Customer Relationship Management (CRM) Practices in Select Public and Private Sector Banks in Hyderabad City

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Abstract- Firms especially banks have realized the importance of becoming the customer and therefore CRM Practice is seen to be very important is banking centric. This study will consist of exploratory research whereby different aspects with regard to CRM practices in the banking sector have been drawn from the literature review and experimented on a sample size of both employees and customers. These results were discussed and analysed so as to get an indication of how far CRM practices are implemented to secure competitive advantage. Based on the finding, a set of recommendation will be made so as to pinpoint CRM practices to secure competitiveness. In this study, the concept of CRM practices is based on five important dimensions. These dimensions are (i) Customer Acquisition, (ii) Customer Response, (iii) Customer Knowledge, (iv) Customer Information System and (v) Customer Value Evaluation.

Keywords: CRM practices, select public and private sector banks in hyderabad city.

GJMBR-E Classification: JEL Code; M39
Abstract—Firms especially banks have realized the importance of becoming the customer and therefore CRM Practice is seen to be very important in banking. This study will consist of exploratory research whereby different aspects with regard to CRM practices in the banking sector have been drawn from the literature review and experimented on a sample size of both employees and customers. These results were discussed and analysed so as to get an indication of how far CRM practices are implemented to secure competitive advantage. Based on the finding, a set of recommendation will be made so as to pinpoint CRM practices to secure competitiveness. In this study, the concept of CRM practices is based on five important dimensions. These dimensions are (i) Customer Acquisition, (ii) Customer Response, (iii) Customer Knowledge, (iv) Customer Information System and (v) Customer Value Evaluation. Hyderabad is a well-known city with a high literacy rate in terms of banking operations, transactions and commercially developed so the CRM practices will be comparatively studied in public and private sector banks.

Keywords: CRM practices, select public and private sector banks in Hyderabad city.

I. INTRODUCTION

CRM in the banking sector, over the decades in the past, has highly affected the banking industry. The banks used branch-based operations for more than 200 years. Since 1980, things have been changing with the advent of multiple technological applications. Different organizations got affected by this development, and the banking industry is one of them. With this technology revolution, technology-based remote areas, delivery channels and payment systems surfaced. ATM displaced cashier tellers, telephone represented by call centres, credit cards, debit cards, net banking, and electronic cash replaced traditional cash transactions, and interaction television replaced their face-to-face transactions. Modern marketing philosophy, the concept of CRM brought the concept of customer delight. This applies to all sectors of sales and marketing including banking. In the banking field, a unique relationship exists between the customers and their banks.

An attempt has been made to analyse CRM practices in select commercial banks from the customer and employee perception. For this study includes both public sector and private sector banks that directing their strategies towards increasing customer satisfaction and increase customer loyalty through improved service. Almost all the commercial banks are trying to incorporate superior standards in productivity and making constant efforts to adapt to the changing environment with a focus on customer relationship management. Future is evident from the data, private sector banks are better than the public sector banks regarding committing time and resources in managing customers’ relationships, creating modern infrastructure, well-developed privacy policy and monitoring of service quality programs. The efforts of the private sector banks are also better in interacting and taking feedback to have long term bonding with their customers. Adequate efforts of private sector banks have compelled the public sectors bank to work more towards understanding the changing demands of the customers and equip them to cater to the needs of the growing expectations of the customers.

In order to give better service to its customers, sufficient infrastructure is required by the industry. Employees are part of the customer services process, which is the key to the success of select sample banks. A customer’s experience with the services is defined by experiences with the firm’s personnel and firm’s systems. Any laxity at the end of the employees can lead to customers’ defect. So both public sector and private sector banks are involved in providing training programmes to their staff to develop the skills required for acquiring and deepening customer relationship. However, both the private and public sector banks are not lagging far behind to match the customers’ expectations.

