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## A Study On Customer Relationship Management In Banking Sector

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### ABSTRACT

Banks are in constant interaction with customers. Customers are playing crucial role in the development of successful marketing strategy. 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 adopt 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. The lack of understanding on Customer Relationship Management (CRM) is always a concern among the service providers especially banks. Banks have their own way of managing their relationships with the customers. However, the perception of customers on CRM practices among banks should also be taken into consideration. CRM activity with the needs of customers without delay in time, the banks can create more awareness to customers and can create a customer data base very significantly. This paper examines importance of CRM in banking institutions in India.

**Keywords:** Customer Relationship Management, Banks, Customer.

### INTRODUCTION

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 maximize 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.

### RESEARCH 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.

### 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:

1. To review the literature on the concept and use of CRM in banking sector
2. To analyze the perception of customer on CRM as a tool of banking sector in retention of customers in general.
3. To offer pertinent suggestions based on the findings of the study.

### CUSTOMER RELATIONSHIP MANAGEMENT

In literature, many definitions were given to describe CRM. During the last decades there has been strong orientation on customers' satisfaction by fulfilling their needs and wants as means for the achievement of organization's objectives. This underlying motivation on customer focus is clear mission to create value for customers, stay profitable and gain desired performance. By creating value for customers organizations would gain customers' loyalty, which in turn would result in business' growth and profits. The main difference among these definitions is technological and relationship aspects of CRM. Some authors from marketing background emphasize technological side of CRM while the others consider IT perspective of CRM. From marketing aspect, CRM is defined as "a combination of business process and technology that seeks to understand a company's customers from the perspective of who they are, what they do, and what they are like". Technological definition of CRM was given as "market place of the future is undergoing a technology-driven metamorphosis". Consequently, IT and marketing departments must work closely to implement CRM efficiently. They focused on the evaluation of the critical satisfaction dimensions and the determination of customer groups with distinctive preferences and expectations in the private bank sector.

The methodological approach is based on the principles of multi-criteria modeling and preference disaggregation modeling used for data analysis and interpretation. Have focused on the management of the exchange relationships and the implications of such management for the performance and development of technology-based firms and their customers. Specifically the customer relationships of new technology-based firms have been studied. The managing relationship with their customers (especially with employees, channel partners and strategic alliance partners) was critical to the firm's long-term success. It was also emphasized that customer relationship management based on social exchange and equity significantly assists the firm in developing collaborative, cooperative and profitable long-term relationships. They have also hierarchically segmented data sources into clusters, automatically labeled the features of the clusters, discovered the characteristics of normal, defected and possibly defected clusters of customers, and provided clues for gaining customer retention.

### COMPONENTS OF CRM

CRM consists of three components:

- Customer
- Relationship, and
- Management

**Customer:** The customer is the only component of a company's business on which the growth and sustainability of the company depends upon. A customer is the entity that consumes products and has the ability to choose between different products/services. An ideal customer is which generates revenues and hence the profits of the company with very little inputs.

**Relationship:** The relationship is the two way communication process between a company and its customers. The relationship can be short-term or long term, continuous or discrete, and repeating or one-time.

**Management:** CRM is not only concerned with the marketing function. Rather it involves continuous corporate change in culture and processes. The customer information collected is analyzed by the corporate team, which leads to development of such activities that take advantage of the information and of market opportunities available.

### 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, repricing, 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 to protect its market share and boost growth. With intensifying competition, declining market share, regulations, smarter and more demanding customers, there is competition between the banks to gain 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 replaced 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 predictive future behavior and customer preferences. Most sectors of the banking industry are trying to use CRM techniques to achieve a variety of outcomes. In the area of strategy, they are trying to:

- Create a customer-focused organization and infrastructure.
- Secure customer relationships
- Maximize customer profitability;
- Identify sales prospects and opportunities
- Support cross and up-selling initiatives;
- Manage customer value by developing propositions aimed at different customer segments;
- Support channel management, pricing and migration.
- Gaining accurate picture of customer categories.
- Assess the lifetime value of customers.
- Understand how to attract and keep the best customers.

#### VIEW OF LITERATURE

The following literature review section provides a discussion and argument for the service quality and CRM practices. The phrase CRM appeared in the literature after the evolution in the relationship marketing philosophy. Berry (1983) defined relationship marketing as attracting, maintaining and enhancing the customers' relationships in multi-service organization. After a few decades, the evolution in relationship marketing philosophy changed the word relationship marketing to CRM. According to Brown (2000) CRM is a process of acquiring new customers, retaining the current customers, and at the same time understands, anticipates and manages the needs of organization's current and potential customers. Furthermore, Mylonakis (2009) described CRM as an iterative process to create a long term relationship and gaining trust. Further, a clear vision of CRM along with appropriate strategies if applies in banking sectors found out that beneficial in maintaining the customer service quality, customer satisfaction and customer retention which ultimately leads to the growth of the organization and profitability (Bansal and Sharma, 2008). Pradhan (2009) observed that by satisfying the internal customers and building good relationship with them, the relationship with the external customers can also be retained and satisfied by the banks. Kumar & Rajesh (2009) reveals that any bank that wishes to either grow in size of its banking operation or improve its profitability must consider the challenges affecting its customer relationship. The challenge before the banks is not only to obtain updated information for each customer, but also to use the information to determine the best time to offer the most relevant products (Lau et al. 2003). It is also important to understand that if customers bring in profits for the bank, it becomes imperative for the bank to provide excellent services to those customers, otherwise they switch to other banks (Ray, 2007). Service quality in banking implies consistently anticipating and satisfying the needs and expectations of customers. Parasuraman et al. (1985) also hold the view that high quality service gives credibility to the field sales force and advertising, stimulates favorable word-of-mouth communications, enhances customers' perception of value, and boosts the morale and loyalty of employees and customers alike. Puccinelli (1999) looks the financial services industry as entering a new era where personal attention is decreasing because the institutions are using technology to replace human contact in many application areas. Over the last few decades, technical evolution has highly affected the banking industry (Sherif, 2002). In today's competitive banking industry, customers have to make a

choice among various service providers by making a trade off between relationships and convenience - trust and products, or service and efficiency (Sachdev et al., 2004). Roger Hallowell (1996) conducted a research on customer satisfaction, loyalty, and profitability and found that as compared to public sector, private sector bank customers level of satisfaction comparatively higher.

