

Customer Relationship Management in Indian Retail Banking Industry

**Dr. Divya Kumar Agrawal¹, Ms. Lakshmi R², Ms. Ambreen Aisha³,
Ms. Lakshmi SN⁴**

Chief Manager (Research)¹, State Bank institute of credit and risk management,
Gurugram

Assistant Professor², Dr. N.S.A.M. First Grade College, Bengaluru

Assistant Professor³, HKBK Degree College, Bengaluru

Assistant Professor⁴, KIMS, Bengaluru

Abstract

The prime objective of the research work is to develop a framework for Customer Relationship Management Model (CRMM), applicable to Indian retail banks and to analyze the influence of service quality on customer behavior with respect to retail banks. The results of the research study reveal that there appears to be lack of awareness with the bank employees as well as adoption of CRM packages available in the market. It is suggested that the successful implementation of CRM package can be achieved only if the bank can create the right environment, culture and attitude of the employee aiming to serve the customers in the best possible manner.

Keywords: Customer Relationship Management (CRM); Retail Bank; Standard Processing Time (SPT) and Crafting Complaint Resolution Mechanism (CCRM)

Introduction

The traditional mode of marketing mainly focused on segmenting and acquiring new customers by using tools and techniques developed for mass marketing. In the present competitive era, this proves vain. Today there are different approaches to business such as relationship marketing, customer retention and cross selling leading to customer extension, which is a far cry from the traditional segmentation model.

The relative and marked emergence of CRM as a business strategy has radically transformed the way organizations operate. The shift in business focus from transactional to relationship marketing keeps the customer at the centre of all business activities. Organizations are trying to restructure their processes to meet the needs of their strategically significant customers. The critical driver of such a dramatic shift towards customer orientation is the realization that

customers are business assets and when managed effectively they can derive continuous and sustainable economic value for an organization over their lifetime.

Relationship marketing or customer relationship management has been emerging as a core marketing activity for businesses in the fiercely competitive environment. On an average, companies spend six times more to acquire new customers than to retain them. Therefore, many firms are now paying more attention to their relationships with existing customers to retain them and to increase their share of customer purchases.

In order to improve the relations with the customers, today's Retail Banking comprehensively concentrates on the quality of the products and the services offered to the customer, as it is the basic foundation for maintaining and developing long-term relations with the customer. Offering quality products and services is not only essential to develop long-term customer relations, but is also essential to improve marketing productivity and long run profits and growth.

In sum, managing customers today has turned into a well formulated and well-studied science and art known as Customer Relationship Management (or) CRM.

Review of Literature

Government of India has appointed several committees and task force groups on the basis off specific needs with the overall aim of enhancing the efficiency of the banking systems in the country. Following is the review of selected reports and Studies. Further, Select research Studies, in the area pertaining to the field of research has also been reviewed.

Barbara R Lewis (1991),in a research on service quality, an empirical research findings presented from an investigation of consumer expectation and perception of service quality customer of banks, in the UK and US; indicated the importance of a range of elements of services quality and their perception of service actually received.

Number of similarities and difference between the UK and the US respondents are highlighted together with evidence of success to date of the banks in their delivery of service quality. In their findings with respect to the increasing customers, expectations both the UK and the US respondents were found to have very high expectation of service from their banks across most of the dimensions which were investigated, in particular with respect to the reliability elements, honesty, trustworthiness and discretion of contact staff. The UK bank customer gave higher rating to privacy, interior and staff appearances and using customer suggestions to improve service and the US respondents were more concerned about location and parking, opening hours, number of staff available to serve and several of the personal characteristics of bank staff they came in contact with.

Median and Arthur (1994), in a study investigate the main dimensions and attributes that Greek cardholders consider of importance. When selecting a card market, characteristic competitive environment and cardholders profiles in relation to credit is considered. By investigating a

representative quota sample of Greek cardholders taking into account demographic factors such as age, sex and income on the relative important of the main attributes that play a role in card selection.