II. REVIEW OF LITERATURE

Peevers G. et al (2011) examined that the transaction confirmation is shown to be important to customers – whether by an SMS message or within the IVR telephone call itself. Customers judged the role of SMS for CRM as highly desirable after monetary transactions; they prefer the version of the IVR banking service that provides (out-of-band). SMS confirmation compared to one that does not – and they judged it...
significantly higher for quality. As a consequence, the tools and facilities developed are useful in the implementation of CRM strategy by the banks. Sri Hari et al (2014) concluded that the Performance and ranking of Public Sector Banks and Private Sector Banks reveal that all the four banks are competing with each other with innovative products and services. In terms of profitability position, the Public sector banks i.e. S.B.I and Canara Bank are satisfactory in some parameters like E.P.S (Rs) and return on long term funds, Return on Net Worth. On the other way, even the performance of Private Sector Banks and ranking position in terms of liquidity and profitability are far better and quite rewarding for shareholders. Partha Saradhy et al (2014) explored the comparative use of CRM in various private sector banks. The tenure of banking transactions of the respondents has an influence on the CRM efficiency, especially in the public banking sector. Nationalized banks are succeeding in collecting feedback regularly from the right customers and succeeding in maintaining the transparent and well-defined system, and the customers are highly satisfied with the privacy policy and ATMs provision. Arup Kumar Baksi (2015) revealed that a link between CRM performance, customer satisfaction and retention with relationship inertia and perceived switching costs significantly influencing the link among the three major variables. The purpose of this paper is to propose and justify a customer satisfaction - customer retention model in a CRM ecosystem with an insight into the probable impact of moderating variables namely relationship inertia and switching cost. The study was carried out on the State Bank of India involving certain specific branches in the southern part of West Bengal, India. Marimuthu and Marimuthu (2016) concluded that the adoption and use of CRM in the banking sector and an attempt is made in understanding the multidimensional construct of customer relationships and its implications in a competitive banking environment.

CRM goes beyond the transactional exchange and enables the marketer to estimate the customer's sentiments and buying intentions so that the customer can be provided with products and services before it starts demanding. Customers are the backbone of any kind of business activities, maintaining the relationship with them yield a better result. Alaka Samantaray (2016) examined that the characteristic features of the customers, the executives of these banking industries should conduct a survey to measure the customer preference and level of satisfaction. It is suggested that the bank should develop the channel incorporation for proper CRM practices. The consumers should be encouraged by the way of rewards, and prizes for using more and more banking facilities.

III. Research Gap

Based on the above earlier studies, it is evident that the previous studies focused on the up-gradation of technology and geographical spread in terms of (i) no. of bank branches and ATMs. However, operational problems of ATMs, the service quality and customers perception towards CRM practices and comparison between public sector banks and private sector banks are not studied. CRM Practices were not extensively studied. Hence, the present study is taken up.

IV. Objective of the Study

The main objective of the study is to study the CRM practices in select commercial banks in Hyderabad city. The objectives are:

1. To study the CRM practices in the banking sector.
2. To analyse the CRM practices in select public and private sector banks in Hyderabad city.

V. Hypotheses

HO1: There is no relationship between CRM practices in public and private sector banks.

VI. Methodology

The present study is a comparative and analytical on the perceptions of the customers of the selected commercial banks. For the present study, four banks are selected, two from public sector banks namely: SBI and Andhra bank and two from private sector banks namely: ICICI and HDFC bank. The questionnaire is designed keeping the broad parameters in view. The primary data has been collected from 440 respondents through a well-designed questionnaire based on CRM practices. The total sample size is 440, among these 220 are from public Banks and 220 from Private Banks. Out of 220 respondents of public sector banks, 200 are customers and 20 are bank employees. Similarly, from private sector banks also data has been collected from 200 Customers, and 20 bank employees.

Sampling Method: Convenience sampling was applied as the sampling method for the collection of data.

VII. Scope of the Study

The scope of CRM Practices is very wide including different aspects like customer satisfaction, service quality, relationship quality, market orientation, trust, loyalty, commitment etc. CRM practices in select commercial banks in Hyderabad city and data have been collected between 2007 and 2016.
VIII. Conceptual Framework of CRM Practice

Six CRM dimensions making up thirty CRM attributes were identified in a conceptual framework of Lu and Shang (2007). The thirty CRM attributes under six dimensions are mentioned. They are customer acquisition, customer response, customer knowledge, customer information system, customer value evaluation, and customer information process. In this study, we are going to use the five CRM dimensions to apply in the banking sector, show a conceptual framework of CRM practices among banks from the customers’ perception.

This CRM dimension includes:

i. Customer Acquisition
ii. Customer Response
iii. Customer Knowledge
iv. Customer Information System
v. Customer Value Evaluation.

It has been found that the public sector banks are ahead of private sector banks in making continuous efforts to delight the customers and in making goals to acquire, develop and retain customers because of good personal relationship. They are also ahead of private sector banks in giving prompt services to its customers.

IX. Customer Relationship Management Theory

Justice theory involves the elements of trust, satisfaction, and loyalty where these elements should have in the relationship between customers and organizations. There are three types of justice theory called distributive justice, interactional justice and procedural justice. The first type of justice theory is distributive justice means the perception an individual holds the fairness of outcome. The Second type of justice theory is interactional justice is perceived fairness of the interpersonal interaction in the decision process. The third type is procedural justice is the fairness of the process.