CRM is a key to create a superior customer experience. It manages the customer relationship by creating a clear understanding (Know), by developing services and products based on the added value for target groups (Target), then enabling the actual sale and delivery of services and products through the selected channels (Sell), and developing long term profitable relationships with customers after sales service (Service) (Hussain, et al., 2009). Many researchers have been done in various industries especially in the banking sector that focusing on customer oriented services (Ndubisi et al., 2007; Rootman et al., 2008; and Dutta and Dutta, 2009). The literature on CRM suggests that banks should consider the customer relationship life cycle (Dwyer et al., 1987). In general, there are three core phases: customer acquisition, customer enhancement, and customer recovery. The acquisition phase describes the initiation of a customer-bank relationship.

### CRM ANALYSIS AND 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. It involves new and advance marketing strategies that not only retain the existing customers but also acquire new customers. It has been found as a unique technique which can bring remarkable changes in total output of companies. Through the literature survey and data analysis it can be inferred that CRM tries to find out the relationship between perception and satisfaction, commitment and loyalty that underlines the significance in Indian Banking Sector. Customers largely select their banks based on how convenient the location of bank was to their homes or offices. With the advent of new technologies in the business of banking, such as internet banking and ATM'S, now customers can freely choose any bank for their transactions. Private Banks have traditionally viewed them as exceedingly Customer Centricity offering what they believe to be highly personalized services to the High Net Worth Customers. It is also found that the structured approach of CRM can provide various benefits to a bank, namely a distinctive and consistent customer experience, clear identification of the organization, technological and process-related capabilities.

The banking industry is much further along than other industries in recognizing the value of CRM and implementing decision support systems to support CRM. Though most of the banks have already focused on tactical point solutions, they're ready for a transition toward strategic, enterprise-wide CRM initiatives that cross major business lines. An effective decision support system for CRM enables to collect data about customer from every touch consolidate this information into a single view of the customer, and use this information for customer profiling, segmentation, cross-selling, up selling and retention efforts. As banks continue to seek a unified understanding of customer relationships across diverse channels, the importance and penetration of CRM is expected to grow like anything. From the analysis it is found that Customer Retention is not a big challenge to Banks as per the opinions of customers of selected Banks. It is found that though CRM activities have not helped to increase the confidence of the customers in meeting the changing needs, it helped to increase the confidence of the customers while rendering services in mean time efficiently. CRM activities of the selected Banks are not up to the mark in retaining the key customers. During the e-banking era and services based on advising rather than cash services, where the interaction between customer and bank employees is of major importance, banks face the challenge of winning customer's loyalty through product features and service excellence. This is however, related to winning customers' confidence of internet banking usage. CRM undertaken by employee approach to customers is found very poor. It is further observed that the CRM activities are initiated and implemented by the Banks in a serious manner, so that the customers in particular and the society in general benefited a lot. 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.

### CONCLUSION

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

in reality in the study above. In view of this, to implement a CRM integration strategy, the following recommendations can be adopted:

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.

Implement a Customer Centric Process in Banks.

Employee Relationship Management first before Customer Relationship Management.

Increase customer experience through the web site.

Develop channel integration for effective Customer Relationship Management.

Proper training should be given to the bank personnel regarding the behavioral patterns by the Banks before they come and work in the field.

More importance should be given to handling online transaction and using m - commerce and mobile banking services.

It should be realized that customer relation cannot be built overnight. CRM should be considered as Continuous Relationship Management.

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.

1) 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 wide scope in rural areas is expected in the days to come.

Particularly in marketing approach, considering customer retention as a big challenge, provisioning the facilities attending the needs without delay in time, meeting the changing needs creating the database, employee approach to customers, customer awareness impact of CRM relationship with customer impact over bank objectives, CRM and public image, CRM and updating the data, CRM and customer satisfaction, other nationalized is found quite good. On the other hand, in terms of retention of existing key customers, enhancing customer loyalty, provision in technological infrastructure, location of CRM, existence of CRM, approaches of CRM, coverage of CRM by e-marketing, relationship with the customer, CRM's objectives and making the customer delight, retention of customers benefits of CRM to the organization, loyalty, customer confidence, are found quite satisfactory and in good condition with specific bank. It is very clear from the foregoing analysis that the approach of CRM by banks is to some extent same and one but the reach is quite distinguishable. It is due to the profile, their capability and the strategy of CRM in making it and reaching down to customers. On the contrary, it can also be asserted that the background of both banks also found as a big cause for reaching the top CRM. Hence, CRM is an inevitable tool for marketing that can be considered as Critical Responsibility of Market with regard to Banks in present context. The results in this study show the respondents either agree or strongly agree on majority of the statements in the dimensions used. This study is significant to banks as they get information on what are items that are important to customers so as to maintain the relationship.

The targeted campaigns through Internet and the call center for customers actively using one or both of these innovative channels for their banking operations. The same approach is now being extended to small and medium businesses and to commercial customers.

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