

## **Factors impacting the Customer Relationship Management - A study w.r.t. private sector Banks in Bengaluru**

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### **Abstract**

**Abstract 1 :** Customer relation management (CRM) is a decisive factor impacting business on account of fierce competition in the banking sector where the struggle to win greater share in the market and attract and retain large amount of customers. Hence the present study focuses on the factors impacting on CRM practices in the private sector banks. Out of the population of Bengaluru 8 + millions a sample of 600 were selected through convenient sampling technique and data has been collected through a well drafted and pretested questionnaire which was administered as schedule in order to avoid non-response and delay. The essence of CRM is to create and retain customers. Therefore banks insist on total customer satisfaction which indicates that customer is satisfied and delighted regarding using of a service. Therefore an attempt is made in this study about general factors influencing CRM practices, CRM practice and customers loyalty, use of technology and physical infrastructure and relationship development which impacts on CRM practice.

The challenge before the private sector banks is not only obtaining updated information about each customer, but also to utilise the collected information to decide the best time to offer the most liked financial products. The banks in India are facing the challenge of fulfilling the needs of the customer with high rated better performance. CRM is the significant powerful tool assisting the meeting the needs of the customers.

**KEYWORDS:** Customer Relationship Management, Private Banking Sector, Customer Satisfaction, Technology, Physical Environment.

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## **2. Introduction**

CRM is a powerful business strategy which understands the needs of customers who is often referred to as king. The competitive nature of industry generates one or the other strategies which can competitively satisfy the needs of customers in the present days. CRM facilitates banking industry to understand the needs of customer and retention of existing customer. A bad CRM drives out the bank from the competitive field. Appropriate understanding and implementation of CRM strategy is the key success factors in present competitive market. The post liberalised scenario of banking industry reveals that banks are witnessing spectacular changes. The major causes behind such changes are competition, consolidation, IT, and the need to be customer centric. Banks can improvise their profitability rates, through initiating strategies like segmentation, innovation.

CRM is a simple philosophy that places customer on the centre stage of the organisations processes, activities and culture the satisfaction of service and as a consequence of this maximisation of the profits for the organization. A successful CRM strategy definitely understands the needs of the customers and established better

relationship with customers. Therefore one of the best strategy of launching a CRM initiative is to well interface with the customers.

### **3. Review of Literature**

Zimeldin (2005) expressed that banks must always keep in mind that they are not only offering and selling their products and services, but they and also offering their organisation reputation in every relationship established with customers.

Herington and Weaven (2007) revealed that online service has no significant impacts on customer satisfaction and development of solid relationships with customers since online bank charges are today considered to be regular practice and hence are not part of special customers expectation when it comes to banking service.

Shakil et al. (2012) stated that there exist many customer perceived value, including: faster service delivery, greater revenue, lower costs, availability of information, security of personal and transactional data, primary, service quality and perceived usefulness.

Tang and Ai (2013) noted that customer relationship management also can contribute to the reduction of many negative notions and reduce the possibilities of suspicious transactions, false reporting rates and many other malpractice.

Dalhstrom et al. (2014) stated that trust is an element of a crucial importance in banking industry since establishment of relationships between customers and banks appeared to be a double-sided problems, since both the publics can appear differently depending on the level of trust they have in other party.

Agalotis and Hadzic (2015) have revealed that customer life time value (CLV) criteria in segmentation results in better customer related decisions due to appreciation of more customer centric approach.

Mishra and Vaithianathan (2015) expressed that it cost less to retain a customer than acquire a new one, and hence the authors stated that the significance of enhancing customer life time value and generate customer loyalty instead of implementing transactional, short term transaction oriented marketing activities.

Estrella - Ramon (2017) stated that banks should invest more through penetration and analysis of the existing customer database. Further, the authors expressed that a comprehensive customer database will allow a company to understand better customers needs.

### **4. Research Methodology**

4.0 The present research is carried with the intention of testing the stated hypotheses and probe the hypothetical association among dependent variables and independent variables. CRM practice and customer loyalty, technology impact on CRM practice, physical environment impact relationship development and its impact on CRM practice, factors influencing CRM practices in private sector has been studied.

