

A Study of Determinants of Customer Relationship Management in Banks –A Users Perspective

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ABSTRACT

Banking industry plays a very significant role in every economy. It is the central zone of any nation's economy. In India, Banking sector has been divided into two major components- Public Sector Banks and Private sector Banks and every individual have different choices over Private and Public-sector banks. Past literature says, Customer Relationship Management (CRM) has vital role in Banks in India. In the recent years, banks have started using Customer Relationship Management (CRM) as a tool for daily operations and activities. The proposed research was conducted to identify the factors influencing Customer Relationship Management (CRM) from users' perspectives and how the customers of public and sector banks private were significantly different from each other with respect to identified factors. For this study, data was collected through self designed questionnaire which was duly filled by 200 respondents from Indore city. Exploratory Factor Analysis was used to identify various factors and t - test was applied to examine the statistical significance difference between customers perception towards factors affecting CRM. The results indicated that the employee behavior, E-banking, transaction security, additional services and geographical locations were main factors which influence customer relationship management of banks and it was also found that there is significant difference in the perception of customers with respect to Employee behavior of public and private sector banks.

Keywords: Customer Relationship Management, Customer Satisfaction, Public Sector Banks, Private Sector Banks, Banking Sectors

INTRODUCTION

Banking involves the function of accepting deposits from public and creating credit. It is one of the most important financial sectors of India. Majorly the banking service of India is divided into Public and Private sector Banks. Public Sector Banks (PSBs) are banks where a greater part is held by a government. The Private Sector Banks in India are those part of the Indian Banking Sector which is made up of both Public-sector banks and private sector banks. In Private sector banks mainly the stake is held by private stakeholders. After 1991 economic reforms policies that is Liberalization, Privatization and Globalization many private sector banks have re-emerged.

CRM is one of the sound business strategies to create brand value by identifying and understanding customer needs. CRM allows bank to extend customer base and sales capacity. Its importance is to acquire new customers and retain existing customers. Building relationships with customers is important to provide better results in business operations as well as helps in profitability. CRM manages customer profiles, customer services and marketing initiatives which can be combined to explore opportunities for organizational growth. World has advanced a lot and so with banking facilities, who are in need to keep their customers updated for all their transactions and operations. CRM is the solution for all customer troubles. The role of front office people is also important in attracting and retaining customers. Nowadays banks prefer to use CRM Software in order to enhance customer satisfaction by providing quality services to customers.

There are various types of CRM Software which are dependent on the type of organization using it like Operational CRM, Analytical CRM and Collaborative CRM. Operational CRM includes the business processes like Sales and Marketing automation and Service automation to generate leads, convert them into contacts, capture all required details and provide service throughout customer lifecycle. Analytical CRM helps organization to serve customers in a better way by analyzing data and helps top-management to take decisions. Collaborative CRM is also known as strategic CRM. It shares customer's information to various units/departments of the organization to achieve common goal.

The perception of bank in the mind of customers plays a significant role. Customer Relationship Management (CRM) is an approach which is done by a company to manage its interaction with current and potential customers. It is done with the objective to improve business relationships with customers and increase customer retention thereby driving sales growth. Customer Relationship Management (CRM) software compiles customer information and documents into a single CRM database so business users can more easily access and manage it. It also records various customer interactions which are done via email, phone calls, social media etc. Due to technological upgradation, banks are more concentrating on their business and CRM helps them to do so. Relationship Marketing is also important in banking sector.

In the current scenario, many organizations are becoming customer oriented. Due to increased competition, banking sector has started emphasizing more on the implementation Customer Relationship Management (CRM) to achieve business goals. Technological upgradation has made working environment of banks more convenient. CRM has helped banks to achieve competitive advantage. But there is a different scenario in Public and Private Sector Banks. The study identifies the factors affecting Public and Private sector banks Customer Relationship Management is the rationale of this research.

