of modern days. Customers are the focal point in the development of successful marketing strategy. Customer retention assumes significance in revenue analysis of various organizations. The success of CRM process depends on the active involvement of all managers and employees in the banking field a unique 'Relationship' exists between the customers and the bank. But because of various reasons and apprehensions like financial burdens, risk of failure, marketing inertia etc., many banks are still following the traditional ways of marketing and only few banks are making attempts to adapt CRM. Providing service to customers has been identified as the prime responsibility of the Banks and therefore, Banks considered that CRM is the best tool to perform the job of rendering good services.

Key words: *Customer relationship management, Banking sector, Customer retention, Customer satisfaction and Customer awareness.*

1. INTRODUCTION

In the ongoing era of globalization the battle for banks to gain a greater slice of the market share has been on the rise the world over and India is no exception. It has become quite difficult for banks to meet the ever-increasing customer expectations. In order to improve their profits banks are growingly looking at ways of achieving organic growth through acquisition of new customers and retaining existing customers. In this 21st century one of the approaches that is fast gaining significance is Customer Relationship Management (CRM), an effective tool to withstand competition. 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. CRM manages the relationships between a firm and its customers. CRM and knowledge management are directed towards improving and

continuously delivering good services to customers. To understand more in customer relationship management, we first need to understand three components which are customer, relationship and their management. Managing customer relationships is important and valuable to the business. Today, many businesses such as banks, insurance companies, and other service providers realize the importance of Customer Relationship Management and its potential to help them acquire new customers retain existing ones and maximise their lifetime value. 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.

The effective relationship between customers and banks depends on the understanding of the different needs of customers at different stages. The objective is to effectively analyze all the available data about the customer. The analysis of such data helps a firm assess a customer's current and potential profitability satisfaction and loyalty. 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.CRM is a sound business strategy to identify the bank's most profitable customers and prospects, and devotes time and attention to expanding account relationships with those customers through individualized marketing, reprising, discretionary decision making, and customized service-all delivered through the various sales channels that the bank uses. In order to succeed with strategic organizational change banks should also communicate the change to customers in a way leading them to alter their behavior and attitudes accordingly.

2. STATEMENT OF THE PROBLEM

Banking sector has always been the focus of society due to its essential role in the finance world and the wellbeing of world's economy. In the banking field a unique 'Relationship' exists between the customers and the bank. But because of various reasons and apprehensions like financial burdens, risk of failure, marketing inertia etc., many banks are still following the traditional ways of marketing and only few banks are making attempts to adapt CRM. It is with this background, the researcher has made a modest attempt towards the idea that CRM can be adapted uniformly in the banking industry for betterment of Banking Services. Particularly in banking sector, the role of CRM is very vital in leading the banks towards high level and volume of profits. So there is a need to study the role of CRM in development and promotion of banking sector through the sidelines of the practices, problems and impact of the CRM on banking sector all the time.

3. 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'. The other specific objectives of the study are:

- To study the CRM practices in commercial banks in the study area.
- To compare the CRM performance of public sector and private sector banks.

4. METHODOLOGY

This research work has been done on both primary and secondary data. Primary data was collected by ways of well-structured questionnaire that was administered by the researcher on banks in Coimbatore of Tamilnadu; secondary data was collected from published records of RBI and other Bank authorities, standard text book and published research papers. The required primary data was collected from the bank branches in Coimbatore. A minimum of 8 branches was approached, apart from collecting information from banks, the general public who holds accounts with the banks in Coimbatore. The researcher followed multi-stage sampling in the selection of sample. Public and Private sector banks operating in Coimbatore of Tamil Nadu. The sample for the study was selected through a three-stage sampling procedure. The first stage involved the choice of banks. As it was felt that it would be useful to attempt a comparative study between Public and Private Banks, two public sector banks (SBI, IOB, ICICI Bank, HDFC and TMB). The random selection of bank branches constituted the second stage of the sampling process. Two branches for each of the chosen public sector banks and two branches for each of the Private sector banks were selected for this study. Judgment sampling method was adopted initially 50 customers from each branch were targeted for data collection needed for the study. Thus the final sample for the study consisted of 8 banks branches (four from to public sector banks and four from private sector banks) which generated 250 customers for studying customer relationship management in banks of Coimbatore. The bank wise number of respondents is show below.

Table 1: Sample size of the study area

Sl.no	Banks	No.of respondents
1.	SBI	50
2.	IOB	50
3.	ICICI	50
4.	TMB	50
5.	HDFC	50
	Total	**250**

Source: Primary Data

5. HYPOTHESES OF THE STUDY

H1: There is a significant difference among the level of customers' satisfaction and CRM practice in the public sector banks.

H2: There is a significant difference among the level of customers' satisfaction and CRM practice in the private sector banks.

