
An Empirical Study of Customer Satisfaction and Loyalty towards the CRM Practices adopted by different Banks

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Abstract

In India as well as world financial framework is the center of all monetary exercises including loans and investment, giving advances to foundations and private players for establishments. The present study investigates the impact of customer relationship management practices on the customer satisfaction in the banking sector. The study used survey design and the sample consisted of 780 respondents. These respondents were customers of different banks in the southern western region of Haryana. The results indicate that knowledge ability of employees and attitude towards clients is having significant influence on customer retention. Though, CRM practice of Efficiency of banking services was found to be insignificant. The study has managerial implications for the banking industry. The study also provides future guidelines.

Keywords: Customer Relationship Management; Customer Loyalty; Customer Satisfaction; Customer Service; Knowledge and Experience

1. Introduction of CRM

Developing close, cooperative relationship with customers is more important in the current era of intense competition and demanding customers, than it has ever been before. Customer relationship management (CRM) has attracted the expanded attention of scholars and practitioners. Dwyer, Schurr, and Oh (1987) have characterized such cooperative relationships as being interdependent and long-term orientated rather than being concerned with short-term discrete transactions. However, several factors have contributed to the rapid development and evolution of CRM. These include the growing de-intermediation process in many industries due

to the advent of sophisticated computer and telecommunication technologies that allow producers to industries such as airlines, banks, insurance, computer program software, or household appliances and even consumables, the de-intermediation process is fast changing the nature of marketing and consequently making relationship marketing more popular. Databases and direct marketing tools give them the means to individualize their marketing efforts. As a result, producers do not need those functions formerly performed by the middlemen. Even consumers are willing to undertake some of the responsibilities of direct ordering, personal merchandising, and product use related services with little help from the producers. The recent success of on-line banking, Charles Schwab and Merrill Lynch's on-line investment programs, direct selling of books, automobiles, insurance, etc., on the Internet all attest to the growing consumer interest in maintaining direct relationship with marketers. The de-intermediation process and consequent prevalence of CRM is also due to the growth of the service economy. Since services are typically produced and delivered at the same institution, it minimizes the role of the middlemen.

1.2 Benefits of CRM

It is also a business model which coordinates the product and sales strategies with customer needs and preferences. Effective CRM starts by that specialize in the event of business strategies and by aligning a corporation to serve customers. After that these business strategies are then implemented by using CRM tools solutions. The most successful business strategies are developed only after a corporation learns about customers' behavioural patterns and attitudes. Because this will be helpful to know about which types of products or services have been purchased in the past and what products or services are currently being bought. This studies show what customers are thinking and feeling about their future buying decisions. Banks have always considered them highly customer-focused and offer their wealthy clients highly personalized services. However, changes in customer behavior and asset accumulation mean that High Net Worth customers' needs are becoming more diverse and complex with respect to the types of products they desire, the channels they want to access, and the product types they want.

2. Review of Literature

Ashok Sharma, Tapasya Julka & Sonali Bhardwaj (2012) explored the role of CRM in enhancing organizational growth in regard to the banking system (HDFC bank) by analysis method. Hence, CRM is that tool which helps the organization to create long lasting brand image in customer's mind. This paper analyzed the particular impact of CRM in enhancing the organizational performance. This study was undertaken through the utilization of analysis method of banking sector specifically taking HDFC bank as per the universe of study. Descriptive approaches are going to be followed during this paper for analysis. Some key parameters affecting the organizational growth of the HDFC bank are going to be identified and studied in reference to CRM. Supporting the analysis of those relations of CRM and these key parameters of growth are going to be established. This paper concluded with the suggestions to adopt specific measures to reinforce the impact of CRM in organizational growth of Banks.

Das (2012) studied the comparative perception of SBI clients and other clients of nationalized banks with respect to CRM practices. It was observed that the approach of the CRM is based on a certain extent, identical and unique, but its scope is quite distinct. This was their profile, capabilities and CRM strategy to make it reachable to customers. On the converse, it can also be said that the previous circumstances of these two banks have been measured as an important source for availing the best CRM. Through the analysis it was found that, CRM is a fundamental promotion tool that can be measured as a key market responsibility for banks in today's environment.

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Kunal Gaurav (2013) offered a wide selection of choices across the industry, which made today's market more competitive than ever before. Fueled with globalization & liberalization, the entry of multinationals encouraged the firms to maneuver from sellers' driven marketing to buyers' driven marketing approach. At this backdrop, Relationship Marketing has emerged as one of the foremost powerful marketing tools to cultivate customer loyalty, interaction and long-term engagement. At same time, research has also revealed that the purchasers always desire for top quality service regardless of the type of the service. The focus of this study was to present a conceptual model for empirical investigation to know the impact of relationship marketing and perceived service quality on customer loyalty.

3. Objectives of the study

- 1) To identify and assess the best CRM practices adopted by banking sector banking sector with reference to Haryana.
- 2) To study the factors affecting customers satisfaction regarding selected banking services with reference to Haryana.