#### 4.1 Objectives of the study

1. To analyse the factors influencing CRM in private sector banks.
2. To analyse CRM practice of customers loyalty.
3. To analyse the impact of use of technology and physical environment.
4. To analyse the relationship development influencing CRM practice in private sector banks.

#### 4.2 Hypotheses

1. There are no factors influencing CRM in private sector banks.
2. Banks are not following CRM practice of customers loyalty.
3. Technology and physical environment is not impacting CRM practice in private sector banks.
4. Relationship development is not influencing CRM practice in private sector banks.

#### 4.3 Scope of the study

The present study is confined only to Bengaluru Issues like general factors influencing CRM practice, technology and physical environment impact on CRM practice etc., are studied Methodically it is limited to an empirical analysis of sample selected through a survey questionnaire.

#### 4.4 Sample of the study

Using the formula suggested by Bill Godden the sample of the study was decided.

$SS = \text{infinite where population is } > 50,000$

$SS = Z^2 \times (P) \times (i-p)/c^2$

$Z = Z \text{ valueA (e.g. 1.96 for a confidence level)}$

$P = \text{Percentage of population picking a choice, expressed as decimalB.}$

$C = \text{Confidence interval, expressed as decimal.}$

$(\text{e.g. } 0.04 = \pm 4 \text{ percentage points})$

$AZ \text{ values (Cumulative Normal Probability Table)}$

$1.645 = 90\% \text{ Confidence level}$

$1.96 = 95\% \text{ Confidence level}$

$2.576 = 99\% \text{ Confidence level}$

$SS = 3.8416 \times 0.5 \times 0.5 / 0.0016 = 0.9604 / 0.0016$

$= 600.25 \text{ or } 600.$

#### 4.5 Sampling technique

A sample of 600 as suggested by Bill Godden was considered. Convenient sampling technique was followed in the present study. Data collected in a natural setting when a customer approached a bank and after a request the customers gone valuable information. Questionnaire after pretesting was administered us schedule in order to avoid delay and non-response. IDBI, Citi Bank, HDFC Banks covered in the present study.

#### 4.6 Statistical tools

The collected data from different respondents were classified, tabulated, analysed and interpreted. Statistical tools like Chi-square and ANOVA are used to analyse and interpret the tabulated data. Chi-square is one of the important non-parametric test.

#### 5. Limitation of the study

- 1) The sample taken is not large due to nature of study.
- 2) The study given cross sectional data and lengthy study may provide better intents into the data.
- 3) Covering all brands at Bengaluru is a problem on account of constraints like finance, time and transportation.

#### 6. Survey findings

Table-1 reveals data about demographic profile of the customers. There are 370 males and the remaining are females. Chi-square test fails to accept H<sub>0</sub> and accepts H<sub>1</sub>. There are 480 respondents who are married and the rest 120 remained single. Chi-square test fails to accept H<sub>0</sub> and accepts H<sub>1</sub> and hence it is concluded here that there exist significant variation in the data. Majority of 180 out of 600 belongs to the age group of 31-40 years followed by 160 between 26-30 years, 130 between 41-50 years. Chi-square test fails to accept H<sub>0</sub> and accept H<sub>1</sub>, and hence it is concluded have that there exist significant variation in the data. 230 respondents forming 38.33% are employed in private sector followed by 150 in government sector 125%, 90 self employed, 80 doing business and 50 are those wives. Chi-square fails to accept H<sub>0</sub> and accepts H<sub>1</sub> and hence it is concluded here that there exist significant variation in the data. There are 150 professional degrees holders followed by 140 post graduates, 130 degree holders, 100 completed PUC and 80 studied upto 10th standards. Chi-square test fails to accept H<sub>0</sub> and accepts H<sub>1</sub> and therefore it is concluded here that there exist significant variation in the data. 400 respondents or 66.67% are having single bank account over 200 are having multiple bank account. Chi-square test fails to accept H<sub>0</sub> and hence it is concluded that there exist significant variation in the data.