H3: There is a significant difference among the level of customers' satisfaction and CRM practice in the public and private sector banks.

6. LIMITATIONS OF THE STUDY

- The study is confined to the respondents of Coimbatore only.
- Only a few private and public sector banks are taken for the study.
- The primary data were collected through interview method which is subjected to recall bias.

7. ANALYSIS OF DATA

Table 2: Distribution on profile of respondents

Sl.no	Particulars	Variable	No. of respondents	Percentage
1	Age	36-45	88	35
2	Gender	Male	175	70
3	Marital status	Married	155	62
4	Educational qualification	UG/PG	105	42
5	Occupational status	Business	95	38
6	Monthly income	30001-40000	90	36
7	Locality	Urban	138	55

Source: Primary Data

From the above table it is found that only the majority result of the respondents related to demographic result is depicted, it is clear from the table that under the age group - 36-45 88(35%), in gender - male 175 (70%), marital status – married 155(62%), educational qualification – UG/PG 105(42%), occupational status – business 95(38%), monthly income- 30001-40000 90(36%) and locality – urban 138(55%).

Table 3: Distribution on Customers' Satisfaction

Sl.no	Particulars	Private sector bank		Public sector bank		Rank	
		Mean	SD	Mean	SD	Pvt	Pub
Ability to Resolve Complaints							
1.	Outcome of Complaints	4.90	0.76	4.28	0.85		
2.	Handling of Complaints	3.50	1.23	3.26	1.16	1	1
	Combined Mean/SD	**4.10**	**0.98**	**3.94**	**1.00**		
Responsiveness of the Bank Staff							
3	Courtesy of the banks Staff	3.06	1.28	3.76	1.21		
4	Helpfulness of the bank staff	3.78	1.47	3.46	1.45		
5	Knowledge of the banks staff	3.16	1.29	3.12	1.24		
6	Bank information delivery to customers	2.65	1.31	2.04	1.19	5	4
7	Quality of information Received	3.10	1.37	3.08	1.32		
8	Attitude of the banks Staff	2.66	1.12	2.14	1.19		
	Combined Mean/SD	**3.07**	**1.26**	**2.95**	**1.29**		

Banking Services							
10.	ATM cards	4.12	1.94	2.86	1.28	2	3
11	Demand Drafts	3.04	1.46	4.02	0.97		
12	Cheque Book	4.20	1.70	3.74	1.53		
13	Net Banking	4.10	1.35	2.78	1.19		
	Combined Mean/SD	**3.87**	**1.11**	**3.40**	**1.20**		
Speed of Counter services							
14	Cash Deposits	4.50	0.77	4.12	1.13	4	2
15.	Cash Payment	3.02	1.38	3.54	1.27		
16	Issue a draft	3.40	1.54	3.36	1.59		
17	Cheque payments	3.68	1.47	3.76	1.45		
18	Cheque deposits	3.56	1.33	3.40	1.87		
	Combined Mean/SD	**3.66**	**1.85**	**3.64**	**1.51**		
Accounts and Deposit of the Banks							
19	Savings A/C	3.25	1.35	3.00	1.43	3	5
20	Current A/C	3.18	1.12	3.12	1.29		
21	Fixed Deposits A/C	3.69	1.21	2.85	1.21		
	Combined Mean/SD	**3.73**	**1.27**	**2.90**	**1.31**		

Source: Computed data

From the above table it is evident that for the purpose of finding customers satisfactions level the variables were classified as ability to resolve complaints, responsiveness of the bank staff, banking services, speed of counter services and accounts and deposit of the banks, looking into private sector bank it was found that ability to resolve complaints is ranked first followed by banking services second rank, accounts and deposit of the banks third speed of counter services fourth and responsiveness of the bank staff ranked last, looking into public sector banks ability to resolve complaints ranked first followed by speed of counter services second rank, banking services ranked third, responsiveness of the bank staff ranked fourth and accounts and deposit of the banks ranked last.

Table 4

Chi-square distribution on overall result of hypothesis testing @5% level of significance

Sl.no	Independent variable	Dependent variable	p-value	Result
1	Age	Perception of customers	0.049	**Significant**
		Factors influencing	0.035	
2	Gender	Perception of customers	0.016	**Significant**
		Factors influencing	0.008	
3	Marital status	Perception of customers	0.048	**Significant**
		Factors influencing	0.042	
4	Educational qualification	Perception of customers	0.003	**Significant**
		Factors influencing	0.001	
5	Occupation	Perception of customers	0.041	**Significant**
		Factors influencing	0.022	

6	Monthly income	Perception of customers	0.008	**Significant**
		Factors influencing	0.029	
7	Locality	Perception of customers	0.032	**Significant**
		Factors influencing	0.025	

Source: Computed Data

For testing the hypothesis chi-square analysis was adopted and it was found that with regard to the chi-square test at 5% level of significance, it is found that the p-value is less than 0.05 thus it is concluded that each variable had significant relationship, that is the null hypothesis is rejected and that the alternate hypothesis "there is significant relationship between the Demographic profile of respondents and Perception of customers and Factors influencing" is accepted.