REVIEW OF LITERATURE

Dhar and Kushwah (2009) studied in their research that a firm has to match the expected service with perceived service to get customer satisfaction in context of public and private sector banks.. Agarwal (2009) compared nationalized and private Banks with reference to Customer Relation Management in his study and found that private sector banks implement CRM practices more effectively as compared to public-sector banks. Sharma and Goyal (2011) identified factors for CRM implementation on Indian Banks namely; data-mining tool, synchronization of IT with marketing, customer-centric approach with clear methodology and training of front desk people.

Banerjee (2012) found in his study that customers expect more quality services in Private Banks compared to Public sector Banks. According to this study, customers believe that satisfaction is more in Private bank. Manoj (2013) comparison of Public and Private Sector Banks in Kerala related to CRM and found that private sector banks provide better services to their customers than the public-sector banks. Anita (2014) studied the comparison of public and private sector banks in India in regards to customer satisfaction and found that private sector banks are ahead of public sector banks in strategic intent that is they consider the customers while making new policies and services for winning their satisfaction. Patwa et.al. (2014) examined in a study that private sector banks are ahead of public sector banks in strategic intent and are good in building relations with customers. Agnihotri (2015) conducted research on Impact of The Customer Relationship Practices on The Profitability of UAE Banks concluded that banking sector is losing their market share because people are not aware of the CRM practices provided by the banks.

OBJECTIVES

1. To identify factors affecting Customer Relationship Management of banks from users perspectives.
2. To compare customers' perception towards factors affecting CRM of Public sector and Private sector bank.

RESEARCH METHODOLOGY

The Study: The study was exploratory in nature. In this research primary data were used to explore the determinants of CRM of Public and private sector banks from user's perspective and their perception towards identified determinants was also examined.

The Sample: In this study 200 respondents were taken as the sample which consists of 100 respondents from public sector bank customer while 100 respondents belong to private sector banks collected through survey methods from Indore city. Convenient sampling was used to collect data.

Data Collection Tool: A self-designed questionnaire was developed to identify the determinants of CRM of banks. Questionnaire was divided in to two sections A and B. Section A consisted of questions related to demographic features and Section B consisted of variables affecting CRM of banks from customer perspective. Total 39 variables related with CRM of banks were identified from previous researches and respondents were asked to give response on five-point scale ranging from strongly agree to strongly disagree, where strongly agree was given 5 and strongly disagree was given 1.

Data Analysis Tool: Principal Component Analysis method using varimax rotation of exploratory factor analysis was used to identify factors influencing CRM of public and private sectors banks from customers' perspectives. Cronbach's alpha was used to analyze reliability of scale. T- test was used in order to analyze the statistical significant difference in perception of customers regarding factors affecting CRM of public sector and private sector banks.

FINDINGS AND DISCUSSIONS

Table 1: Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.974	.975	39

Cronbach's Alpha was used to check reliability of instrument (questionnaire) and as per standard norm Cronbach's Alpha should be between 0 to 1. It has been found that Cronbach's Alpha was 0.975 which is near to 1, therefore data was reliable for further statistical analysis.

Table 2: KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.954
Bartlett's Test of Sphericity	Approx. Chi-Square	6.197E3
	df	741
	Sig.	.000

Kaiser-Meyer-Olkin (KMO) and Bartlett's Test is a measure of test that how suited is the data for Factor Analysis. It measures sampling adequacy for each factor present in the data. KMO and Bartlett's Test should lie between 0 to 1. In this study KMO and Bartlett's Test was 0.954 which is between 0 to 1 and significant value was 0.000 which is less than 0.05, therefore it is significant at 5% level of significance. Hence the data is suitable for further factor analysis.

