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A Study on Customer Relationship Management Practices in Banking Sector (with Special Reference to Salem District)

Commerce

KEYWORDS : CRM, Bank, Customer Service Management, Customer Knowledge Management.

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Banks play a vital role in the socio-economic development of our country. Banks offer several facilities to enhance the standard of living of our citizens.Customer service management is a key component of business today. The concept is very crucial as it incorporates customer, customer service, customer satisfaction, customer value, customer loyalty, customer retention, etc. Customer service is an extremely dynamic concept. Customer Relationship Management (CRM) is a fundamental business of every enterprise and it requires a holistic strategy and process to make it successful.Customer Relationship Management is a vital factor to improve the performance of the banks.Customer Relationship Management in banks can be defined as the ability to understand, anticipate and manage the needs of the customer, interaction and relationship resulting in an increased profitability through revenue and marginal growth and operational efficiencies.To serve more customers and to retain the existing customers, banks in India have changed from the old concept of accepting deposits and lending money to Any Time, Any Branch and Any Bank through Any Where Banking.

A customer is the core component in the banking industry. The business of banking can neither function without customers, nor is the business when has been done just by acquiring a certain number of transactions culminating in a long- term banker-customer relationship. Banking institutions thrive more on keeping old customers happy, rather than getting new customers.Most of the banks in India are now turning to CRM as they are increasingly realizing that the cost of acquiring new customers is for higher than the cost of retaining existing customers.

IMPORTANCE OF THE STUDY

- The banks are facing lot of difficulties in acquiring new customers and in retaining the existing customers. As a result of the advancement of banking technology and computerization and networking of bank branches, the customers are becoming more and more dynamic and less loyal in their behaviour.
- The development of the Internet is further adding to this trend and the whole market becomes transparent and customers are in a position to move easily from one bank to another. In such a situation, customer satisfaction is the key to bank marketing, which aims at retention of the old customers and their bringing in new customers.
- Most of the banks are concentrating more on retaining the existing customers rather than going for new customers
- Implementation of Customer Relationship Management poses a greater challenge to the banks after acquiring the customers.

OBJECTIVES OF THE STUDY

- To identify various banking services offered by public and private sector bank to consolidate their CRM strategies.
- To study the customers perception on factors influencing Customer Relationship Management in banking industry.
- To classify the customers opinion on initial strategies, maintenance strategies, technology, service satisfaction and impact of CRM.
- To measure influence of demographic variable on elements of CRM in banking industry.
- To ascertain the perception of bank executives on various aspects of CRM in their respective banks.
- To construct and empirical model to ascertain the effectiveness of CRM in public and private sector banks.

SCOPE OF THE STUDY

- The study will highlight the emerging trends in the growth of selecting banking services in the competitive scenario and the major problems faced by the customers as well as the banks.
- In today's changing demographic economic competitive factors mean that there are fewer new customers to go around. The costs of attracting new customers are rising.
- Thus, although finding new customers remains very important, the emphasis is shifting towards retaining profitable customers and building lasting relationships with them.

METHODOLOGY

Research Design

- The study is conducted in two stages format, with a preliminary pilot study followed by the main study. The major part of the study is based on primary data.

Study Area

The Salem district has been chosen for the purpose of study because of the following reasons

- The Salem district is one of the industrialist areas and most of the transactions through the banks.
- Salem district is the fourth place of the corporation in Tamilnadu
- Almost every bank of the state has multiple branches in the city.
- Foreign banks are also interested in establishing their branches in the city.

Sources of Data

Primary data has been collected from the Customers and the Employees of the

- Public Sector Banks
- Private Sector Banks

Secondary data is collected from various published and unpublished sources including Journals, Magazines, Publications, Reports, Books, Dailies, Periodicals, Articles, Research Papers, Websites, Bank Publications, Manuals, and Booklets etc.

Sampling Technique

- Convenient Sampling Method is adopted to collect the primary data.