In this section, an analysis of customer and bank employee's perception towards CRM practices has been presented by considering five dimensions generally applicable to measuring CRM effectiveness.
Table 1: ANOVA Results on Customer Acquisition

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>20.858</td>
<td>3</td>
<td>6.953</td>
<td>17.991</td>
<td>.000</td>
</tr>
<tr>
<td>Within Groups</td>
<td>153.042</td>
<td>396</td>
<td>.386</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>173.900</td>
<td>399</td>
<td>.386</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Above table shows the ANOVA test result between CRM practices and Customer Acquisition. The calculated p-value is 0.000 less than 0.05. Hence, the null hypothesis is rejected. It is concluded that there is a significant difference between customer acquisition and CRM practices in select commercial banks operating their business in Hyderabad city.

Table 2: ANOVA Results on Customer Response

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>28.937</td>
<td>3</td>
<td>9.646</td>
<td>27.374</td>
<td>.000</td>
</tr>
<tr>
<td>Within Groups</td>
<td>139.536</td>
<td>396</td>
<td>.352</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>168.473</td>
<td>399</td>
<td>.352</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Above table presents the ANOVA test result between CRM Practices and Customer Response. The Calculated p-value is 0.000 less than 0.05. Hence, the null hypothesis is rejected. It is concluded that there is a significant difference between customer response as measure and CRM practices in select commercial banks.

Table 3: ANOVA Result on Customer Knowledge

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>19.652</td>
<td>3</td>
<td>6.551</td>
<td>16.305</td>
<td>.000</td>
</tr>
<tr>
<td>Within Groups</td>
<td>159.102</td>
<td>396</td>
<td>.402</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>178.755</td>
<td>399</td>
<td>.402</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Above table indicates the ANOVA test result between CRM practices and Customer Knowledge. The Calculated p-value is 0.000 less than 0.05. Hence, the null hypothesis is rejected. It is concluded that there is a significant difference between customer knowledge as measure and CRM practices in select commercial banks.

Table 4: ANOVA Result on Customer Information System

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>21.336</td>
<td>3</td>
<td>7.112</td>
<td>20.882</td>
<td>.000</td>
</tr>
<tr>
<td>Within Groups</td>
<td>134.865</td>
<td>396</td>
<td>.341</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>156.201</td>
<td>399</td>
<td>.341</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data
Above table observed the ANOVA test result between CRM Practices and Customer Information System. The Calculated $p$-value is 0.000 less than 0.05. Hence, the null hypothesis is rejected. It is concluded that there is a significant difference between customer knowledge and CRM practices in select commercial banks.

**Table 5: ANOVA Result on Customer Value Evaluation**

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Between Groups</strong></td>
<td>20.342</td>
<td>3</td>
<td>6.781</td>
<td>17.890</td>
<td>.000</td>
</tr>
<tr>
<td><strong>Within Groups</strong></td>
<td>150.091</td>
<td>396</td>
<td>.379</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>170.433</td>
<td>399</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

Above table indicates the ANOVA test result between CRM Practices and Customer Value Evaluation. The Calculated $p$-value is 0.000 less than 0.05. Hence, the null hypothesis is rejected. It is concluded that there is a significant difference between customer knowledge and CRM practices in select commercial banks.

**X. LIMITATION OF THE STUDY**

Limitation of the study was confined to only SBI and Andhra Bank under public sector banks and HDFC and ICICI under private sector banks in Hyderabad city in Telangana State. More cities could have been added to add more diversity. Hence the study was surveyed and concentrated on major banks like SBI and Andhra Bank are from Public Sector Banks. HDFC and ICICI bank are from the Private Sector were only investigated. The further selection of branches and respondents on convenient method may not represent the population and leaves scope for improvement in future studies.