Table 3: Item Total Correlation

S.No.	Items	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
1.	Geographical location of branch	.515	.974
2.	Good infrastructure facilities	.643	.974
3.	Convenient working hours	.563	.974
4.	Image of Banks	.716	.973
5.	Banking Transaction Security	.707	.973
6.	Speedy service	.781	.973
7.	Less transaction charges	.544	.974
8.	Debit card facility	.648	.974
9.	Credit card facility	.480	.974
10.	Positive response of staff	.772	.973
11.	Reliability of Bank employees	.751	.973
12.	Extra services provided by employees	.686	.974
13.	Goodwill of Bank	.734	.973
14.	Cooperative staff	.775	.973
15.	ATM Machine facility	.697	.973
16.	Kiosk Machine facility	.617	.974
17.	24X7 Telephonic support	.664	.974
18.	Ambience	.609	.974
19.	Hospitality	.680	.974
20.	Personal Attention	.767	.973
21.	Frequency of response of staff	.798	.973
22.	Handles request on time	.784	.973
23.	Interactive Management	.774	.973
24.	Trained Staff	.752	.973
25.	Mobile banking	.714	.973
26.	Travel card Facility	.646	.974
27.	Accessibility of financial transactions	.753	.973
28.	Production Services	.702	.973
29.	Protects Data	.759	.973
30.	Privacy	.768	.973
31.	Priority Banking	.769	.973
32.	Web Based Interaction	.681	.974
33.	Online Banking	.692	.973
34.	Website Support	.747	.973
35.	Customize cheque book facility payable at par	.701	.973
36.	Loan facility with clear standard terma & conditions	.699	.973
37.	Quality of services in staff	.775	.973
38.	Investment Consultancy	.629	.974
39.	Senior Citizen Services	.616	.974

Table 4: Result of Factor Analysis:

S.No.	Factors	Items	Item Load	Factor Load	Variance Explained
1.	Employee Behavior	Personal Attention	.787	8.371	19.869
		Hospitality	.758		
		Frequency of response of staff	.739		
		Interactive Management	.695		
		Handles request on time	.692		
		Extra services provided by employees	.670		
		Positive response of staff	.669		
		Cooperative staff	.656		
		Speedy service	.571		
		Trained Staff	.570		
		Quality of services in staff	.553		
		24X7 Telephonic support	.527		
		Ambience	.484		
2.	E-Banking Services	Online Banking	.763	5.341	15.318
		Website Support	.648		
		Priority Banking	.621		
		Web Based Interaction	.607		
		Mobile banking	.595		
		Protects Data	.567		
		Customize cheque book facility payable at par	.548		
		ATM Machine facility	.520		
		Accessibility of financial transactions	.472		
3.	Transaction Security	Banking Transaction Security	.718	4.689	14.378
		Image of Banks	.627		
		Convenient working hours	.593		
		Less transaction charges	.590		
		Debit card facility	.570		
		Privacy	.545		
		Reliability of Bank employees	.528		
		Goodwill of Bank	.518		
4.	Additional Services	Credit card facility	.744	3.028	9.508
		Senior Citizen Services	.600		
		Travel card Facility	.551		
		Loan facility with clear standard terms & conditions	.507		
		Kiosk Machine facility	.419		
		Production Services	.387		
5.	Proximity	Geographical location of branch	.673	1.77	6.400
		Good infrastructure facilities	.650		
		Investment Consultancy	.451		

3.3 Description of Factors affecting Customer Relationship Management (CRM) of Public and Private Sector Bank

Employee Behavior: It refers to the way or how an employee reacts to a particular situation at workplace. Employees represent an organization and their behavior reflects the organization rapport and in case of banks, it is crucial for employees to behave in a certain standardized manner to satisfy customer expectations and enhance customer delight. Right attitude with pleasant behavior of employees reflects the image of bank positively and increase customer retention as well (Malik et al., 2011). Variables which were included were Personal Attention (0.787), Hospitality (0.758), Frequency of response of staff (0.739), Interactive Management (0.695), Handles request on time (0.692), Extra services provided by employees (0.670), Positive response of staff (0.669), Cooperative Staff (0.656), Speedy Service (0.571), Trained Staff (0.570), Quality of service in staff (0.553), 24X7 telephonic support (0.527), Ambience (0.484). The total load of all variables was 8.371. Khartabiel and Saydam (2014) also revealed in their research on bank employees and customer satisfaction that behavior of employees leads to customer satisfaction and enhance customer loyalty.