4. Hypotheses of the Study

H₀₁: That there are no significant differences in CRM practices adopted by banking sector banking sector

H₀₂: That there are no significant differences in the factors affecting customers satisfaction regarding selected banking services.

5. Research Methodology

5.1 Research Design

In this paper the exploratory research design is implemented.

5.2 Sample Design

Seven Hundred Eighty respondents including fourteen statements from five districts of Haryana *i.e.* Sirsa, Fatehabad, Hisar, Bhiwani, and Mahendergarh through visited the bank branches in these regions in Haryana. Multistage sampling technique is used in this research paper.

5.3 Data Collection

Primary data has been collected through well structured questionnaire from hundred respondents from South Western Region of Haryana.

5.4 Data Analysis

The data collected from the respondents has been tabulated analyzed and drawn conclusion with the help of SPSS (26.0 versions). Analysis of the data has been done with the help of various analytical tools like mean values, S.D, Ranking Technique, F-test and Anova.

6. Data Analysis and Interpretation

In this paper fourteen statements are analyzed with their mean score value which are further discussed in this part.

Table 1: Statement Wise Analysis Customer Satisfaction and Customer Loyalty provided by Banks

Sr. No.	Statements	Response of the Respondents					Value		
		SA	A	N	D	SD	Mean	StD. Dev.	Rank
CS.	Customer Satisfaction								
CS-1	Customers' loyalty programs are established.	71 (9.1%)	233 (29.9%)	198 (25.4%)	154 (19.7%)	124 (15.9%)	3.03	1.223	12
CS-2	Bank planning to establish customer redresser cell.	79 (10.1%)	163 (20.9%)	233 (29.9%)	129 (16.5%)	176 (22.6%)	3.21	1.281	4
CS-3	Bank/Branch holds monthly meeting with its customers.	51 (6.5%)	236 (30.3%)	269 (34.5%)	126 (16.2%)	98 (12.6%)	2.98	1.109	14
CS-4	Customer feedback procedure helps	89	153	302	140	96	3	1.15	13

	to maintain long-term relations with the customers.	(11.4 %)	(19.6 %)	(38.7 %)	(17.9 %)	(12.3 %)		2	
CS-5	Do you feel that your bank really cares about you as customer?	120 (15.4 %)	97 (12.4 %)	221 (28.3 %)	220 (28.2 %)	122 (15.6 %)	3.16	1.27 4	8
CS-6	Bank provides Home delivery of Cash or Cheque Pickup (door to door banking) for strengthening customer relationships.	70 (9%)	213 (27.3 %)	205 (26.3 %)	186 (23.8 %)	106 (13.6 %)	3.06	1.18 9	11
CS-7	The promotional offers from the Bank provide a good value for money.	102 (13.1 %)	119 (15.3 %)	277 (35.5 %)	179 (22.9 %)	103 (13.2 %)	3.08	1.19 5	10
CS-8	Bank is reliable because it is mainly concerned with the investor's interest.	47 (6%)	191 (24.5 %)	204 (26.2 %)	235 (30.1 %)	103 (13.2 %)	3.20	1.13 0	5.5
CS-9	Bank has accuracy in performing financial transactions.	51 (6.5%)	99 (12.7 %)	341 (43.7 %)	178 (22.8 %)	111 (14.2 %)	3.26	1.05 9	2
CS-10	Bank's publications adequately explanatory regarding performance & profitability.	42 (5.4%)	158 (20.3 %)	316 (40.5 %)	176 (22.6 %)	88 (11.3 %)	3.14	1.03 7	9
CS-11	All forms, slips and brochures kept at proper place in bank.	26 (3.3%)	182 (23.3 %)	256 (32.8 %)	229 (29.4 %)	87 (11.2 %)	3.22	1.03 0	3
CS-12	The bank employees give customers individual attention.	41 (5.3%)	130 (16.7 %)	254 (32.6 %)	223 (28.6 %)	132 (16.9 %)	3.35	1.10 3	1
CS-13	Employees in the bank are consistently courteous with customers.	77 (9.9%)	108 (13.8 %)	337 (43.2 %)	116 (14.9 %)	142 (18.2 %)	3.18	1.17 5	7
CS-14	Customers are free to take their own time in decision making related to their financial transactions.	41 (5.3%)	165 (21.2 %)	241 (30.9 %)	262 (33.6 %)	71 (9.1%)	3.20	1.04 1	5.5

Source: Primary Survey Data

The mean scores and standard deviation revealing the respondents view point towards Customer Satisfaction provided by Banks are displayed in table 1. Among the various statements of the facility and infrastructure of the banks, the highest mean score of 3.35 has been observed for The bank employees give customers individual attention. The mean scores of 3.26, 3.22, 3.21, 3.20, 3.18, 3.16, 3.14, 3.08, 3.06, 3 and 3.03 are obtained on The bank employees give

customers individual attention, Bank has accuracy in performing financial transactions, All forms, slips and brochures kept at proper place in bank, Bank planning to establish customer redresser cell, Bank is reliable because it is mainly concerned with the investor's interest, Customers are free to take their own time in decision making related to their financial transactions, Employees in the bank are consistently courteous with customers, Do you feel that your bank really cares about you as customer? Bank's publications adequately explanatory regarding performance & profitability, Bank provides Home delivery of Cash or Cheque Pickup (door to door banking) for strengthening customer relationships, Customers' loyalty programs are established, Customer feedback procedure helps to maintain long-term relations with the customers, and Customer feedback procedure helps to maintain long-term relations with the customers. The lowest mean score of 2.98 has been accorded on the statement, Bank/Branch holds monthly meeting with its customers.

