



A STUDY TO ANALYSE THE INFLUENCE OF CRM ON PRIVATE AND PUBLIC SECTOR BANK IN LUCKNOW

Niharika Verma

Research Scholar, Shri Ramswaroop Memorial University, Barabanki, India
E-mail: niharika.tandon1988@gmail.com

Dr. Nancy Gupta

Assistant Professor, Shri Ramswaroop Memorial University, Barabanki, India
E-mail: nancygupta.imce@srmu.ac.in

Abstract

Customer Relationship Management (CRM) has a decisive part in business enterprises whether small or big. Customer is always considered as a king and will remain one always. Banks on the other hand are considered as a vital tool in the development of economy of any country and are one of the biggest player in the service industry. There is cut throat competition among banks of private and public sector to increase their market share and customer base. As we know that customer satisfaction is of utmost importance and priority in the service industry and same is the case with banks as well. It plays an important part in retention of current customers as well as in enticing potential customers in order to remain competitive with the global and dynamic environment and financial institutions have understood this fact that the cost incurred in attracting new customers will always be more than retaining current ones. Now-a-days customers prefer banking with those financial institutions where the operations are less time consuming, providing quality services and streamlined processes for smooth operations. This paper is an attempt for comparative study of customer relationship management in private and public sector banks in India with reference to the services offered by them. The study concludes that majority of customers prefer private sector banks over public sector banks as private banks are equipped with latest technology, service quality and infrastructure and their main focus is on customer relationship due to which they have an added advantage and edge over the public sector banks.

Keywords: Bank, Customer Satisfaction, CRM, Financial Institutions, Service quality

1. Introduction

The Indian banking industry is dates in the 18th century and in the year 1786, General Bank of India which was the main bank of that time was made. Then under the aegis of East India Company, Bank of Calcutta was established as an administration bank. Bank of Madras and Bank of Bombay were the two other banks present at that time. These banks converged in 1921 and were named as the Imperial Bank of India, which progressed toward becoming State Bank of India in post-freedom India (Gajdhane, 2012). Then in the year 1969, 14 private banks were nationalized and again in the year 1980, 6 more banks were nationalized. In the year 1993, many private banks foundation was laid by the Indian legislation. As on December, 2022, 180 commercial banks are there and 154087 branches are there in India. (RBI Quarterly Statistics, December 2022). In the current scenario, the Indian banking industry is among the vastly competitive sector. Now a days, Customer Relationship Management (CRM) is one of the greatest strategy for acquiring customer and their retainment by providing customer satisfaction with the help of variety of banking services as well as facilities. The banks synergize their



efforts to deliver what the customer wants (Bagla and Singh, 2016). With the successful implementation of Customer Relationship Management, the banks can have a competitive edge over and above their competitors and apart from it, they can also win over their clients by the providing best-in-class services and product quality to their customers as due to lack of product differentiation, it is only the relationship building that helps tremendously. With the concept of Affiliation marketing, there is a shift in working pattern and now more focus is towards relationship building rather than gaining transactions. With this one can imply that the trend has now changed and customer loyalty is more important where businesses are looking for building long term relationship with customers and customers are also more than happy that they don't have to switch from one bank to another if they are getting the required quality services under one umbrella only.

2. Customer Relationship Management (CRM)

Customer Relationship Management (CRM) refers to approaches, practices, and tools that organizations use to manage and analyze customer interactions and data throughout the customer development. The goal is to improve customer service relationships, assist in customer retention, and drive sales growth.

Key components of CRM include:

1. **Data Management:** Collecting and storing customer information, such as contact details, purchase history, and preferences.
2. **Customer Interaction Tracking:** Monitoring all interactions with customers across various channels (e.g., email, phone, social media).
3. **Sales and Marketing Automation:** Streamlining processes like lead management, email campaigns, and follow-ups to enhance efficiency.
4. **Customer Support:** Managing inquiries and support requests to improve service quality.
5. **Analytics:** Using data analysis to gain insights into customer behavior and preferences, enabling personalized marketing and better decision-making.

Overall, CRM helps businesses build stronger relationships with their customers, improve satisfaction, and ultimately drive business success.

Customer Relationship Management (CRM) systems typically consist of several key components that work together to enhance customer interactions and improve business processes. Here are the main components of CRM:

1. **Contact Management:** Centralized database for storing customer information, including names, contact details, communication history, and preferences.
2. **Sales Management:** Tools for tracking leads, managing opportunities, forecasting sales, and monitoring performance throughout the sales pipeline.
3. **Marketing Automation:** Features that help automate marketing tasks, such as email campaigns, social media management, and targeted marketing strategies based on customer data.
4. **Customer Service and Support:** Systems for managing customer inquiries, support tickets, and service requests, ensuring timely and effective responses.
5. **Analytics and Reporting:** Tools for analyzing customer data and interactions to gain insights into behavior, preferences, and trends, helping to inform strategy and decision-making.
6. **Workflow Automation:** Automation of repetitive tasks and processes to improve efficiency and streamline operations.
7. **Collaboration Tools:** Features that enable teams to work together more effectively, share information, and communicate about customer accounts.