Electronic Banking Services: It refers to the Banking transactions done over Internet. In this dynamic technology-friendly environment, it was the requirements for upgradation of their services through E-Banking. Customer prefers Banks which provide them ease to carry on their transactions without any delay from any where. The variables included in this factor were Online Banking (0.763), Website Support (0.648), Priority Banking (0.621), Web-based interaction (0.607), Mobile Banking (0.595), Protects Data (0.567), Customize cheque book facility payable at par (0.548), ATM machine facility (0.520) and Accessibility of Financial Transactions (0.472). The total load of all variables was 5.341. Tooret. al. (2016) found that service quality in e-banking enhances customer satisfaction and bank can get competitive advantage by offering better quality service to their customers.

Transaction Security: Safety in monetary transaction is the main concern in banks for customers. People deposit their money in Banks because they feel that their earning will be safe. Various variables which were included in this factor were Banking Transaction security (0.718), Image of Bank (0.627), Convenient Working Hours (0.593), Less Transaction Charges (0.590), Debit Card facility (0.570), Privacy (0.545), Reliability of Bank employees (0.528) and Goodwill of Bank (0.518). The total load of all variables was 4.689. Nimakoet. al. (2013) found in their research that transaction security is one most important aspect in service sector industries and one of the bases of customer retention and customer loyalty. **Additional Services:** For a service organization, its necessary to provide some additional services to its customers for their retention. Banks also provide several additional services or benefits to its customers. The variables included in this factor were Credit Card facility (0.744), Senior Citizen facilities (0.600), Travel Card facility (0.551), Loan facility with clear standard terms and conditions (0.507), Kiosk Machine Facility (0.419) and Products and Services (0.387). The total load of all variables was 3.208. Belas and Gabcova (2016) researched on customer satisfaction, loyalty and financial performance of commercial banks and discussed that providing additional services and products to customers not only increase their satisfaction towards banks but also enhance the banks financial performance.

Proximity: Apart from all the factors proximity plays a vital role in selection of Bank for a person. Customers prefer those banks which are to their closest proximity. The variables included in this factor were Geographical location of Branch (0.673), Good infrastructure facilities (0.650) and Investment Consultancy (0.451). The total load of all variables was 1.774.

It was also found that the mean of private bank (3.8635) is higher than public sector banks (3.4755) towards employee behavior as a factor influencing CRM which implied that private sector bank employees behave better than public sector banks to their customers. The result showed that the mean value of private bank and public bank were 4.0215 and 3.2930 respectively for E-Banking Services. It can be inferred that private sector bank provide better e banking services that public sector banks. It was also found that there was not much difference in mean value of private and public sector banks for Transaction Security, Additional Services and Proximity so it can be concluded that services of public and private sector banks with respect to these factors were found similar for customers.

3.4 Statistical Analysis Representing Customer Perception towards Public and Private Banks regarding Factors Influencing Customer Relationship Management

In order to analyze the statistical difference between customer perception towards factors affecting CRM of public and private sector banks, T-test was used.

Table 5: Descriptive Statistics

Factors	Bank	N	Mean	Std. Deviation	Std. Error Mean
Employee Behavior	Private Bank	100	3.8635	.82018	.10416
	Public Bank	100	3.4755	1.02121	.12570
E-Banking Services	Private Bank	100	4.0215	.83581	.10615
	Public Bank	100	3.2930	.85948	.10579
Transaction Security	Private Bank	100	4.0202	.83107	.10555
	Public Bank	100	3.9867	.84271	.10373
Additional Services	Private Bank	100	3.7634	.78496	.09969
	Public Bank	100	3.5455	.90984	.11199
Proximity	Private Bank	100	3.7688	.82003	.10414
	Public Bank	100	3.6970	.89582	.11027

Table 6: Result of t-test

		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Employee Behaviour	Equal variances assumed	5.555	.020	2.361	126	.020	.38800	.16436
	Equal variances not assumed			2.377	123.077	.019	.38800	.16325
E-Banking	Equal variances assumed	.632	.428	.615	126	.540	.09221	.15000
	Equal variances not assumed			.615	125.845	.539	.09221	.14987
Transaction Security	Equal variances assumed	.752	.387	.226	126	.822	.03342	.14805
	Equal variances not assumed			.226	125.697	.822	.03342	.14799
Additional Services	Equal variances assumed	3.432	.066	1.447	126	.150	.21799	.15063
	Equal variances not assumed			1.454	125.114	.148	.21799	.14994
Location	Equal variances assumed	.9595	.330	.472	126	.637	.07185	.15210
	Equal variances not assumed			.474	125.919	.637	.07185	.15167

1. Difference in perception of public and private customers regarding Employee Behavior as a factor influencing customer relationship management

Null Hypothesis (H_{01}): There is no significant difference between customer's perception of Public and Private-sector Bank regarding Employee Behavior.