**Table 6: Results of Chi-Square Test**

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Hypothesis</th>
<th>DF</th>
<th>Chi-square value</th>
<th>Asymp. Sig (2-sided)</th>
<th>Accepted/Rejected</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>There is no significant difference between the services of public and private sector banks</td>
<td>3</td>
<td>400.000</td>
<td>.000</td>
<td>Ho: Reject</td>
</tr>
<tr>
<td>2</td>
<td>There is a significant difference between the gender wise distribution of the bank customers and type of bank preference</td>
<td>3</td>
<td>.0858</td>
<td>.0836</td>
<td>Ho: Accept</td>
</tr>
<tr>
<td>3</td>
<td>There is no significant difference between the marital status of bank customers and the type of bank preference</td>
<td>3</td>
<td>12.986</td>
<td>.005</td>
<td>Ho: Reject</td>
</tr>
<tr>
<td>4</td>
<td>There is no significant difference between the age group of bank customers and the type of bank preference</td>
<td>12</td>
<td>50.583</td>
<td>.000</td>
<td>Ho: Reject</td>
</tr>
<tr>
<td>5</td>
<td>There is no significant difference between the education qualifications of bank customers and the type of bank preference</td>
<td>12</td>
<td>51.742</td>
<td>.000</td>
<td>Ho: Reject</td>
</tr>
<tr>
<td>6</td>
<td>There is no significant difference between the occupation of bank customers and the type of bank preference</td>
<td>12</td>
<td>80.237</td>
<td>.000</td>
<td>Ho: Reject</td>
</tr>
<tr>
<td>7</td>
<td>There is no significant difference between the monthly income of bank customers and the type of bank preference</td>
<td>12</td>
<td>51.144</td>
<td>.000</td>
<td>Ho: Reject</td>
</tr>
</tbody>
</table>

Source: Compiled from chapter iii hypothesis
As per table 6.1, gender factor influences the bank preference as calculated value is more than 0.05. Hence, the null hypothesis is accepted. In all other cases, the null hypothesis is rejected as the calculated value is less than 0.05.

XI. Summing up

1. It is found that customer acquisition practices of public sector banks are better than private sector banks from the customers’ point of view. It means public sector banks are maintaining customer friendly CRM practices when compared to the private sector banks in the study area.
2. As per the bank employees’ opinion, it is also found that customer acquisition practices in private sector banks found to be better than public sector banks.
3. In other words, private sector banks are maintaining good CRM practices than their counterparts. It indicates that they are giving much importance and committed to business development.
4. It is observed that the customer response in the form of feedback is much better in public sector banks when compared to private sector banks. This means public sector banks have customer friendly approach and responding to their queries with more clarity.
5. As per the bank employees, opinion customer feedback practices at the branch level by the bank employees in private sector banks are better than public sector banks. It means the private sector is a shade better in maintaining CRM practices.
6. In fact, any commercial banks struggle for obtaining necessary information about the present and potential customers. According to this study, it is found that customer knowledge adopting by these select commercial banks and it is better in case of public sector banks when compared to private sector banks.
7. It indicates that the public sector banks are maintaining good CRM practices as far as customer knowledge aspect is concerned.

XII. Conclusions

1. The results show that there is no difference between the employees of public and private banks in Hyderabad city about the practices considered for influencing CRM practices.
2. But univariate analysis shows that some practices of private sector banks are better for CRM. This is because of the fact that the private banks are well organized, building up to modern infrastructure, monitoring of service quality programs and taking feedback to have long term bonding with customers.
3. Public sector banks enjoy the trust of customers but they need to improve their physical facility, infrastructure, guarantees for service failures and customer feedback system. Public sector banks need to improve in this area.
4. Private Banks seem to provide better facilities than the public sector banks but, still, private banks need to go a long way to become the customer’s first preference. In an economy of innovative technologies and changing markets, each and every service quality variable has become important.
5. New financial products and services have to be continuously introduced in order to stay competitive. However private banks need to concentrate more on their distribution channels so that they can provide prompt services to its customers.

XIII. Suggestions

From the findings, the following suggestions are being made to the banking sector in general and commercial bank in particular, to get optimum benefit by knowing the customer satisfaction level from the customers of Hyderabad city. The important suggestions drawn from the chapter is presented as follows:

1. Public and private sector banks can attract more customers by fulfilling the needs of customers. The commercial bank has to spend more resource to attract customers. Banks should have to increase more facilities for the current account holder.
2. Commercial banks are trying hard to increase the levels of satisfaction by identifying the lacking areas. And also with an extreme focus on the parameters which are more important for the customers. So, these efforts lead to maximum customer satisfaction.
3. Majority customers of the banks are businessmen and employees. Further, banks have to take economic decision to attract the number of customers, who are out of banking services.
4. The employees should have knowledge about the new products and facilities bank is providing to customers. Efficient, knowledgeable, competent and versatile front-line staff is the prime requirement for a commercial bank. Moreover, only when the employees are aware of the products launched by the bank, they can provide prompt services to the customers. A commercial bank may strategize proper deployment of IT tools and effective utilization of the same in order to search the customers.

References Références Referencias


