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CUSTOMER RELATIONSHIP MANAGEMENT PRACTICES IN SELECT PUBLIC AND PRIVATE SECTOR BANKS

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Abstract

Firms especially banks have realized the importance of becoming the customer centric approach and therefore Customer Relationship Management (CRM) Practice is seen to be very important especially in the banking sector. Most of the banks felt the need of customer retention and customer satisfaction as one of the most important objectives in their organization's mission and vision. The CRM practices help the banks in value creation to all the stakeholders who are involved in the banking sector. This CRM Practices is about the creation of sustainable competitive edge for being the best in the understanding the need, value, importance of the customers and delivering the service as per the expectations of the customers. This also leads to customers' retention and generating new customers. This CRM Practices helps the organization in identifying the exceptional and valuable customers who have been with the banks and helping them back with various products and services. CRM is considered as the management process from the perspective of Banking Industry where it deals with the acquiring, retaining and generating of new customers. This study will be of exploratory research in nature whereby different aspects of CRM practices in the banking sector. The data is analyzed to know how far CRM practices are implemented effectively to secure a competitive advantage. Based on the finding, a set of recommendations were made to pinpoint CRM practices to secure competitiveness based on five important dimensions such as: (i) Customer Acquisition. (ii) Customer Response, (iii) Customer Knowledge, (iv) Customer Information System, and (v) Customer Value Evaluation in public and private sector banks in Hyderabad city.

INTRODUCTION

CRM in the banking sector, over the decades in the past, has highly affected the banking industry. The commercial banks used branch-based operations for more than 200 years. Since 1980, things have been changing with the advent of multiple technological applications. Different organizations got affected by this development and the banking industry is one of them. With this technology revolution, technology-based remote areas, delivery channels, and payment systems surfaced. It is also seen that the ATMs displaced cashier tellers, telephone represented by call canters, credit cards, debit cards, net banking, and electronic cash replaced traditional cash transactions, and interaction television replaced their face-to-face transactions. Modern marketing philosophy, the concept of CRM brought the concept of customer delight. This applies to all sectors including banking. In the banking sector, a unique relationship exists between the customers and the bankers.

The banking industry faces major obstacles to retain new and existing clients. The Indian banking system has the biggest network of branches in an extensive region. In this competitive world, bank's existence depends on its happy customers. Customer loyalty is the manner in which customers are involved with the banks as it has fulfilled or surpassed the expectations of the customers over the life time. Every bank has a desire to improve the importance of its relationship with customers and to return on investment in customer relations.

CRM is an automated customer relationship approach; it allows smooth collaboration across customer support, communications, information management and other client-related concerns to be maintained and extended functions. It combines individuals, systems and software to optimize consumer interactions. It is not meant to improve consumer ties, but advises that organisations take action by striving in creating value in their lives for the most desirable consumers. CRM handles the interactions between an organization and its customers. Customer relationship management includes information management. The aim of CRM and knowledge management is to develop and consistently provide consumers with good services. In order to learn more about client relations, it is required to understand the importance of Customer, maintaining constant relationship and managing the data of the valuable and loyal customers.

In order to know the effectiveness of CRM implementations, an attempt has been made to analyze CRM practices for enhancing customer satisfaction in select commercial banks from the customer and employee perceptions. This study includes both public sector and private sector banks that directing their strategies towards increasing customer satisfaction and increase customer loyalty through improved service. Almost all the commercial banks are trying to incorporate superior standards in productivity and making constant efforts to adapt to suit the changing environment with a focus on customer relationship management. It is felt that the private sector banks are performing better than the public sector banks in terms of committing time and resources

in managing customers' relationships, creating a modern infrastructure, well-developed privacy policy and monitoring of service quality programs. The efforts of the private sector banks are also better in interacting and taking feedback to have long term bonding with their customers.

Adequate efforts of private sector banks have compelled the public sector bank to work more towards understanding the changing demands of the customers and equip them to cater to the needs of the growing expectations of the customers.

