

IMPLEMENTATION OF CRM PRACTICES IN COMMERCIAL BANKS IN INDIA: AN EMPIRICAL CASE STUDY

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Abstract: CRM is a buzz word today, particularly in the service sector like banks. But, to adopt an effective and efficient CRM strategy for driving the organization towards the desired goal, banking sector needs some practices. Though there exist a number of practices banks need to study the profile of user groups, customers, design processes of implementation, and the impact of these practices on customers for its effective implementation. This paper throws light the impact of CRM practices on customers, and the extent of implementation of the practices in the retail banking sector. The assessment done based on the opinion of customers revealed that CRM practices have a positive impact on customers and implementation of the practices is good.

Keywords: Best Practices, Commercial Banks, Customer Relationship Management, Retail Banking.

Introduction: Banks are adding value to their products and services through best practices, in order to increase profitability and productivity. Customer Relationship Management (CRM) involves organising, automating business processes through a model for managing customer interactions. It includes attracting and winning new customers, retaining existing customers, reducing cost of operation and marketing etc. CRM describes measuring and valuing customer relationships through quality and efficiency, decrease in overall costs and increase profitability. While using CRM in the service sector, especially in banking, the focus is on customer development. It helps in marketing their services and attracting larger number of customers. It helps to keep the existing customers loyal by using information gathered from the user and provide them with more personalised services in order to meet the expectations of the customer.

Banking sector in India has also started implementing best practices to survive in this competitive world of business. In the initial years of CRM implementation, banks used to develop close relationships with customers by offering personalized services, which was a costly affair for the banking industry. Today, through effective and productive utilization of ICT banks used to offer a large variety of personalized services at low price to all customers at a time. Further, owing to the increased acceptability for attracting customers in the new customer driven era, bankers started using the practices extensively. It's also true that CRM practices help banks gained benefits in the form of increased customers, increased sales, and increased profits, among others (Balakrishnan, H. & R.Krishnaveni, 2014 and Ganesh, 2003). But, a thumb rule to follow during implementation is that though good tools are expensive banks should not compromise on the quality of the product or the capability of the implementer (Swaroop K.S, 2004). Furthermore, since the market is maturing and clients are becoming more knowledgeable, banks need added features like best practices to build customer relationships in the near future (Archi Dubey, 2015). Though there exist a number of practices, banks need to study the profile of user groups, customers, design processes of implementation, and the impact of these practices on customers. But, the available literature finds a gap on the extent of implementation of the existing CRM practices and its impact on customers and hence this study. This study throws light on the impact of CRM practices on customers, and the extent of implementation of these practices in the retail banking sector of Kerala. The study was carried out to answer two research questions- (i) Do CRM practices impact on customers? (ii) How good the implementation of CRM practices is? Accordingly, the study advanced with two hypotheses-(i) Implementation of CRM practices has no impact on customers and (ii) implementation of CRM practices in the retail banking sector is good.

Methodology: The study is empirical in nature. The data were collected from the customers of the sample bank branches. All the public and private sector banks in Kerala constitute the universe for the study. Multistage sampling technique was employed for selecting the sample. In the first stage, the State of Kerala was divided into three zones- south, central and north and accordingly Thiruvananthapuram (representing the south), Thrissur (representing the central) and Kozhikode (representing the north) were selected. In the second stage, SBI from the public sector and Federal bank from the private sector were selected from each of the three sample districts, based on the volume of business and number of branches. In the third stage, for selecting the sample branch, 15 bank branches each of SBI and Federal bank from the three zones were selected. Thus, a total of 90 branches (45 SBI branches and 45 Federal bank branches) constitute the sample branches. In the fourth stage, the sample customers were selected. Five customers each from 45 branches of SBI and 45 branches of Federal Bank were selected. Thus, a total of 450 were the respondents (225 customers each from SBI and Federal bank), representing the respondents for the study. For data analysis, statistical tools such as Mean, Percentage, Standard deviation, Regression, Z test, ANOVA, and Factor analysis were used.

Results and Discussion: To assess the implementation of CRM practices, 18 pre- tested practices were used. The customers of SBI and Federal bank were asked their opinion on the practices in a five point Likert scale (Table 1). The responses were scored as 1 for 'strongly disagree', 2 for 'disagree', 3 for 'no opinion', 4 for 'agree' and 5 for 'strongly agree'.

The extent of implementation of CRM practices has been made through structural equation modeling (SEM). The SEM estimation procedure used for the analysis here is maximum likelihood estimation. For the analysis, initially an input model was developed by using AMOS-18 graphics (Fig. 1 and 2). The rectangle represents observed factors, the ovals drawn in the diagram represents unobserved variable. The curved double headed arrows represent correlations or co-variances among the unobserved variables and the straight headed arrow represents the factor loadings of the observed variables. The small circles with arrows pointing from the circles to the observed variables represent errors /unique factors, which are also known as, squared multiple correlation of the standard error. The SEM starts with an initial model and refined to reach the final model. The model fit indices are presented in Table 2.