Freeman and Andrew (1996) have examined an electronic banking experiment by an American bank, First union, at a branch in Asheville, North Carolina, the use of so-called customer relationship managers and challenges the bank faces from customer behavior. The findings shows that customer get elated by a new look. The walls knocked out to create open areas and desks repositioned to seem; less intimidating. The ATM in the branches, being enhanced to offer such services as instant cheque-cashing, mini-statement of recent transactions, split deposits and coin facilities.

Tynan and Thomas (2000) reported on the Internet's influence on bank CRM in United State. They went into the importance of CRM to banks profits; Customer comparison of the level and customization of services and the use of customer services to generate sales. The findings suggest the optimal program for banks as managing the customer experience; generate customer insight and managing customer

Statement of the Problem

The intensity of competition in banking industry is bound to grow in the years to come which in turn could make banking operations more challenging and complex. A paradigm shift is noticeable in the banking industry in India. Such a shift reflects in terms of number of banks, Volume of Business in banking as well as nature of business operations. Bankers in general have moved a long way from mere financial intermediaries to full-fledged financial institutions. To prevent or minimize this possibility of customer deflection; bankers have to come out with customer centric strategic decision. Obviously the conditions draw the attention in evolving meaningful CRM which would provide a platform for not only retaining existing customers but also to expand the customer base by attracting additional customers. In a rapidly scaling up retail banking industry, the major issues are to hold back the existing customers from migrating towards competitors and in acquiring new customers. In retail banking, product development is limited to the government regulations henceforth the other major challenge is to have product differentiation.

Objectives

- To develop a framework for Customer Relationship Management Model (CRMM), applicable to Indian retail banks
- To analyze the influence of service quality on customer behavior with respective to retail banks
- To examine and assess customer satisfaction levels and their influence in building the customer loyalty to achieve a sustained market share and profit

- To examine and assess the external and internal service quality perceptions in respect of retail banks

Methodology

The population for the study consisted of the total number of retail banks in Delhi, Pune, Chennai, Bangalore and Hyderabad Cities and their customers. Of the total banks, the following six banks namely Central Bank of India, Bank of Maharashtra, ICICI, CUB, Barclays Bank and CITI bank control more than sixty percent of the deposits and loans in five cities. Therefore the study was confined to these six banks. In determining the sample size the factors that played a major role are time taken by the respondents to fill up the questionnaires, the number of respondents willing to part with information, resources required and the working hours of the bank. The researcher visited and sends Google forms to the customer's of various bank branches of six banks on different days during the month of April 2021 to March 2022 to collect data.

The questionnaire drafted for the interview schedule meant for the customers was distributed to 451 respondents of the various bank branches taken for the study.

Table 1: Distribution of Sample Respondents (Bank Customers)

Name of the Bank	Number of Bank Customers
Central Bank of India	126
Bank of Maharashtra	244
ICICI	36
City Union Bank	27
Barclays Bank	9
CITI Bank	9
Total Sample Size	451

Data Analysis

Explanatory factor analysis is used to identify the underlying constructs and investigate relationship among the variables. To test the suitability of the data for factor analysis, the following steps are taken.

- The correlation matrix was computed and examined. It reveals that there are enough correlations to go ahead with factor analysis.
- To test the sampling adequacy, Kaiser-Meyer-Olkin measure of sampling adequacy is computed which is found to be 0.804. It indicates that sample is good for sampling.

The overall significance of correlation matrices is tested with Bartlett test of sphericity ((Approximately Chi-square 4442.044 and significant at 0.000) provided as well as support for the validity of the factor analysis of the dataset.

Table 2: KMO and Bartlett's test

KMO and Bartlett's test

Kaiser–Meyer–Olkin Measure of Sampling Adequacy		0.804
Bartlett`s Test of Sphericity	Approx. Chi-Square	4442.044
	Df	435
	Sig.	0.000

Source: own computed

The table 2 shows that the standards indicated make the data suitable for factor analysis. Principal component Analysis is employed for extracting factor. Orthogonal rotation with Varimax was applied. The latent root criterion is used for extraction of factors. As per it, only the factors having Eigen values greater than one are considered significant. All the factors with Eigen values less than 1 are considered insignificant and disregarded.