Brand loyalty is declining in the current scenario. The customers often turn to other banks to use better facilities. This is due to continuous competitive launch of innovative and superior products and services. Thus, it is very important to carefully handle the customer demands and daily interaction. Bankers must update their products, strengthen customer support and build trust bonds. With CRM, the organization will establish high customer satisfaction and a positive reputation. To give better service to its customers; sufficient infrastructure is required by the industry. Employees are part of the customer services process, which is the key to the success of select sample banks. A customer's experience with the services is defined by experiences with the personnel and organizational systems. Any laxity at the end of the employees can lead to customers' defects. So both the public sector and private sector banks are involved in providing training programs to their staff to develop the skills required for acquiring and deepening customer relationships. However, both the private and public sector banks are not lagging far behind to match the customers' expectations.

REVIEW OF LITERATURE

Peevers G. et al (2011) examined that the transaction confirmation is shown to be important to customers - whether by an SMS message or within the IVR telephone call itself. Customers judged the role of SMS for CRM as highly desirable after monetary transactions; they prefer the version of the IVR banking service that provides (out-of-band). SMS confirmation compared to one that does not – and they judged it significantly higher for quality. As a consequence, the tools and facilities developed are useful in the implementation of CRM strategy by the banks. Sri Hari et al (2014) found that the Performance and ranking of Public Sector Banks and Private Sector Banks reveal that all the four banks are competing with each other with innovative products and services. Wa'el Hadi (2015) focused on the concept of CRM strategies stage (attraction, acquiring, withholding and expanding), and the competitive advantage. It contains four major steps: the attraction, acquisition, withholding and expansion the relationship with the customers. That has encouraged the authors to examine all available studies from all available sources. Therefore, this paper contributes to this field by providing a clear model for employing CRM strategy as a model to improve Competitive advantage. AurelaRamaj (2015) concluded that the implementation and operation of a CRM system by the Bank is particularly important. Through this facilitated both, management as well as cooperation between the departments of the bank to better serve of customers through the effective registration of their characteristics and needs. The use of a CRM system will

contribute significantly to increasing the degree customer satisfaction by the Bank. The most important conclusion, however, has to do with the specific characteristic that is good to have a CRM system in order to achieve the objectives.

In terms of profitability position, the Public sector banks i.e. S.B.I and Canara Bank are satisfactory in some parameters like E.P.S (Rs) and return on long term funds, Return on Net Worth. On the other way, even the performance of Private Sector Banks and ranking positions in terms of liquidity and profitability are far better and quite rewarding for shareholders. Partha Saradhy et al (2014) explored the comparative use of CRM in various private sector banks. The tenure of banking transactions of the respondents influences the CRM efficiency, especially in the public banking sector. Nationalized banks are succeeding in collecting feedback regularly from the right customers and succeeding in maintaining a transparent and well-defined system, and the customers are highly satisfied with the privacy policy and ATMs provision.

Arup Kumar Baksi (2015) revealed that a link between CRM performance, customer satisfaction, and retention with relationship inertia and perceived switching costs significantly influencing the link among the three major variables. The purpose of this paper is to propose and justify a customer satisfaction - customer retention model in a CRM ecosystem with an insight into the probable impact of moderating variables namely relationship inertia and switching cost.

The study was carried out on the State Bank of India involving certain specific branches in the southern part of West Bengal, India. Marimuthu and Marimuthu (2016) concluded that the adoption and use of CRM in the banking sector and an attempt is made in understanding the multidimensional construct of customer relationships and its implications in a competitive banking environment.

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 it starts demanding. Customers are the backbone of any kind of business activities, maintaining the relationship with them yields a better result. Alaka Samantaray (2016) examined that the characteristic features of the customers, the executives of these banking industries should survey to measure the customer preference and level of satisfaction. It is suggested that the bank should develop the channel incorporation for proper CRM practices. The consumers should be encouraged by the way of rewards, and prizes for using more and more banking facilities.