The significance of validity of the first hypothesis that implementation of CRM practices has no impact on customers was assessed by examining the regression coefficients of extracted 18 constructs. If the regression coefficient has value more than 0.4 it is treated as significant impact on dependent variable (Table 3). In this case all these constructs has regression coefficient value more than 0.4. Hence the hypothesis that implementation of CRM practices has no impact on customers stands rejected. This finding also agrees with the findings of Shanker (2004), Bhasker, P.V. (2004), Kallol Das, Jithesh Parmar & Vijay Kumar Sadanand (2009).

To find the level of implementation of CRM practices, the score of all the 450 respondents was found out, based on which the mean percentage score (MPS)* of the practices has also been worked out. This score was classified into one of the four groups as low or poor if the mean % score is less than 35%, average if the mean % score is between 35 to 50 per cent, medium or good if the mean % score lies in the interval 50 to 75% and high or excellent if the mean % score is above 75%. A one sample Z test is carried out to test the significance. Table 4 gives the Mean, SD, Mean % Score and Z value of the variables considered. The mean percentage score for implementation of CRM practices is 74.40% which indicate that the customers view on CRM practices is good. The CV indicates that this score is stable as the value is less than 20%. The view of the customers on the implementation of CRM practices has also been put to hypothesis testing. To test the hypothesis one sample Z test has been used and the result is found to be not significant (i.e. $p > .05$) (Table 4). Hence the hypothesis stating that implementation CRM practices in the retail banking sector in Kerala is good stands accepted.

Conclusion: The study came out with the conclusion that implementation of CRM practices in the retail banking sector in Kerala is good and also CRM practices in the retail banking sector in Kerala impacted very much on customers. But to augment a better customer-centric performance, employees have to give more trust on entertain customer queries, high personal attention to customers, cheerful and punctual in dealing with customers, on time settlement of customer complaints, ensure confidentiality of customers, take speedy actions in case of security problems in banking, flexible in banking needs of customers etc. Hence, every

employee should be given periodical training on these areas to facilitate customers who are of varied characters' realising the fact that managing customer relationship is the future of every business.

Table 1: CRM Practices Selected for the Study

Sl.No	CRM Practices
IV ₁	Bank employees always entertain customer queries
IV ₂	Bank employees give personal attention to customers
IV ₃	Bank employees are always polite in dealing with customers
IV ₄	Bank employees keep an emotional bond with long relationship customers
IV ₅	Bank employees are always punctual to ensure customer satisfaction
IV ₆	Bank employees ensure that customers are given prompt services
IV ₇	Bank employees ensure that customer complaints are easily settled
IV ₈	Bank employees ensure that bank is dependable for customers
IV ₉	Bank employees make sure confidentiality of its customers
IV ₁₀	Bank employees are always cheerful in responding to customers
IV ₁₁	Bank employees take speedy actions in case of any security problems in using net banking services
IV ₁₂	Bank employees take steps to keep the customers with bank through customer recovery strategies
IV ₁₃	Bank employees are always attentive to customers
IV ₁₄	Bank employees make sure that customers are not kept unattended
IV ₁₅	Bank employees are committed towards their job which ensures customer satisfaction
IV ₁₆	Bank employees are competitive in their field of work
IV ₁₇	Bank employees show courtesy in dealing with customers
IV ₁₈	Bank employees are highly flexible according to the banking needs of customers

Table 2: Model Fit Indices for CFA Implementation of CRM Best Practices

	χ^2	DF	P	Normed χ^2	GFI	AGFI	NFI	TLI	CFI	RMR	RMSEA
Implementation	111.936	90	.059	1.244	.974	.950	.972	.990	.994	.024	.023

