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CUSTOMER RELATIONSHIP MANAGEMENT (CRM) IMPACT ON BANKING PERFORMANCE

*Dr Ch. Munendar Reddy

* Associate Professor-MBA, MRM Institute of Management, Ibrahimpatan(M), Rangareddy, Telangana -501510

Abstract:

Banking is treated as blood for common man in daily activities to do trade and lead modern lifestyle in India now. Nowadays, banking sector acts as the backbone of modern business. Development of any country mainly depends upon the banking system. A bank is a financial institution which deals with deposits and advances and other related services. It receives money from those who want to save in the form of deposits and it lends money to those who need it. The banking is one of the most essential and important parts of the human life. In current faster lifestyle peoples may not do proper transitions without developing the proper bank network. The banking System in India is dominated by nationalized banks. The performance of the banking sector is more closely linked to the economy than perhaps that of any other sector. The growth of the Indian economy is estimated to have slowed down significantly.

Keywords: Performance, Transactions, Operations, Automation.

Introduction:

CRM process in level dealing with the customer Includes creating unit view of customer in all communication channels and customer intelligence distribution to customer dealing with level functional, this perspective Highlights on the information coordination with regard to all time and communication channels . For example, bank customers who interact with bank both the loan and the deposit, which this interaction with the Bank is done through different channels and different types of interactions. (Exchange, information requests, complaints) That may vary at any time .

The CRM is able to create sustainable competitive advantage by being understanding, communicating, delivering and developing existing customers and acquiring new customers for organizations. To understand more in customer relationship management, one has to understand three components which are customer, relationship and their management. Relationship is not just making customers satisfied with the products or services by lowering the price but it is more on how managers treat them and how they feel when dealing with the organizations.

CRM in Banking Sector

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. The model developed here answers what the different customer segments are, who more likely to respond to a given offer is, which customers are the bank likely to lose, who most likely to default on credit cards is, what the risk associated with this loan applicant is.

A greater focus on CRM is the only way the banking industry can protect its market share and boost growth. With intensifying competition, declining market share, deregulations, smarter and more demanding customers, there is competition between the banks to attain a competitive advantage over one another or for sustaining the survival in competition. Over the last few decades, technical evolution has highly affected the banking industry. 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. In recent years, banks have moved towards marketing orientation and the adoption of relationship banking principles.

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 predicative future behavior and customer preferences.

Literature:

S.S. Hugar and Nancy H. Vaz, D'Costa, (2010) declared that India is on the threshold of a stark global competition, especially so for the banking sector with the likelihood of the economy opened for global banks soon. The Indian public sector banks, which have come face-to-face with competition just since last decade, are found wanting both with regard to performance as well as their customer orientation. The CRM practices of the banks can help them in retention of their existing customers in the competitive market.

Parviz Hajizadeh, Mehdi Rouholamini, Azra Hajizadeh, (2011) invented that the CRM practices contribute to a significant lowering of the transaction costs and also to a reduction of the marketing communication asymmetries. Basically, CRM is an accelerator, which facilitates establishment and maintenance of mutually beneficial relationship between banks and customers. CRM applications, or e-CRM applications, are hardware and software solutions that utilize various marketing and communication strategies and resources to meet business, public administration, social and other needs. The relationship between banking and CRM practices is such that nowadays it is almost impossible to think of the former without the latter.

Anbuoli (2013) discussed, 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.

Sandeep Walu (2014) disused about e-CRM strategy must cover all the market segments such as retail customer, corporate sector, trade and agriculture for their banking requirements. Banks must build their brand image in assuring customers about the safety of their money and security of transaction through net.

Methodology:

Objectives

1. To study the significance of CRM in Indian Banking industry

2. To know the performance of the banks after CRM implementation in customer view.

3. To offer appropriate CRM strategies for the improvement of banking performance of study banks.

Hypothesis

H_{01}**:** There is no difference of opinion between banking automation and improvement in operational efficiency.

H_{02}**:** There is no association between age and staff behavior is an initial strategy of CRM.

$H_{03:}$ There is no difference of opinion between type of bank account and level of confidentiality of transactions.

Sample & Sample Size

The researcher considered four public sector Banks at first stage, Viz. *SBI, Andhra Bank and Bank of Baroda, Canara Bank* in Hyderabad. Later, the entire study zone of Hyderabad is divided into four sub zones. The sample size is **384**. The Customers who are the **account holders** of more than 05 years of respective bank is considered as valid sample.

Analysis:

H_{01}: There is no difference of opinion between banking automation and improvement in operational efficiency.