METHOD

The present study is a comparative and analytical in nature which measures the perceptions of the customers of the select commercial banks namely: SBI and Andhra bank from public sector banks whereas ICICI and HDFC from the category of private sector banks. Both primary and secondary sources of data have been used. For collecting primary data a structured questionnaire was

designed and circulated among the 440 sample respondents which consist of each 220 are from public sector banks and private sector banks. Further, out of 220 respondents of public sector banks, 200 are customers and 20 are bank employees. Similarly, from Private Sector Banks also data has been collected from 200 Customers, and 20 bank employees based on convenience sampling method. Similarly, for analyzing the collected data, a suitable statistical tools such as chi-square test and correlation analysis.

Research Gap

It is evident that the previous studies focused on the up-gradation of technology and geographical spread in terms of (i) no. of bank branches and ATMs. However, operational problems of ATMs, the service quality, and customer's perceptions towards CRM practices in Hyderabad city and in comparison between public sector banks and private sector banks are not covered extensively by earlier studies. Hence, the present study assumes greater significance.

Objective of the Study

The main objective of the study is to analyze the CRM practices in select commercial banks in Hyderabad city. The objectives are:

- 1. To study the importance and dimensions of CRM in the banking sector; and
- 2. To analyze the effectiveness of CRM in select public and private sector banks in retaining the customers.

HYPOTHESIS

H0_{1:} There is no significant difference in the CRM practices in public and private sector banks.

 $H0_2$: There is no significant difference in the effectiveness of the CRM Practices in retaining and generating the customers.

CONCEPTUAL FRAMEWORK OF CRM PRACTICE DIMENSIONS

There are six CRM dimensions making up thirty CRM attributes were identified in a conceptual framework by Lu and Shang (2007). The thirty CRM attributes under six dimensions are mentioned. They are customer acquisition, customer response, customer knowledge, customer information system, customer value evaluation, and customer information process. In this study, it is considered to use the five CRM dimensions to apply in the banking sector, show a conceptual framework of CRM practices among the select banks from the customers' perception.

Justice theory involves the elements of trust, satisfaction, and loyalty where these elements should have in the relationship between customers and organizations. There are three types of justice theory called distributive justice, interactional justice, and procedural justice. The first type of justice theory is distributive justice means the perception an individual holds the fairness of outcome. The second type of justice theory is interactional justice is perceived

fairness of the interpersonal interaction in the decision process. The third type is procedural justice is the fairness of the process.



RESULTS

Further, an analysis of customer and bank employee's perceptions towards CRM practices has been presented by considering five dimensions generally applicable to measuring CRM effectiveness. This **CRM dimensions** include:

- (i) Customer Acquisition
- (ii) Customer Response
- (iii) Customer Knowledge
- (iv) Customer Information System
- (v) Customer Value Evaluation.

It has been found that the public sector banks are ahead of private sector banks in making continuous efforts to delight the customers and in making goals to acquire, develop and retain customers because of good personal relationships. They are also ahead of private sector banks in giving prompt services to its customers.

In this section, an attempt has been made to analyse the data collected with the help of statistical tools such as: i) Chi-square Test; ii) correlation and iii) ANOVA for measuring the effectiveness of each dimension of CRM principles as mentioned in the above paragraph. The results of ANOVA test are presented below.

Table 1 ANOVA Results on Customer Acquisition

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	20.858	3	6.953	17.991	.000
Within Groups	153.042	396	.386		
Total	173.900	399			

Source: Primary Data

The above table, 1 shows the ANOVA test result between CRM practices and the dimension of Customer Acquisition. The calculated *p-value* is 0.000 less than 0.05. Hence, the null hypothesis is rejected. It is concluded that there is a

significant difference between customer acquisition and CRM practices in select commercial banks operating their business in Hyderabad city.