Table-2 highlights data about factors influencing CRM practice in private sector banks. Theses factors vary from providing customized services to retaining the existing customers. 342 respondents (57%) said strongly agree followed by 204 agree, 54 some what agree. Out of 342 respondents a majority of 67 said about customized services, 64 said about retention of existing services, 58 expressed about well defined privacy policy, 55 stated about transparent and well defined systems and the remaining 53 said about use of communication tools, 45 about 7 bank website is user friendly. Out of 204 who said agree 38 said about retention of existing customers, 35 stated about bank website is user friendly, 34 expressed about communication skills, 30 felt about transparent and well defined system and 25 opined about customized service. Out of 54 who said some what agree, 12 said about privacy policy, 11 about communication tools, 10 regarding retention of customers, and remaining about customized service, transparent system, and about website. ANOVA fails to accept H<sub>0</sub> and accept H<sub>1</sub> and hence it is concluded that there exist significant variation in the data.

Table-3 about CRM practice of customer loyalty. 360 said strongly agree followed by 204 agree and 36 some what agrees out of 360 a majority of 65 said about complaints are efficiently handled, 64 about best services, 60 about positive attitude of employees, 55 about low charges, 54 about quick response. Out of 204 who said agree 43 said about quick response, 35 each about efficient handling of complaints and quick response, 34 about positive attitude of employees and 27 regarding low charges. Out of 36 who said some what agree, a majority of 8 said about efficient handling of complaints, 7 said best service is offered, 6 each about positive attitude of employees and quick response. ANOVA fails to accept H<sub>0</sub> and accepts H<sub>1</sub>. Therefore it is concluded here about the presence of significant variations in the data.

Table-4 reveals data on technology usage and CRM practices 360 respondents out of 600 said strongly agree followed by 200 agree and 40 some what agree. Out of 360 respondents 78 said about computerised transactions, 75 said about mobile banking, 70 stated about core banking facility and 65 felt about 24 hour customer care. Out of 200 respondents who asserted agree 48 said about computerised transactions, 38 felt about SMS, mail transfer and fund transfer facility 35 expressed about customer care, 34 said about mobile banking facility. Out of 40 respondents who said one what agree 10 each, a majority spoke about core banking and computerised transactions, 8 spoke about customer care, 7 about mobile banking and 5 about SMS etc. ANOVA fails to accept H<sub>0</sub> and accepts H<sub>1</sub> and it is concluded here that there exist significant variation in the data.

Table-5 highlights data about physical environment influencing CRM practice. 340 respondents strongly agree the physical environment influencing CRM practice followed by 210 agree and 50 some what agree. Out of 340 75 said about account etc., 70 about business under is kept clean, 68 regarding writing desks provision, 65 regarding potable water, 60 felt about providing supplement any services.

Out of 210 who said agree a majority 46 said about account etc., 44 about writing desks, 43 about potable water supply, 42 about cleanliness, and 35 regarding supplementary services. Out of 50 who said some what agree 14 said about cleanliness, 12 about account etc., 11 regarding potable water 7 felt about writing desks are 6 about supplementary services, ANOVA test fails to accept H<sub>0</sub> and accepts H<sub>1</sub>.

Table - 6 states about relationship development influences CRM practice in private sector banks. 368 respondents strongly agree followed by 200 agree and 32 some what agree. Out of 368 who said strongly agree, 102 said about service maintaining influencing CRM practice, 95 felt about of connects banker and customer, 86 said about commitment enhancement, 85 felt about feedback contributes towards better relationship. Out of 200 who said agree, 54 said about feedback taking improves the relationship, 52 service maintenance, 48 about linking better the banker and customer 46 felt commitment and relationship. Out of 32 who said some what agree, 9 each said about service maintenance and relationship through commitment, and 7 each about connecting better banker and customer and feedback taking contributes to the better relationship. ANOVA fails to accept H<sub>0</sub> and accepts H<sub>1</sub> and hence there exists significant variation in the data.