Table 1 : Chi Square values of Occupation and Bank Automation

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	892.921[a]	16	**.000**
Likelihood Ratio	857.492	16	.000
Linear-by-Linear Association	345.640	1	.000
N of Valid Cases	470		

a. 2 cells (8.0%) have expected count less than 5. The minimum expected count is 3.77.

According to above chi square value, it is significant (sig. value is < 0.05), hence, Reject null hypothesis. i.e banking automation is dependent on operational efficiency.

H_{02}: There is no association between age and staff behavior is an initial strategy of CRM.

Table 2 : Chi Square values of Age and Staff Behavior

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	695.710[a]	12	**.022**
Likelihood Ratio	604.897	12	.000
Linear-by-Linear Association	298.442	1	.000
N of Valid Cases	470		

As per above chi square table, the value is significant (sig. value is < 0.05), hence, Reject null Hypothesis. i.e it expressed that staff behavior is dependent on age of the customer.

H_{03}: There is no difference of opinion between type of bank account and level of confidentiality of transactions.

Table 3 : Chi Square values of Account type and Confidentiality

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	429.068[a]	6	**.554**
Likelihood Ratio	548.182	6	.000
Linear-by-Linear Association	320.574	1	.000
N of Valid Cases	470		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 5.24.

As per above chi square table, the value is not significant (sig. value is > 0.05), hence, Accept null hypothesis. i.e., type of customer account and confidentiality of the transactions are independent.

Regression (Customer Loyalty)

Table 4: Model Summary of Customer Loyalty

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.753[a]	.568	.564	.718

a. Predictors: (Constant), 8 Needs, 2 Market Share, 1 Profit, 7 Comp. adv

The above table displays R, R squared, adjusted R squared, and the standard error. R is the correlation between the observed and predicted values of the dependent variable. The values of R range from -1 to 1 (0.753). The sign of R indicates the direction of the relationship (positive or negative). The absolute value of R indicates the strength, with larger absolute values indicating stronger relationships.

R squared is the proportion of variation in the dependent variable explained by the regression model. The values of R squared(0.568) range from 0 to 1. Small values indicate that the model does not fit the data well. The sample R squared tends to optimistically estimate how well the models fit the population.

Table 5: ANOVA values of Customer Loyalty

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	314.549	4	78.637	152.616	.000[b]
Residual	239.598	465	.515		
Total	554.147	469			

a. Dependent Variable: 4 Loyalty

b. Predictors: (Constant), 8 Needs, 2 Market Share, 1 Profit, 7 Comp. adv

Besides R-squared, one can use ANOVA (Analysis of variance) to check how well the model fits the data. The F statistic is the regression mean square (MSR) divided by the residual mean square (MSE). If the significance value of the F statistic is small (smaller than say 0.05) then the independent variables do a good job explaining the variation in the dependent variable.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.693	.210		-3.306	.001
Profit	.079	.069	.058	1.144	.253
Market share	-.084	.035	-.091	-2.376	.018
Competitive	.712	.111	.474	6.430	.000
Needs	.403	.088	.305	4.569	.000

a. Dependent Variable: Loyalty

Y= a X+b

Customer Loyalty = -0.693 + (0.079) Increase Profit - (0.84) Increase Market share + (.712) Competitive advantage +0.403 (Customer Needs)

To improve Customer Loyalty, the factor market share increment has negative impact and all other increase profit, customer needs and Competitive advantages are positively influencing on Loyalty.

Discussion of Results:

Customer Relationship building and management has now become the focal point of success for every organization. In this age of liberalization, globalization and cut throat competition, the challenge lies in retention of customers and not just acquisition of customers. Earlier the customers being passive and ignorant the producers were able to sell them everything. But today's customers are highly educated and individualistic in their approach. They have their own choice preferences with quality and value for money taking the top most position in the pyramid. It has become imperative for organizations to build trust and relationship with customer so as to win the customers for lifetime. Jason Jennings and Laurence Houghton have said, "The purpose of business is to find, keep and grow the right customers."

The availability of more ATM's obviously lead to more satisfaction to customers but parallel the banks need to bare a lot of burden to maintain these machines , so the cost sharing mechanism and white label ATM's concept was adopted by SBI , Andhra bank and Canara bank but one more bank is lagging behind in this regard. Automation and computerization of banking transactions will leads operational efficiency of banks but the banks are not able to succeed in educating the same to customers.

The banks have now become more profit oriented and are also playing an important part in the development of the economy. Customer satisfaction has become the key to success for the banks in this competitive age. CRM is one of the tools which helps in meeting the customer's expectations and improve the service quality of the banks thus leading to retention of the customers and improve profitability. Banks have realized that CRM is that magical tool which will help them to build stronger and more profitable relationship with their clients. This study is able to understand that, CRM certainly will help in establishing customer relationship with clients and will go a long way in developing a lifelong relationship.

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