Table 3: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.136	23.786	23.786	7.136	23.786	23.786	3.382	11.273	11.273
2	2.024	6.747	30.533	2.024	6.747	30.533	2.555	8.516	19.790
3	1.814	6.047	36.580	1.814	6.047	36.580	2.424	8.079	27.868
4	1.568	5.225	41.805	1.568	5.225	41.805	2.235	7.451	35.319
5	1.510	5.035	46.840	1.510	5.035	46.840	2.208	7.359	42.678
6	1.337	4.457	51.297	1.337	4.457	51.297	1.902	6.338	49.016
7	1.179	3.931	55.228	1.179	3.931	55.228	1.863	6.211	55.228
8	1.125	3.749	58.977						
9	1.064	3.546	62.523						
10	.944	3.145	65.668						
11	.858	2.860	68.528						
12	.827	2.757	71.286						
13	.788	2.626	73.912						
14	.736	2.453	76.365						
15	.720	2.399	78.764						
16	.671	2.235	81.000						
17	.614	2.045	83.045						
18	.563	1.877	84.922						
19	.529	1.764	86.686						
20	.510	1.701	88.387						
21	.490	1.634	90.020						
22	.476	1.587	91.607						
23	.420	1.401	93.009						

Extraction Method: Principal Component Analysis (Source: own computed)

From the table above, it is observed that there were only seven factors having Eigen values exceeding 1. The Eigen values after rotation are 3.382, 2.555, 2.424,

2.235, 2.208, 1.902 and 1.863. The percent of the total variance which is used as an index to determine how well the factor analysis accounts for what the variable together represents is 55.228 percent.

Table 4: Rotated Component Matrix

	Component						
	1	2	3	4	5	6	7
q7-1				.484			
q7-2				.794			
q7-3				.613			
q7-4				.539			
q7-5					.728		
q7-6					.493		
q7-7	.133						
q7-8							.515
q7-9		.422					
q7-10					.572		
q7-11		.453					
q7-12							.685
q7-13						.604	
q7-14						.692	
q7-15						.497	
q7-16		.577					
q7-17							.576
q7-18		.721					
q7-19	.530						
q7-20	.432						
q7-21	.635						
q7-22	.669						
q7-23	.762						
q7-24	.620						
q7-25	.543						
q7-26	.346						
q7-27			.568				
q7-28			.544				
q7-29			.707				
q7-30			.762				

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. A Rotation converged in 10 iterations. (Source: own calculated)

The table 4 shows the variables under each of the seven derived factors. The first factor consists of eight variables, the second factor consists of five variables, the third factor consists of four variables, the fourth factor consists of four variables, the fifth variable consists of three variables, the sixth factor consists of three variables and the seventh factor consists of three variables.

Table 5: The name given to all these seven factors depending on the variables grouped together in factor analysis

Factor	Name given to the Factor	Factor Statement	Factor/Loading
I	Bank personal behavior	Trustworthiness	.530
		Personal touch	.432
		Past experience	.635
		Attentiveness	.669
		Assurance	.762
		Reliability	.620
		Responsiveness	.543
		Preferential	.346
II	Bank feature	Simplicity of operation	.133
		Convenient banking hours	.422
		Attractive product	.453
		Interest rate	.577
		Credit facilities	.721
III	Promotional activities	Treatment	.568
		Advertisement	.544
		Courtesy	.707
		Flexible approach	.762
IV	Operational effectiveness Operational effectiveness	Computerized services	.484
		Computerized services	.484
		Speed of operation	.794
		Responsiveness of staff	.613
		Flexible working hours	.539
V	Customer confrontation	Flexible working time	.728
		Handling grievances	.493
		Convenient location	.572
VI	External service quality	Demat facilities	.604
		Ambience	.692
		Bank image	.497
VII	Bank accessibility	Privacy	.515
		ATM facilities	.685
		Number of branches	.576

(Source: own computed)