## 7. Conclusion

Private sector banks at Bengaluru are providing competitive service and financial products to the customers. They settle the complaints lodged by customers quickly and there is quick response from the banks. All banks are using technology and accounting is computerised. Regarding physical infrastructures, they are keeping the business area clean, writing pads and A/C, lighting and potable water is provided. With the present scams in the public sector banks there may be a trend turning towards private sector banks in future and customers want not only safety but better services.

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**Table-1 : Demographic profile of respondents**

Gender	Marital Status	Age (yrs)	Occupation	Education	SB/Current A/c.
Males 370	Married 480	18-25 80	Govt. 150	10th Std. 80	One Bank 400
Females 230	Single 120	26-30 180	Private 160	PUC 230	>One Bank 200
		31-40 180	Self 90	Degree 130	
		41-50 130	Business 80	Post-Gr. 140	
		51> 50	Housewife 50	Profess 150	
		above		degree	
Total 600	600	600	600	600	600
Source: Field survey					
<b>Sig.level 5%</b>					
<b>df - 1</b>	1	4	4	4	1
TV - 3.841	3.841	9.488	9.488	9.488	3.841
Rejection & Acceptance	H0 Reject	H0 Reject	H0 Reject	H0 Reject	H0 Reject
Calculated value > TV	H1 Accept	H1 Accept	H1 Accept	H1 Accept	H1 Accepted
Yes	Yes	Yes	Yes	Yes	Yes
<b>Hypotheses</b>					
H0	There exists no significant variation in the data				Reject
H1	There exists significant variation in the data				Accept

**Table-2 : Factors influencing CRM practice in private sector banks**

Variable name	SA	A	SWA	T
Providing customotised and services	67	25	8	100
Transparent and well defined system	55	30	7	92
Bank website is user friendly	45	35	6	86
Using communicative tools	53	34	11	98
Well defined privacy policy	58	42	12	112
Retaining existing customers	64	38	10	112
Total	342	204	54	600

Source: Field Survey

Note: SA - Strongly Agree, A - Agree, SWA - Some What Agree

**Hypotheses**

H0	There exist no significant variation in the data	Reject
H1	There exist significant variation in the data	Accept

**ANOVA Table**

Source of variation	SS	df	MS	F-ratio	5% F Limit (From F-table)
Between the sample	6916.0002	(3-1)=2	6916.0002/2 =3458.001	3458.0001/34.07 =101.49	
Within the sample	511.0000	(18-3)=15	511/15 =34.07		(2, 15) = 3.68
Total	7427.0002	(18-1)=17			

Source : Field Survey

**ANOVA Analysis**

The calculated value being 101.49 higher than the TV - 3.68 @ 5% level of significance with  $df = v_1 = 2$  and  $v_2 = 15$  fails to accept  $H_0$  and accepts  $H_1$ . Therefore it is concluded here that there exist significant variation in the data.

**Table-3 : CRM Practice of customers loyalty**

Factors of customers loyalty presently followed in private sector banks	SA	A	SWA	T
Complaints received will be effeciently dealt	65	35	8	108
Best service quality is offered to the customers	64	30	7	101
Staff always expresses positive attitude	60	34	6	100
Charges are comparatively low	55	27	4	86
Responses and given quickly to the customers	54	35	6	95
Classification and advices are given	62	43	5	110
Total	360	204	36	600

Source: Field Survey

Note: SA - Strongly Agree, A - Agree, SWA - Some What Agree

### Hypotheses

$H_0$	There exist no significant variation in the data	Reject
$H_1$	There exist significant variation in the data	Accept

### ANOVA Table

Source of variation	SS	df	MS	F-ratio	5% F Limit (From F-table)
Between the sample	8752.002	(3-1)=2	8752.002/2 =4376.0001	4376.0001/18.27 =239.51	
Within the sample	274.0000	(18-3)=15	274/15 =18.27		(2, 15) = 3.68
Total	9026.0002	(18-1)=17			

Source : Field Survey

### ANOVA Analysis

The calculated value being 239.51 higher than the TV = 3.68 @ 5% level of significance with  $df = v_1 = 2$  and  $v_2 = 15$  fails to accept  $H_0$  and accepts  $H_1$ . Therefore it is concluded here that there exist significant variation in the data.