Source: Primary Data

Table 3: Implementation of CRM Best Practices- Regression Coefficients

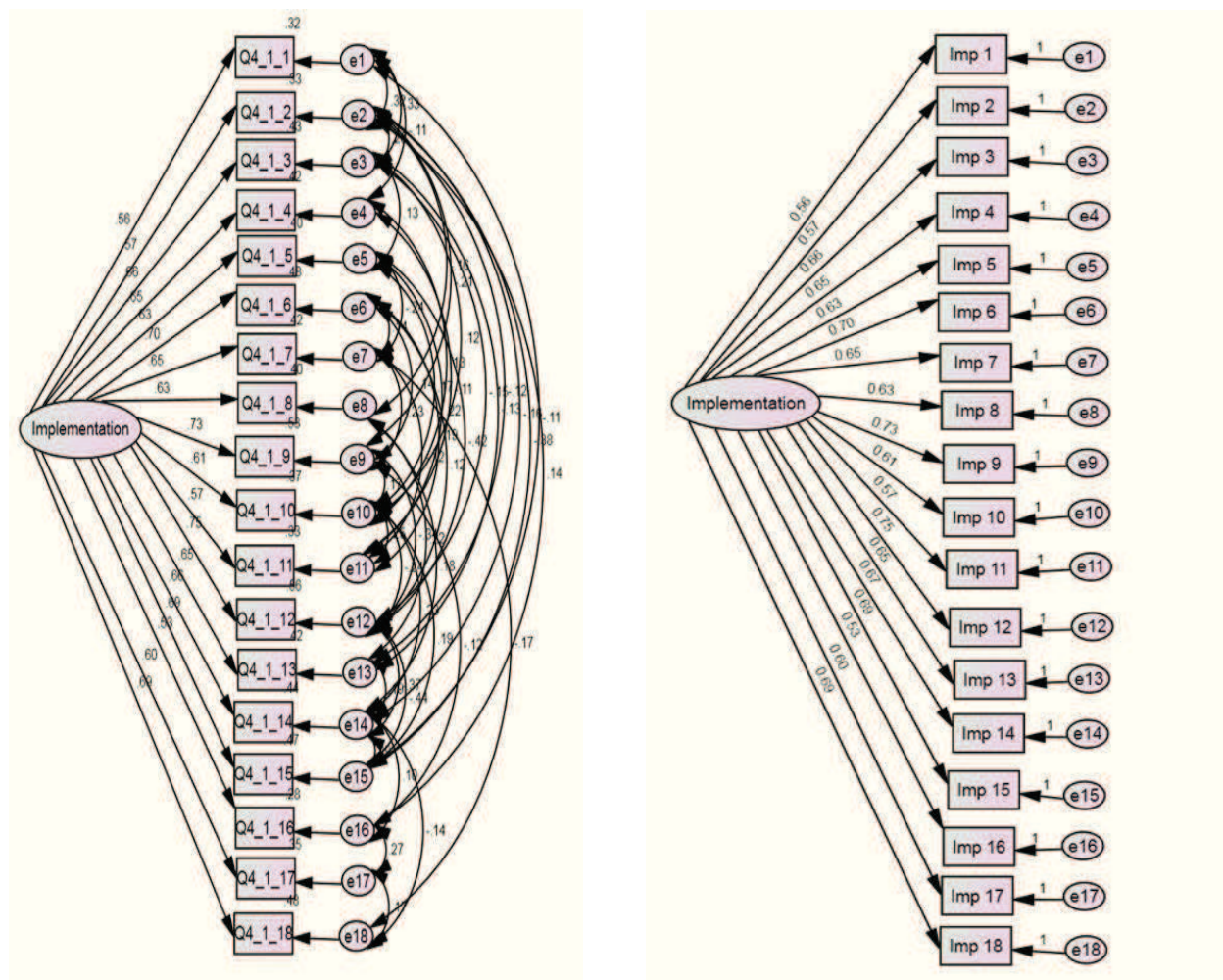
Dependent Variable	Independent Variable	Regression Coefficient	C.R.	P	Variance (%)	Cronbach Alpha
Implementation	IV ₁	0.564			31.9	
	IV ₂	0.574	12.068	<0.001	33.0	
	IV ₃	0.658	13.255	<0.001	43.3	
	IV ₄	0.649	10.485	<0.001	42.1	
	IV ₅	0.630	10.68	<0.001	39.6	
	IV ₆	0.696	11.216	<0.001	48.4	
	IV ₇	0.648	10.833	<0.001	42.0	
	IV ₈	0.634	10.856	<0.001	40.2	
	IV ₉	0.728	11.463	<0.001	53.0	0.926
	IV ₁₀	0.609	10.274	<0.001	37.1	
	IV ₁₁	0.573	10.127	<0.001	32.8	
	IV ₁₂	0.751	11.762	<0.001	56.4	
	IV ₁₃	0.645	10.959	<0.001	41.7	
	IV ₁₄	0.665	11.013	<0.001	44.2	
	IV ₁₅	0.686	10.779	<0.001	47.1	
	IV ₁₆	0.525	9.444	<0.001	27.6	
	IV ₁₇	0.596	10.433	<0.001	35.5	
	IV ₁₈	0.690	11.424	<0.001	47.6	

Source: Primary Data

Table 4: Mean, SD, Mean % Score and z Value for Implementation of CRM Practices

Variable	N	Mean	Std. Deviation	Mean % score	CV	Z	p value
Implementation	450	66.96	11.81	74.40	17.64	-0.974	0.331

Source: Primary Data

**Figure 1 and 2: CFA Chart on CRM Best Practices for Customers****References:**

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