Table 2: KMO and Bartlett's Test

Test Statistics		Value
Kaiser-Meyer-Oklin Measure of Sampling Adequacy		0.827
Bartlett's Test of Sphericity	Approx. Chi- Square	6121.676
Degrees of Freedom	DF	91
P Value	Sig.	0.000

Source: Primary Survey Data

Based on the test results shown in Table 2, researcher can reject the null hypothesis that presents all of the correlation coefficients in an identity matrix. Given the Chi-square value of 6121.676 with 91 degree of freedom in the above table, we can reject the null hypothesis at a 0.05 level of significance because this is not an unexpected result from a random distribution. Moreover, the value of KMO test is 0.827 which is also acceptable as it is more than 0.5. Therefore, researcher can apply factor analysis to evaluate the significant factors contributing towards Customer Satisfaction provided by banks in western southern region of Haryana.

Table 3: Customer Satisfaction and Customer Loyalty and its Total Variance

The method used for performing factor analysis was Principal Component Analysis and Varimax Rotation Extracted method. In this method total variance of the data was considered.

Total Variance Explained									
Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
CS-1	6.332	45.227	45.227	6.332	45.227	45.227	3.410	24.359	24.359

CS-2	1.41 7	10.121	55.349	1.41 7	10.121	55.349	2.84 9	20.350	44.709
CS-3	1.23 0	8.788	64.137	1.23 0	8.788	64.137	2.72 0	19.428	64.137
CS-4	.948	6.770	70.906						
CS-5	.734	5.244	76.150						
CS-6	.633	4.524	80.675						
CS-7	.580	4.140	84.814						
CS-8	.510	3.644	88.458						
CS-9	.453	3.238	91.696						
CS-10	.327	2.338	94.034						
CS-11	.277	1.978	96.011						
CS-12	.228	1.626	97.638						
CS-13	.179	1.276	98.913						
CS-14	.152	1.087	100.000						

Source: Primary Survey Data

Extraction Method: Principal Component Analysis.

Table 3 exhibits that the Eigen value more than one which is a default option results in a total of three factors being extracted from the analysis. The cumulative percentage of variance extracted from the analysis is found that the three factors account for 64.137 percent of the total variance. The Eigen value and the percentage of variance is discussed further which represents the most crucial factors contributing towards facilities and infrastructure provided by banks. The percentage of variance of the first factor is 45.227 with Eigen value of 6.332, followed by second factor cumulative percentage of variance 10.121 percent with Eigen value of 1.417, and followed by third factor cumulative percentage of variance 8.788 percent with Eigen value of 1.230.

Table 4: Customer Satisfaction and Customer Loyalty its Factor Loadings

Rotated Component Matrix^a		
Factor symbol	Statement	Factor loadings
CS -11	All forms, slips and brochures kept at proper place in bank.	0.825
CS -4	Customer feedback procedure helps to maintain long term relations with the customers.	0.774
CS -14	Customers are free to take	0.792

	their own time in decision making related to their financial transactions.	
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Source: Primary Survey Data

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.a. Rotation converged in 8 iterations.

Table 4 it shows that all the fourteen statements loaded significantly on this factor with factor loading more than 0.5. All the fourteen items are extracted in an economical way. This factor has been named as “Customer Satisfaction provided by Banks” as it includes the various statements. In order to interpret the factor more effectively Rotation was performed orthogonal rotation with varimax procedure that maximized the number of variables with high loadings on factor, therefore enhancing the interpretability of the factors. There are only three statements have the factor loading values which concluded the all of the above statements i.e. All forms, slips and brochures kept at proper place in bank with factor loading 0.825, Customers are free to take their own time in decision making related to their financial transactions with factor loading value 0.792 and Customer feedback procedure helps to maintain long term relations with the customers with factor loading value 0.774.

7. Findings and Conclusion

A total of 780 customers were selected for the study and the factor analyses were used as an indicator for measuring of each responding factors of the respondents for evaluation. These factors were selected from the responses of the respondents and were related to banking services. Further, it was revealed from the study that, the maximum customers of state Bank of India represented the businessman category followed by Government employees. It indicates the capacity to retain the customers and CRM practices applied by the Bank. In the factor wise analysis for CRM practices, the Components matrix showed the aggregate value of the 14 components. Out of that, only 3 components were having the values more than one and these were correlated with the factors. So, from that data it is estimated that the CRM practices adopted by the bank is somehow successful and it has been maintained strategically to retain the customers as well as to provide better service to satisfy them in the competitive environment.

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