**Table-4 : Use of technology and CRM practices in private sector banks**

Use of technology in the CRM practice	SA	A	SWA	T
Core banking facilities are provided	70	45	10	125
24 hour customer care is undertaken	65	35	8	108
Mobile banking facility is given on request	75	34	7	116
Transactions are computerised	78	48	10	136
SMS, main transfer, fund transfer facility	72	38	5	115
Total	360	200	40	600

Source: Field Survey

Note: SA - Strongly Agree, A - Agree, SWA - Some What Agree

### Hypotheses

$H_0$	There exist no significant variation in the data	Reject
$H_1$	There exist significant variation in the data	Accept

**ANOVA Table**

Source of variation	SS	df	MS	F-ratio	5% F Limit (From F-table)
Between the sample	10240	(3-1)=2	10240/2 =5120	5120/22.5 =227.56	
Within the sample	270	(15-3)=12	270/12 =22.5		(2, 12) = 3.88
Total	10510	(15-1)=14			

Source : Field Survey

**ANOVA Analysis**

The calculated value being 227.56 higher than the TV = 3.88 @ 5% level of significance with  $df = v_1 = 2$  and  $v_2 = 12$  fails to accept  $H_0$  and accepts  $H_1$ . Therefore it is concluded here that there exist significant variation in the data.

**Table-5 : Physical environment and CRM practice**

Initiation of physical environment to improve CRM	SA	A	SWA	T
2417 potable water facility during business hours	65	43	11	119
Writing desks are placed at convenient places	68	44	7	119
Account, lighting, assistance and advice one given	75	46	12	133
Supplementary services are provided	60	35	6	101
Business area is kept cleans	72	42	14	128
Total	340	210	50	600

Source: Field Survey

Note: SA - Strongly Agree, A - Agree, SWA - Some What Agree

**Hypotheses**

$H_0$	There exist no significant variation in the data	Reject
$H_1$	There exist significant variation in the data	Accept

**ANOVA Table**

Source of variation	SS	df	MS	F-ratio	5% F Limit (From F-table)
Between the sample	7540	(3-1)=2	7540/2 =3770	3770/21.17 =178.08	
Within the sample	254	(15-3)=12	254/12 =21.17		(2, 12) = 3.88
Total	7794	(15-1)=14			

Source : Field Survey

**ANOVA Analysis**

The calculated value being 178.08 higher than the TV = 3.88 @ 5% level of significance with  $df = v_1 = 2$  and  $v_2 = 12$  fails to accept  $H_0$  and accepts  $H_1$ . Therefore it is concluded here that there exist significant variation in the data.

**Table-6 : Relationship development influences CRM practices in private sector banks**

Drivers of relationship development	SA	A	SWA	T
Relationship development best connect bankers and customers	95	48	7	150
Service maintaining and complaint management develops better relationship	102	52	9	163
Feed back taking from customers contributes to the better relationship development	85	54	7	146
Relationship through commitment enhances banker and customer relation	86	46	9	141
Total	368	200	32	600

Source: Field Survey

Note: SA - Strongly Agree, A - Agree, SWA - Some What Agree

**Hypotheses**

H0	There exist no significant variation in the data	Reject
H1	There exist significant variation in the data	Accept

**ANOVA Table**

Source of variation	SS	df	MS	F-ratio	5% F Limit (From F-table)
Between the sample	14128.6668	(3-1)=2	14128.6668/2 =7064.3334	7064.3334/ =241.79	
Within the sample	263.0000	(12-3)=9	263/9 =29.2222		(2, 9) = 4.26
Total	14391.6668	(12-1)=11			

Source : Field Survey

**ANOVA Analysis**

The calculated value being 241.74 higher than the TV = 4.26 @ 5% level of significance with  $df = v_1 = 2$  and  $v_2 = 12$  fails to accept H0 and accepts H1. Therefore it is concluded here that there exist significant variation in the data.