Table 2 ANOVA Results on Customer Response

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	28.937	3	9.646	27.374	0
Within Groups	139.536	396	0.352		
Total	168.473	399			

Source: Primary Data

The above table, 2 presents the ANOVA test result between CRM Practices and the dimension of Customer Response. The Calculated *p-value* is 0.000 less than 0.05. Hence, the null hypothesis is rejected. It is concluded that there is a significant difference between customer response as measure and CRM practices in select commercial banks.

Table 3 ANOVA Result on Customer Knowledge

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	19.652	3	6.551	16.305	0
Within Groups	159.102	396	0.402		
Total	178.755	399			

Source: Primary Data

The above table, 3 indicates the ANOVA test result between CRM practices and the dimension of Customer Knowledge.

The Calculated *p-value* is 0.000 less than 0.05. Hence, the null hypothesis is rejected. It is concluded that there is a significant difference between customer knowledge as measure and CRM practices in select commercial banks.

Table 4 ANOVA Result on Customer Information System

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	21.336	3	7.112	20.882	0
Within Groups	134.865	396	0.341		
Total	156.201	399			

Source: Primary Data

The above table, 4 observed the ANOVA test result between CRM Practices and the dimension of Customer Information System. The Calculated *p-value* is 0.000 less than 0.05. Hence, the null hypothesis is rejected. It is concluded that there is a significant difference between customer knowledge and CRM practices in select commercial banks.

Table 5 ANOVA Result on Customer Value Evaluation

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	20.342	3	6.781	17.89	0
Within Groups	150.091	396	0.379		
Total	170.433	399			

Source: Primary Data

The above table, 5 indicates the ANOVA test result between CRM Practices and the dimension of Customer Value Evaluation. The Calculated *p-value* is

0.000 less than 0.05. Hence, the null hypothesis is rejected. It is concluded that there is a significant difference between customer knowledge and CRM practices in select commercial banks.

SUMMARY OF CHI-SQUARE RESULTS

S. No	Hypothesis	DF	Chi-square value	Asymp. Sig (2-sided)	Accepted/ Rejected
1	There is no significant difference between the services of public and private sector banks	3	400.000	.000	Ho: Reject
2	There is a significant difference between the gender-wise distribution of the bank customers and the type of bank preference	3	.0858	.0836	Ho: Accept
3	There is no significant difference between the marital status of bank customers and the type of bank preference	3	12.986	.005	Ho: Reject
4	There is no significant difference between the age group of bank customers and the type of bank preference	12	50.583	.000	Ho: Reject
5	There is no significant difference between the education qualifications of bank customers and the type of bank preference	12	51.742	.000	Ho: Reject
6	There is no significant difference between the occupation of bank customers and the type of bank preference	12	80.237	.000	Ho: Reject
7	There is no significant difference between the monthly income of bank customers and the type of bank preference	12	51.144	.000	Ho: Reject

Source: Compiled from chapter iii hypothesis

As per the above table, the gender factor influences the bank preference as the calculated value is more than 0.05. Hence, the null hypothesis is accepted. In all other cases, the null hypothesis is rejected as the calculated value is less than 0.05.

Table 6 Correlation Analysis of CRM Practices towards Customers

		Customer Acquisition	Customer Response	Customer Knowledge	Customer information system	Customer value evaluation
Customer	Pearson Correlation	1	.565**	.420**	.365**	.323**
Acquisition	Sig. (2-tailed)		0	0	0	0
_	N	400	400	400	400	400
Customer	Pearson Correlation	.565**	1	.594**	.426**	.381**
Response	Sig. (2-tailed)	0		0	0	0
	N	400	400	400	400	400
Customer	Pearson Correlation	.420**	.594**	1	.537**	.434**
Knowledge	Sig. (2-tailed)	0	0		0	0
	N	400	400	400	400	400
Customer	Pearson Correlation	.365**	.426**	.537**	1	.559**
information	Sig. (2-tailed)	0	0	0		0
system	N	400	400	400	400	400
Customer value	Pearson Correlation	.323**	.381**	.434**	.559**	1
evaluation	Sig. (2-tailed)	0	0	0	0	
evaluation	N	400	400	400	400	400

Source: Primary Data

^{**}Correlation is significant at the 0.01 level (2-tailed)

The Pearson correlation coefficient output table, 6 stated that there is a positive correlation between customers towards customer acquisition, customer response, customer knowledge, and customer information system and customer value evaluation.