8. **Integration Capabilities:** Ability to connect with other systems (e.g., ERP, email, social media) to ensure seamless data flow and comprehensive customer insights.
9. **Mobile Access:** Applications or functionalities that allow users to access CRM data and features on mobile devices, facilitating on-the-go access for sales and support teams.

These components work together to provide a holistic view of customer relationships, enhance communication, and improve overall customer satisfaction.

Key CRM components:

- i. Customer
- ii. Relationship
- iii. Management

The main motives of adoption of CRM is that due to extreme competition among banking industry, it has become a need. As discussed earlier also, it has now become much evident that it is easier and much economical to retain existing customers as compared to finding new customers. If we apply Pareto's Principle, then it can be presumed that 80% profits for a company can be generated by existing 20% of loyal customers.

- On an estimate, during a sales call, after average 8-10 sales calling, new client turns up whereas in case of an existing customer, 2-3 calls can influence them.
- Acquiring new client is 5-10 time more costly in comparison to obtaining business through an existing client.
- If the business organization is able to increase the retainment of current customer by 5%, then on an average, the profitability can be increased by 25%.

3. Literature Review

- Customer retention, influence of corporate image, relationship with customer, project management and quality with respect to construction industry were the main points that were studied in research paper of Abdulla Ahmed and Nizam Ismail (2015).
- In the study by Ashok Devprasanna (2017), the main point of study was the CRM practice in case of telecom industries in highly competitive market and the satisfaction of customers.
- In the research paper of Chaudhari Virendra M (2020) it has been perceived that banks and its respective customers share a distinctive relation.
- Harpreet Kaur (2018) in her study conducted on retention of customers with reference to banks provide a deep analysis and evaluation of views of customers.
- In the study by Megawati Simanjuntak (2020) it has been carefully analyzed about the various methods adopted for CRM with reference to business of car loan in order to increase retention rate of customers.
- Raman Janeya Lambu (2021) in his study on banks in private sector revealed that primary objective of Customer Relationship Management is nurturing and retainment of existing customers and acquiring of new potential customers.
- In the study of Jeyalakshmi R., Gopinath M., Ramya A., Nanthagopan Y. (2020), the major focus was towards building of nice relation with customer with an aim to enhance the overall experience of the customers.

Customer Relationship Management:

The process and strategy that helps in retention and acquisition of customer with an aim of creating highest satisfaction for customers is called Customer Relationship Management (CRM). Various viewpoints on CRM by different researchers and authors are available. According to some, CRM is a technology while some say it is a philosophy. According to



Navimipour and Soltani (2016), the leading purpose of CRM is increasing the operational implementing of CRM that in turn accounts for efficacy of communication with potential customers. According to Soliman (2011), CRM considerably affects the performance in the market in a positive way. Ashraf et al. (2015), in his study suggested that CRM helps in reduction of cost in an organization. Stojkovic and Dubricic (2012), in their study revealed that the CRM process includes four things- data analysis of customer, market planning, knowledge and innovation, and customer interaction. According to Kangal (2012) CRM is a customer centric approach. Thus it can be said keeping in view the above mentioned literature that with the introduction of CRM practices in banking industry the overall growth and performance of banks can be increased significantly.

Retention of Customers:

The product or company's capability as to how efficiently it can retain back its customer is termed as Customer Retention. If an existing customer returns to buy a particular product or service then it is termed as High retention rate. Customer retention is a never ending task and continues over lifetime. The concept of providing more than what is expected by a customer helps in customer retention as well as builds customer loyalty. According to the rule by famous Pareto (80-20 rule), 20% of customers' accounts for 80% of total profit and sales of company. Customer retention denotes that it is more worthy to keep a client associated with the business than the client using product and services of competitors. Indian banks need to understand that in order to remain competitive and successful, customer retention is of utmost importance. With successful CRM implementation, customer satisfaction can increase tremendously which in turn will help in customer retention as with increase satisfaction customers will not look for facilities available with other banks.

Customer Relationship Management Factors:

The various CRM factors affecting retention of customers include quality of service, trust, satisfaction, communication and commitment whereas revenue and customer loyalty are the two factors affecting revenue of a company.

1) Quality of service: Customers expect a particular level/ quality of service while availing a service or purchasing a product. Service quality is the measure of expectations of customers in comparison to what actually is delivered as a service. Customer retention can be achieved if the service providers are able to meet the expectation of the customers.