Factor analysis was employed to retain from a large set of variables a very few set of factors. Orthogonal rotation with varimax was applied. The latent root criterion was used for extraction of factors. Only factors with Eigen values greater than one were considered significant. All the factors with Eigen values less than 1 are considered insignificant.

antanddisregarded. There were seven factors with Eigen values exceeding one. The Eigen values after the rotation are 3.382, 2.555, 2.424, 2.235, 2.208, 1.902 and 1.863

Factor analysis accounts for what the variable together represent is 55.228 percent. The first factor consists of eight variables, the second factor consists of five variables, the third factor consists of four variables, the fourth factor consists of four variables, the fifth variable consists of three variables, the sixth factor consists of three variables and the seventh factor consists of three variables. These seven factors are named by the researcher as bank personal behaviour, bank feature, promotional activities, operational effectiveness, customer confrontation, and external service quality and bank accessibility.

Conclusion

The study brings to light the various aspects relating to relationship building in retail Banking Industry. The variables identified are contributing towards relationship building and dissolution of relationship. It will definitely help bankers to evolve appropriate strategies towards relationship building. The study also found that there is a difference in the service quality perception of customers and bankers as regard to several aspects of relationship management. On this line of the study various suggestions towards improving Bank customer relationship by enhancing the delivered service quality and the development of personnel involved in the delivery system which is coined as External and Internal service quality.

The relationship models identified in the study would throw further light on strategic decision pertaining to relationship building. An effective CRM program designed and executed will obviously provide a win-win platform to both the service providers and the customers. It is hoped that this study is a humble contribution towards achieving this goal.

Reference

- Adolf, rueidger, Grant-thompson and Stacey (1997), 'what leading banks are learning about big database and marketing'. McKinsey quarterly, 1997 no. 3, p 187.
- Agarwal HN (1979), A portrait of Nationalized Banks – A Study with Reference to their Social Obligations, Inter-India Publications, pp. 25-26, New Delhi.
- Berry LL, Parasuram A and Zeithml VA et al. (1998), "The Service-Quality Puzzle", Business Horizons, September-October, pp 35-43.
- Basha, S. M., Kethan, M., & Aisha, M. A. A Study on Digital Marketing Tools amongst the Marketing Professionals in Bangalore City.
- Basha, S. M., & Ramaratnam, M. S. (2017). Construction of an Optimal Portfolio Using Sharpe's Single Index Model: A Study on Nifty Midcap 150 Scripts. *Indian Journal of Research in Capital Markets*, 4(4), 25-41.

