



IMPACT OF CUSTOMER RELATIONSHIP MANAGEMENT ON CUSTOMER RETENTION WITH REFERENCE TO PRIVATE SECTOR BANKS IN SALEM DISTRICT

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ABSTRACT Banking scenario is ever changing with the introduction of new products, policies and strategies. The customers have been enjoying the competitive advantage through the customer relationship strategies implemented by the banks. New private sector banks have been found to be technologically advanced and they have been introducing varieties of newer strategies to retain the customers. In this context, it is deemed necessary to understand whether the strategies implemented by the banks could create an impact on the customers towards customer retention. The present study has selected three new private sector banks – ICICI Bank, AXIS Bank and HDFC Bank and the customers of these banks have been selected as the sample respondents. The data collected from them have been analyzed with appropriate statistical tools. The study has aimed to explore the awareness level, satisfaction level and impact of CRM strategies towards customer retention. The results showed that age, gender and educational level have significantly related to the awareness level while the satisfaction level of customers varied from one bank to another. The CRM strategies implemented by the select banks have been found to be effective in customer retention as indicated by the retention attitude scores of the sample respondents before and after implementation of CRM strategies.

KEYWORDS : Customer relationship management; strategies; impact; customer retention

INTRODUCTION

Customer Relationship Management (CRM) is a buzzword in the competitive era. A prudent organization tries to retain the existing customers rather than augmenting new customers. Customer retention is inevitable for the sustainable development of every organization, particularly in the service sector. In customer-centric service sector like banking sector, customer retention is the major task before the management. In this regard, banks provide various services and facilities to customers as a part of CRM. The banks should understand the expectations and requirements of the customers. The customers could be retained only when they are satisfied. When the expectations are fulfilled, the customers will be satisfied. On the other hand, the failure to fulfill the requirements results in dissatisfaction of customers. At the same time, it is essential to understand what impact is created by CRM strategies on customer retention.

In an attempt to satisfy the customers, the banks implement various CRM strategies from time to time. Providing adequate infrastructural facilities like parking area, accessibility to the branch location, spacious waiting lounge with comfortable furniture, purified drinking water, clean and neat rest rooms, air conditioners, fans proper lighting, etc. would make the customers feel the pleasant banking experience. Advanced technological facilities like ATM, e-banking, m-banking, cash deposit machine, passbook printing machine, electronic fund transfer through NEFT, IMPS, etc. would be immensely helpful for customers to have convenient banking. Apart from these strategies, customers expect personalized and friendly approach from the bank personnel. Harsh less behavior of bank staff would prime important factor in creating emotional bondage with the customers. Quick response to the queries of customers, efficient grievance redressal, polite and humble approach of bank staff and minimized transaction processing time would also make the customers happy.

Salem District is one of the growing districts in the State of Tamil Nadu with heterogeneous population. The varied customers and culture of the people distinguish Salem District from other districts of the state. Diverse thinking of the people leads to more expectations. Every organization needs to understand the requirements of the customers and fulfill them by critical approach. Industrial growth and the development of educational institutions result in the need for the development of banking sector in this district. Having realized the potential for banking services in the district, both public and private sector banks have started branch expansion in every part of the district. Competition among these banks paved the way for adopting CRM strategies.

OBJECTIVES OF THE STUDY

This study has been undertaken to fulfill the following objectives:

1. To examine the awareness of customers about CRM strategies

2. To assess the satisfaction of customers towards CRM strategies and
3. To understand the impact of CRM strategies on customer retention

SCOPE OF THE STUDY

The present study has chosen Salem District of Tamil Nadu as the study area and the customers of selected private sector banks in this district have been the population for the study. The level of awareness of customers about the CRM strategies adopted by the private sector banks in Salem District and the extent to which the customers are satisfied with these strategies have been analyzed in this study. Finally the impact of CRM strategies on the customers retention has also been discussed.