It was found that significant value was 0.020 which is less than critical level of 0.05, therefore null hypothesis is rejected. Hence it can be stated that there is significant difference between customer's perception of Public and Private-sector Bank regarding Employee Behavior. It can be observed that the customer's perception towards employee behavior of private sector banks is more positive (mean value = 3.86) than public sector banks (mean value = 3.47).

2. Difference in perception of public and private customers regarding E-Banking facilities as a factor influencing customer relationship management

Null Hypothesis (H_{02}): There is no significant difference between customer's perception of Public and Private-sector Bank regarding E-Banking.

It was found that significant value was 0.540 which is more than critical level of 0.05, therefore null hypothesis was not rejected. Hence it can be stated that there is no significant difference between customer's perception of Public and Private-sector Bank regarding E-Banking Facility

3. Difference in perception of public and private customers regarding Transaction Security as a factor influencing customer relationship management

Null Hypothesis (H_{03}): There is no significant difference between customer's perception of Public and Private-sector Bank regarding Transaction Security.

It was found that significant value was 0.822 which is more than critical level of 0.05, therefore null hypothesis is accepted. Hence it can be stated that there is no significant difference between customer's perception of Public and Private-sector Bank regarding Transaction Security

4. Difference in perception of public and private customers regarding Additional Services as a factor influencing customer relationship management

Null Hypothesis: There is no significant difference between customer's perception of Public and Private-sector Bank regarding Additional Services.

It was found that significant value was 0.150 which is more than critical level of 0.05, therefore null hypothesis is accepted. Hence it can be stated that there is no significant difference between customer's perception of Public and Private-sector Bank regarding Additional Services.

5. Difference in perception of public and private customers regarding Locational factor influencing customer relationship management

Null Hypothesis: There is no significant difference between customer's perception of Public and Private-sector Bank regarding Location.

It was found that significant value was 0.637 which is more than critical level of 0.05, therefore null hypothesis is accepted. Hence it can be stated that there is no significant difference between customer's perception of Public and Private-sector Bank regarding Location.

The study found that customer relationship management is affected by many factors in which employee behavior and E-banking services were most influencing factors. Nowadays, with increase in competition and IT oriented service sector, customer's expectation is also increased and they expect more services than traditional banking services. From results, it was also found that there was not much difference in the customer's perception for public and private sector banks towards identified factors except employees behaviour.

CONCLUSION

The Banks Public and Private have tried to adapt themselves to the dynamic environment. They are trying to be more customer-oriented. By adapting CRM practices Banks have found a new way to do business by retaining its existing customers and identifying potential customers. By adapting CRM practices in an

effective and efficient manner banks surely would be able to achieve their targets. The present research was done with an objective to study factors influencing customer relationship management of public and private sector banks. Result stated that four factors named employee behavior, internet banking, additional services and transaction security were identified which affect CRM of public and private-sector banks. It can be concluded from result that customer need personal attention with convenient and hassle free services. With increase in competition the bank need to apply more customer centric approaches to satisfy them. The study further researched the perceptual difference of both public and private sector banks' customers and found that there was statistical significance difference between customers with respect employee behavior. This can be concluded that employee attitude towards customer is one of the main reason which influence CRM of banks. From the study, it was observed that customer's are more optimistic with the behavior of private sector bank's employees in comparison to public sector banks' employees' behavior. Therefore, it can be said that Public sectors banks need to provide behavioral training to their employees to interact better with customers. Banking services need to be more customers centric and their services need to be delivered fast, secure and convenient.

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