8. FINDINGS OF THE STUDY

- Private sector banks are more sincere in solving and handling of customers' complaints.
- Staff of the private sector banks has better courtesy and willingness to help customers, more knowledgeable and more effective in replying to customers' questions.
- In private sector banks, the knowledge of the banks staff, their helpfulness nature and courtesy are the factors leading to customer satisfaction.
- The staff of private sector banks is more attentive to their customers compared to PSBs.
- ATM cards, Cheque book service, and Net banking are the major factors contributing to customer satisfaction in private sector banks.
- In respect of PSBs, Demand drafts and Cheque book service are the major contributory factors towards customer satisfaction.
- Finally, the study found that customers of private sector banks are more satisfied with their accounts and deposits of the banks than PSBs.
- In both public and private sector banks, the mean rating of individual attention understanding the specific needs of the customers are lower than their respective dimension mean values.
- Public Sector banks is rated higher than the positive section banks and the public section banks are well interactive with their customers perception of customer retention management practices in public and private sectors is almost the same.

9. SUGGESTIONS and RECOMMENDATIONS

A) SUGGESTIONS

- Implement a Customer-centric process in banks.
- Banks, particularly the PSBs need to further improve their counter services.
- Customer complaints should be handled quickly and their satisfaction be accorded top priority.
- Employees should be given training to improve their attitude to customers, behaving politely to them and hence ensuring customer loyalty.

- It is advisable that banks keep a separate complaint-cum-suggestion box / book to enable customers to offer suggestion sand complaints.
- The working hours of the banks must be as flexible as possible. The operating hours of banks are extended depending upon the customer needs.
- Provision for separate inquiry counter at banks is advisable especially to the illiterate customers. Efficient, knowledgeable, competent, versatile and skilled front-line staff is required for banks.
- As more and more customers switch over to ATM services, more ATM machines be installed.
- The banks must try to find out the specific needs of different customers, so that suitable package of services can be offered to them.
- The customer's perception of service quality is lower in private sector banks. So it is suggested that private sector banks may take steps to improve their service quality, strategies, customer interaction management strategies and customer retention management strategies.

B) RECOMMENDATIONS

1. In a competitive environment, the Banks should adopt suitable marketing skills rather than depending on the trading skills. Hence, new services should be constantly introduced to ensure the growth of the Banks and to be competitive in the market and to keep up the enthusiasm of the employees and customers etc.
2. Implement a Customer Centric Process in Banks.
3. Employee Relationship Management first before Customer Relationship Management.
4. Increase customer experience through the web site.
5. Develop channel integration for effective Customer Relationship Management.
6. Proper training should be given to the bank personnel regarding the behavioral patterns by the Banks before they come and work in the field.
7. More importance should be given to handling online transaction and using m -commerce and mobile banking services.
8. It should be realized that customer relation cannot be built overnight. CRM should be considered as Continuous Relationship Management.
9. Data gathered from the customers should be given proper value and it should be properly utilized. Decision making authority should be extended to field force and some resources should be given for faster implementation.
10. 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.

10. CONCLUSION

Customer Relationship Management has become inevitable for growth and profitability of Banks in present scenario marked by rising competition, technological advancement and empowered customers. The CRM practices are adopted 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. In Indian banking Customer Relationship Management is still at a nascent stage. A very small proportion of its potential has been utilised. The concept has been implemented on a limited scale.

The paper investigates the impediments to successful implementation of CRM. An attempt is made to chart out a strategic framework to realise the benefits of Customer Relationship Management. It can be concluded that private sector banks provide better services to their customers than the PSBs. As customers ensure bread and butter for banks by way of income generation, without them there is no business. Hence, apart from focusing on developing product strategies alone, banks need to accord equal or higher priority to customer service particularly by way of installing an effective CRM system. Banks can enhance customer retention, profitability and loyalty and get an increased share of banks from their customers. Banks need to embrace CRM as a principle and adopt a strategy for managing customer relationships that effectively addresses three key areas, customers, processes and technology. Finally, banks should take actions such as recognition and delegation of work, freedom to handle customer's grievances and management's approval to take decision according to the situations.

11. SCOPE FOR FURTHER RESEARCH

The present study has not considered the New Generation Private sector Banks (NGPBs) and Foreign Banks (FBs). It is advisable to make similar comparative studies of the CRM performance between Old Private Sectors Banks (OPBs) and NGPBs; or between OPBs and FBs.

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