HYPOTHESES OF THE STUDY

The researchers have formulated the below-mentioned hypotheses in order to fulfill the objectives of the study:

1. The awareness of customers towards CRM strategies is not influenced by demographic variables.
2. The level of satisfaction of customers towards CRM strategies of the selected banks is same.
3. CRM strategies and customer retention are not significantly related.

RESEARCH METHODOLOGY

Every researcher has to design suitable methodology for carrying out the research smoothly. The source of data, tools for collection of data, sample size, sampling method and statistical tools used for analysis of data should form part of the research methodology.

DATASOURCE

The data collected for the present study have been categorized as primary data. The researchers have collected the first hand information from the sample respondents with a view to fulfill the objectives of the study. The primary data are collected directly from the sample respondents with the specific objectives of the study and hence they would be best suitable for the researchers.

TOOL USED FOR DATA COLLECTION

Bank customers do not spend much time for banking transactions due to the fast moving and dynamic business environment. Within the limited period of time which the customers spend in the bank branch, it would be difficult to collect data from them by conducting interviews. Hence, it is decided that a structured questionnaire would serve the purpose. Therefore, the researchers have drafted a structured questionnaire and distributed among the customers while exiting from banks and the filled-in questionnaires were collected later from them at the addresses given by them.

SAMPLE SIZE

The researchers have decided to collect data from 300 respondents selected from 3 selected private sector banks in the Salem District – ICICI Bank, AXIS Bank and HDFC Bank. Accordingly 100 customers from each of these banks have been selected as the sample respondents.

SAMPLING METHOD

Having considered the nature of the study, it has been decided to adopt multi-stage sampling method for selection of sample respondents. Accordingly the private sector banks in Salem District have been identified in the first stage. Among these private sector banks 3 specific banks have been selected in the second stage. In the final stage, 100 customers of each of the selected private sector banks have been selected as sample respondents.

STATISTICAL TOOLS USED

Primary data required for the study have been collected from the sample respondents using a structured questionnaire drafted for this purpose. The data so collected have been analyzed with appropriate statistical tools. Chi square test has been used to analyze the awareness of customers about CRM strategies. The satisfaction of customers towards CRM strategies has been assessed using analysis of variance. Paired t test has been used to examine the impact of CRM strategies on customer retention.

LIMITATIONS OF THE STUDY

The present study is subject to the following limitations:

1. The study has been conducted among the customers of 3 selected private sector banks in Salem District only.
2. Due to time and economic constraints, the sample size has been confined to 300 respondents only.
3. The results of the study could not be generalized to other similar districts.

TABLE 1: AWARENESS LEVEL

Demographic Variables	Chi square value	DF	p value	Result
Age	25.456	6	0.000	Rejected
Gender	6.056	2	0.048	Rejected
Educational Level	13.071	6	0.042	Rejected
Occupational Status	5.24	6	0.513	Accepted
Monthly Income	11.957	6	0.063	Accepted

It could be revealed from the Table 1 that the computed value of chi square indicating the relationship between age and awareness level of customers towards CRM strategies has been found to be 25.456 while the p value was 0.000 stating that the null hypothesis is rejected and it could be concluded that there exists a significant relationship between age of the customers and their awareness towards CRM strategies of the select banks. Gender of the banks has a significant association with the CRM strategies of the select banks as indicated by the chi square value of 6.056 and the p value of 0.048. According to the chi square value of 13.071 and the p value of 0.042, it is inferred that educational level of the customers and their awareness on the CRM strategies are significantly associated. On the other hand, the relationship between occupational status of the customers and their awareness about the CRM strategies is not significant since the p value (0.513) is greater than 0.05. Monthly income of the customers has no significant relationship with the awareness on CRM strategies as revealed by the p value of 0.063 which is greater than 0.05.