Sample Size

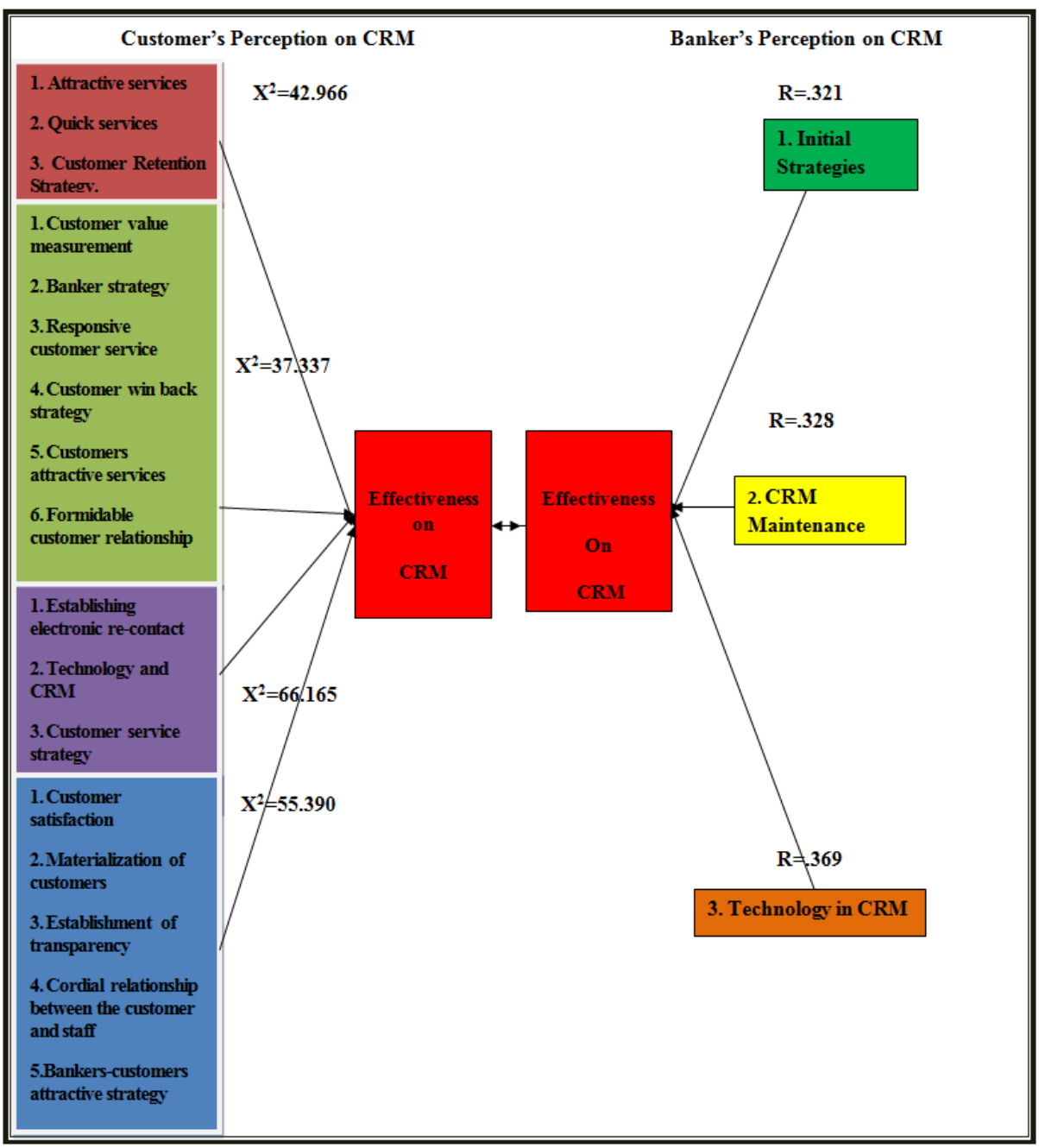
The bank under each category has been chosen based on minimum number of two branches in the Salem District as on March 2010.

Table 1.1
Number of Sample Size in Customers and Bank Executives

S.No	Name of the Bank	Customers	Bank Employees
1	State Bank of India	25	10
2	Allahabad Bank	25	10
3	Andhra Bank	25	10
4	Bank of India	25	10
5	Canara Bank	25	10
6	Central bank of India	25	10

S.No	Name of the Bank	Customers	Bank Employees
7	Corporation Bank	25	10
8	Indian Bank	25	10
9	Indian Overseas Bank	25	10
10	Punjab National Bank	25	10
11	Syndicate Bank	25	10
12	UCO Bank	25	10
13	Union Bank of India	25	10
14	Vijaya Bank	25	10
15	Catholic Syrian Bank	25	10
16	Centurion bank of Punjab	25	10
17	ICICI Bank	25	10
18	Karnataka Bank	25	10
19	Karur Vysya Bank	25	10
20	Lakshmi Vilas Bank	25	10
21	South Indian Bank	25	10
22	Tamilnadu Mercantile Bank	25	10
	Total	550	220