- Basha, M., Singh, A. P., Rafi, M., Rani, M. I., & Sharma, N. M. (2020). Cointegration and Causal relationship between Pharmaceutical sector and Nifty—An empirical Study. *PalArch's Journal of Archaeology of Egypt/Egyptology*, 17(6), 8835-8842.
- Berry, L.L. (1995), "Relationship Marketing of Services—Growing Interest, Emerging Perspectives", *Journal of the Academy of Marketing Science*, Vol. 23, (4), pp. 236-245
- Carman, J.M. (1990), "Consumer perceptions of service quality: an assessment of the SERVQUAL dimensions", *Journal of Retailing*, Vol. 66, pp. 35-55.
- Chidambaram R M and Alamelu K (1996), "Service Marketing—Challenges and strategies", *SBIMonthly Review*, p. 303.
- Christopher, M., Payne, A. and Ballantyne, D. (1991), *Relationship Marketing*, Butterworth-Heinemann, Oxford.
- Dr Santhosh Kumar, V., and S. Mahabub Basha. "A study of Emotional Intelligence and Quality of Life among Doctors in Pandemic Covid 19." *International Journal of Early Childhood* 14, no. 02 (2022): 2080-2090.
- Dammert, A and Lasagabaster, E (2002), "Success and Failures in Bank Privitisation: Lessons from Argentina, Brazil, Latvia, Mexico, Mozambique, and Poland", available at <http://www.ecowpa.wustl.edu>
- Debasish, Sathya Swaroop (2003), "Service quality in Commercial Banks: A comparative Analysis of Selected Banks in Delhi", *Indian Journal of Marketing*, Vol. 30, March.
- Elias A H (1982), "Indian Banking Service", *Journal of Indian Institute of Bankers*, Vol. 35, No. 3
- Fisk, R.P., Brown, S.W. and Bitner, M.J. (1993), "Tracking the evolution of the services marketing literature", *Journal of Retailing*, Vol. 69, pp. 61-103.
- Ganesan, S. (1994), "Determinants of long-term orientation in buyer-seller relationships", *Journal of Marketing*, Vol. 58, April, pp. 1-19.
- Harker John Michael (1999), "Relationship Marketing Defined" An Examination of Current Marketing Definitions", *Market Intelligence and Planning*. 17/1, pp 13-20.
- Indian Bank Association bulletin march 1997, p. 125.
- Jagadeesh Babu, M. K., Saurabh Srivastava, S. M., & Aditi Priya Singh, M. B. S. (2020). Influence Of Social Media Marketing On Buying Behavior Of Millennial Towards Smart Phones In Bangalore City. *PalArch's Journal of Archaeology of Egypt/Egyptology*, 17(9), 4474-4485.
- Jackson, B. (1985), "Building customer relationships that last", *Harvard Business Review*, November-December, pp. 120-8
- Khazesh K and Decker W H (1992), "How Customer Choose Banks", *Journal of Retail Banking*, Vol. 14.
- Lehtinen, U and J R Lehtinen (1991), "Two Approaches to Service Quality Dimensions", *The Service Industries Journal*, Vol. 11, No. 3, pp 287-303.
- Madhukar G A, Rajan N and Jahera J S Jr. Et al. (1999), "Service Quality in the Banking Industry: An Assessment in a Developing Economy", *International Journal of Bank Marketing*, Vol 17, pp. 116-123
- N.E., Brooks, R.W. and Little, V. (1997), "Towards a Paradigm Shift in Marketing? An Examination of Current Marketing Practices", *Journal of Marketing Management*, Vol. 13, (5), pp. 383-406

- Parasuraman A, Zeithaml V A and Berry L et al.(1988),”SERVQUAL:A Multiple-Item Scale for Measuring Consumer Perception of Service Quality”, *Journal of Marketing*
- Basha, M., Singh, A. P., Rafi, M., Rani, M. I., & Sharma, N. M. (2020). Cointegration and Causal relationship between Pharmaceutical sector and Nifty—An empirical Study. *PalArch's Journal of Archaeology of Egypt/Egyptology*, 17(6), 8835-8842.
- R.Adolf,S.Thompson,W.Harrington“Whataleadingbanksarelearningofbigdatabasesandmarketing”,*TheMcKinseyQuarterly*,1997.
- Sada,Asish.,S.Chitale.Soniya,”CustomerRelationshipManagement&ThebankingIndustry” productivity,Vol.42,No.1,April–June2001.
- Shaik, M. B., Kethan, M., Rani, I., Mahesh, U., Harsha, C. S., Navya, M. K., & Sravani, D. (2022). Which Determinants Matter For Capital Structure? An Empirical Study on Nbcf's In India. *International Journal Of Entrepreneurship*, 26, 1-9.
- Teas, R.K. (1994), “Expectations as a comparison standard in measuring servicequality: an assessment of a reassessment”, *Journal of Marketing*, Vol. 58 No. 1, pp.132-9.
- Dr. N Krishnamoorthy, MahabubBasha S. An empirical study on construction portfolio with reference to BSE.*Int J Finance Manage Econ* 2022;5(1):110-114. DOI: 10.33545/26179210.2022.v5.i1.130
- Varughese A G (2005),” Retail Banking in India: A Paradigm Shift”, *ProfessionalBanker*,ICFAIUniversityPress.April.
- Webster,F.(1992),“TheChangingRoleofMarketingintheCorporation”,*JournalofMarketing*, Vol.56,October,pp.1-17
- Zeithamal and Berry (1988),”Consumer perceptions of price, quality and Value: Ameans–endModelandSynthesisofEvidence”*JournalofMarketing*,Vol–52,No–3,July,pp 2-22.