TABLE 2: SATISFACTION LEVEL

Name of the bank	Low	Medium	High	Total	F	p value	Result
ICICI Bank	29	47	24	100	4.237	0.015	Rejected
AXIS Bank	15	66	19	100			
HDFC Bank	17	43	40	100			
Total	61	156	83	300			

From the Table 2, it is evinced that the greatest proportion of customers having low level of satisfaction was found to be the customers of ICICI Bank while the highest proportion of customers having medium level of satisfaction was found to be the customers of AXIS Bank and the maximum proportion of customers having high level of satisfaction towards CRM strategies was the customers of HDFC Bank. It denotes that the HDFC Bank customers have been more satisfied by the CRM strategies than the customers of the other banks – ICICI Bank and HDFC Bank. The computed value F stating the relationship between

banks and satisfaction level was found to be 4.237 while the p value was 0.015. Since the p value is less than 0.05, it is concluded that there is significant variation in the level of satisfaction towards the CRM strategies among the customers of the select banks.

IMPACT OF CRM STRATEGIES ON CUSTOMER RETENTION

For this purpose, the following factors influencing customers to remain the customers of the same bank have been considered:

1. ATMs are helpful for anytime and anywhere banking.
2. Credit cards / debit cards are useful for cashless transactions.
3. E-banking facility helps in saving time.
4. M-banking facility is safer and secured.
5. Cash deposit machine is useful for avoiding long queues while making cash deposits.
6. Pass book printing machine helps to update the entries without the help of bank staff.
7. Electronic Funds Transfer facility supports for convenient banking.
8. Personalized approach of bank staff gives pleasant banking experience.
9. I am very happy with the humble and polite behavior of bank staff.
10. Quick response to queries convinces me to remain the customer of the same bank.

The respondents were asked to give their responses before and after implementation of CRM strategies. The scores of each respondent for the given statements before and after implementation of CRM strategies have been computed and compared using paired t test.

TABLE 3: IMPACT OF CRM STRATEGIES ON CUSTOMER RETENTION

Factors	Mean	N	S.D.	t value	p value	Result
Retention Attitude before CRM	27.98	300	3.805	16.006	0.000	Rejected
Retention Attitude after CRM	32.82	300	3.897			

According to the Table 3, the mean score of retention attitude of customers before implementation of CRM strategies was found to be 27.98 with the standard deviation of 3.805 while the average score of retention attitude of customers after implementation of CRM strategies has been ascertained to be 32.82 and the standard deviation thereon was 3.897. The computed value of t (16.006) and the p value (0.000) clearly indicates that there is a significant influence of CRM strategies on the retention attitude of the customers of the select banks.

FINDINGS OF THE STUDY

1. Age, gender and educational level of the customers have significant association with the level of awareness towards CRM strategies.
2. Occupational status and monthly income of the customers did not have significant relationship with the level of awareness towards CRM strategies.
3. Low level of satisfaction towards CRM strategies was found greater among the customers of ICICI Bank.
4. High level of satisfaction towards CRM strategies was found greater among the customers of HDFC Bank.
5. There is a significant change in the retention attitude of the select customers before and after implementation of CRM strategies.

SUGGESTIONS

1. Different CRM strategies shall be implemented for the customers having different occupational status. For example, separate staff shall be appointed to deal with employee-customers, business customers and professional customers.
2. Wifi facility shall be provided to the customers inside the bank premises, in case if they prefer to perform e-banking transactions.
3. Time taken for adding new beneficiary for fund transfer from one account to another account shall be reduced.

CONCLUSION

The banking sector has become more competitive since the adoption of liberalization, privatization and globalization policies in the country. New private sector banks and foreign banks have entered into the banking sector. In this competitive era, it is necessary for the banks to retain the existing customers. For this purpose they have been introducing various CRM strategies from time to time. The impact of such CRM strategies on the customer retention in the select private

sector banks has been analyzed in this study and it has been found that there has been variation in the level of satisfaction about the CRM strategies among the customers of the select private sector banks. However, it could be concluded from the results that the select banks have been successful in customer retention by implementing CRM strategies.

SCOPE FOR FURTHER RESEARCH

It is suggested that a comparative study shall be conducted to understand the impact of CRM strategies on customer retention among the public sector banks and private sector banks. Further studies shall be carried out on the perception of bank employees towards the implementation of CRM strategies and the difficulties faced by them.

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