Figure 1
A CRM Model of Banking Industry in Salem District



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Findings

Findings of CRM with respect to Bank customers

- Majority of 86.2 percent of the respondents using the overdraft facility with the banks, most of respondents 82.4 percent are not using the credit card facility with the banks, a maximum of 62.6 percent of the respondents are using the credit card in every month above 50,001, a maximum of 49.8 percent of the respondents are using the card only system.
- Most of the respondents 69.2 percent are not attended the customer interaction programmes to the banks, majority of 48.6 percent of the respondents are dissatisfied the customer interaction programme to the banks, a maximum of 71.4 percent of the respondents are not CRM increased the numbers of the customers with the banks, majority of 64.4 percent of the respondents are not presenting the customer complaint cell to our banks, most of the respondents 47.6 percent are poor functioning customer complaint cell of the banks.
- The customer's public and private sector banks have strong opinion about importance of loan facilities, ATM service and time taken services of CRM in banks. They are very much aware of initial strategies.
- The customers of banking industries strongly believed that advertisements, reports, communication, guidance, may I help you counter, information pamphlets and ombudsman committee customer's also admirable role to achieve the customer satisfaction. The customer staff relationships in CRM depend upon employee's personal touch with their customers and employee's performance.
- Finally, internet services, advanced technology, core banking, and financial performance well defined strategies and achievement of customer satisfaction directly create incidental effects on customers and make them to stick on to the same service providers.
- Factor analysis on initiation gives out three predominant factors namely attractive services, customer retention strategy and quick services.
- Strategies to maintain the customers in these selected banking industries depend upon customer value measurement, banker strategy, responsive customer service, customer win back strategy, customers attractive services and formidable customer relationship is an indispensable factor for materialization of customer satisfaction.
- Technology innovation and latest developments in the electronic fields powerfully affecting the customer relationship management. The first establishing electronic re-contact, the second place of technology and CRM finally third place of customer service strategy. The technologies fought with convenient electronic devices magnetically attract the customers.
- There are six factors included under the customer satisfaction to increase the customer satisfaction, materialization of customers, establishment of transparency, cordial relationship between the customer and staff and bankers- customers attractive strategy.
- The analysis revealed the impact of CRM on the lines of privilege and perfect services to the customers, the achievement of strong bonds of relationship is the main objectives of impact of CRM to get mutual benefit to customers as well as service providers
- Cluster analysis initial strategies of CRM classified the customers of public and private sector banks into 3 groups namely, meticulous customers (38.4 percent), mechanical customers (41 percent), changing tendency customers (20.6 percent).
- It is found that the CRM maintances divided the customers of public and private sector banks into three groups namely, demanding customers (54.4percent), expecting customers (29.6percent) and gregarious customers (17percent).
- It is clear that the technology on CRM differentiate the public and private sector banks customer into three groups namely, innovative customers (36.2percent), settlement oriented customers (46.4 percent),unaware customers (17.4 percent).
- It is revealed that the customer satisfaction classified the public and private sector bank customers into three groups namely, prompt customers (42.8percent), convenient demanding customers (31.4 percent), and adjustable customers (41percent).
- It is concluded that the impact on CRM divided into the customers as public and private sectors bank into three groups namely, saturated customers (43.2 percent), caring customers (39.4 percent), and growth-oriented customers (17.4 percent).

Findings of CRM with respect to executives

- As per the education of the executives includes maximum number of post graduate executives, executive comprising maximum number of 21 to 30 years old, executives income shows maximum number of executives earning ` 10,000 to ` 15,000, department of the executives indicates that, when compared with clerical and sub staff, maximum number of executives under the managerial department.
- Maximum numbers of executives are accepted to the frequent visit of the customers and fulfill their customer's satisfaction. Maximum numbers of executives hope and trust the CRM increased the number of customers. A CRM strategy indicates that, least number of executives possess the sufficient knowledge about CRM in these industry and present in their complaint cell in their organization.
- The executives of banking industries strongly agreed that initiation in CRM primarily depend upon identifying the potential customers and that loyalty rates towards organization.
- The selected banking industry strongly believed that the maintenances procedures in CRM aimed to concentrate current customers, gathering the customer's grievances, periodic evaluation, employees training, employees are rewarded and different customers are given different treatment.
- The selected banking industries are strongly accepted the technology in CRM basically depends upon the introduction of cost, usage of modern technology and advanced technology and understanding the customer's behaviour.

SUGGESTIONS

- The customers of banking industries preferred and except transparency with the executives. So, customer interaction programmes must be essential to study the characteristic features of the customers.
- Information search place a major role in consolidating optimistic relationship between customers and executives. So, meticulous care must be taken by the industries to advertise their services.
- The customers are advised to the about mutual benefit. This enables the industries to improve the quality of services. The qualitative approach and proportionate should be taken care for their customers.
- Since the executives are enthusiastic in initial strategies to acquire the customers the industries may adopt certain incentives strategies for the customers to encourage them. This move would pave the way to maintain smooth relationship between executives and customers
- The executives of these banking industries should conduct a survey to measure the customer preference and level of satisfaction.
- Instead of terminating the problematic and unwanted customers, these industries should come forward to analyze the basic needs and expectation of the problematic customers. This move will be vital reducing the stained relationship with unwanted customers.
- It is found from the research that certain groups of executive are unaware as well as unenthusiastic towards CRM elements. So, executive training programmes must be periodically conducted to give effective responsibility to the executives.

CONCLUSION

CRM is a powerful concept for the success of any industry. It paves the way to maintain an optimistic relationship with customers to increase the business and profitability. The strategies

employed CRM is aimed at mutual benefit to the customers and industries. It creates deep and wide impact on customers and make in deep in roads in identifying the lucrative move of the industries. Personal details of customers like gender, age, education qualification are essential in determing in essential to perform better for all the industries in fact it gives maximum credit and gains to the industry for the future.

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