Limitation of the Study

The study was confined to only SBI and Andhra Bank under public sector banks and HDFC and ICICI under private sector banks in Hyderabad city in Telangana State. More cities could have been added to add more diversity. Hence the study was surveyed and concentrated on major banks like SBI and Andhra Bank are from Public Sector Banks. HDFC and ICICI bank are from the Private Sector were only investigated. The further selection of branches and respondents on convenient method may not represent the population and leaves scope for improvement in future studies.

DISCUSSION

The following important findings are emerged from the study.

- 1. It is found that customer acquisition practices of public sector banks are better than private sector banks from the customers' point of view. It means public sector banks are maintaining customer friendly CRM practices when compared to the private sector banks in the study area.
- 2. The customer acquisition practices in private sector banks were found to be better than public sector banks. In other words, private sector banks are maintaining good CRM practices than their counterparts. It indicates that they are giving much importance and are committed to business development.
- 3. It is observed that the customer response in the form of feedback is much better in public sector banks when compared to private sector banks. This means public sector banks have a customer-friendly approach and responding to their queries with more clarity. Whereas the bank employees, opinion customer feedback practices at the branch level by the bank employees in private sector banks are better than public sector banks. It means the private sector is a shade better in maintaining CRM practices.
- 4. Any commercial banks struggle for obtaining necessary information about the present and potential customers. According to this study, it is found that customer knowledge adopting by these select commercial banks are better in the case of public sector banks when compared to private sector banks. It indicates that the public sector banks are maintaining good CRM practices as far as the customer knowledge aspect is concerned.

SUGGESTIONS

- 1. It is suggested that the public and private sector banks can attract more customers by fulfilling the needs of customers. The commercial banks have to spend little more resources to gain the customer acceptance. Further, these banks should have to increase more facilities and schemes for the current account holder.
- 2. Commercial banks are trying hard to increase the levels of satisfaction by identifying the lacking areas. And also suggested that with an extreme focus on the parameters which are more important for the customers. So, these efforts lead to maximum customer satisfaction and retention.

- 3. The majority of customer base for these banks are businessmen and employees. Further, banks have to take economic decisions to attract the number of customers, who are out of banking services.
- 4. The bank employees should know about the new products and facilities being provided by these banks to their customers. Efficient, knowledgeable, competent, and versatile front- line staff is the prime requirement for a commercial bank. Moreover, only when the employees are aware of the products launched by the bank, they can provide prompt services to the customers. A commercial bank may strategize the proper deployment of IT tools and effective utilization of the same to search the customers.

CONCUSSIONS

The results show that there is no difference between the employees of public and private banks in Hyderabad city about the practices considered for influencing CRM practices. But univariate analysis shows that some practices of private sector banks are better for CRM. This is because the Private Banks are well organized, building up to modern infrastructure, monitoring of service quality programs, and taking feedback to have long term bonding with customers. Public Sector Banks enjoy the trust of customers but they need to improve their physical facility, infrastructure, guarantees for service failures, and customer feedback system. Public Sector Banks need to improve in this area. Private Banks seems to provide better facilities than the Public Sector Banks but, still, private banks need to go a long way to become the customer's first preference. In an economy of innovative technologies and changing markets, every service quality variable has become important. New financial products and services have to be continuously introduced to stay competitive. However, Private Banks needs to concentrate more on their distribution channels so that they can provide prompt services to its customers.

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