2) Trust: With continuing relationship over a time period, trust can be build. If customers trust an organization over quality of service, they are satisfied then other factors like price or selection are secondary. With better trust, it is easier to retain back a customer.

3) Satisfaction: Customer satisfaction can be described as an extent upto which our customers are happy with respect to our services, product offerings. With the help of information relating to customer ratings, surveys for customer satisfaction, a business can analyze the current status and can take measures for improvements if required.

4) Communication: Communication means "listening to your customer needs, understanding them, setting and establishing expectations and most importantly keeping them informed." With better communication, better relations can be build which will then enhance the relationship with customers thus helping in their retention.

5) Commitment: If the customer's emotional commitment in the association is more, then it is more likely that the customer will be associated with the business and the relationship will be



stronger and deeper. A committed customer will be easier to retain in the business than a non-committed one.

Customer Relationship Management and Customer Loyalty:

Customer loyalty and customer retention go hand in hand and are a result of relationship that has been built over the years with the successful implementation of Customer Relationship Management by organizations. There are various tools, applications as well as CRM strategies that can be implemented as well as modified according to the business needs. CRM is a well-recognized successful tool that has become the need of the hour. With the help of CRM, banks are able to ascertain the customers that are loyal towards their business and are able to create a loyalty program for customers in order to reward the loyal ones. Such loyalty rewards in turn help to retain back the customers over a longer period of time. Profits can be maximized with the help of CRM strategies as well as customer satisfaction can also be increased at the same time. CRM as a tool is very effective in customer referral programs, cost efficiency, testimonials and better customer retention. Hence, by creating strong relations with customer with the help of CRM, loyalty for the organization can be increased tremendously that helps banks to achieve greater heights.

Methodology

This study was quantitative in nature and describes the Banking sector in the term of impact of Customer Relationship Management on Private and Public sector banks.

Hypothesis Development:

Ho: There is a positive significant relationship between customer satisfaction in Public and Private sector banks in UP on Consumer behaviour.

Research Instrument

The research instruments used in this study is questionnaire. Respondents of the research are the customers of the Private and Public sector banks in Lucknow. This research based on the convenience sampling.

Data Collection

This is a primary data based study. The information is collected through a questionnaire by visiting SBI bank and HDFC bank in Lucknow city.

This helps us to find out the result about the customer satisfaction. I distributed the questionnaire to 60 customers of both these banks.

Regression analysis has been used to examine the relation of a dependent variable (responding) to specified independent variables (explanatory variables).

Results

Case Processing Summary			
		N	%
Cases	Valid	60	100.0
	Excluded ^a	0	.0
	Total	60	100.0
a. Listwise deletion based on all variables in the procedure.			



Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.846 ^a	.715	.715	.41383	1.916
a. Predictors: (Constant), CustSatis					
b. Dependent Variable: Customerbehavior					

Independence of Observations

The value of the **Durbin-Watson** statistic in the **Model Summary** table helps to determine whether the data satisfies the independence of observations assumption. Values between 1.5 and 2.5 are normally considered to satisfy this assumption. Our value of 1.916 falls well within this range.

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	.550	.079		.000
	CustSatis	.833	.022	.846	.000
a. Dependent Variable: Customer behavior					

From the above table of model summary, we can observe that the value of R square change is 0.715, which implies that 71.50% variation in the customer behaviour variable is explained by the factors of customer satisfaction. The column B gives the value of constants and coefficients of independent. We can also observe that under the column Sig, all factors of customer satisfaction significantly well because their significant value is less than the standard value 0.05. The regression equation is –

Customer behaviour = .550 +.833 (customer satisfaction).

Conclusion:

This study illustrates that customer relationship management has substantial influence on the customer satisfaction and both variables have positive relationship. With more efforts of banks, customers will be more satisfied and their retention will also be positive.

With an increase in level of satisfaction, customers will be loyal towards their banks which in turn will impact the business of the banks positively. It is expected that the banks will consider the results related to my study and implement the required changes so that the satisfaction of customers will increase.

Recommendations

The study of the results exhibit that the role of CRM is of much importance in increasing the level of satisfaction among customers and also increases the viability by decreasing the cost of potential the customers.



Customer Relationship Management is of utmost importance for successfully running a business. Customer loyalty and CRM goes hand in hand and a loyal and satisfied customer is an asset for any organization. The better the service quality, the more loyal is the customer towards the organization. With the implementation of better CRM tools, customer's loyalty can be enhanced. It can be established that CRM as a tool will always help organizations to improve customer satisfaction and there should be focus on customer services so that loyalty can be increased that in turn will enhance the customer retention who the keep players in increasing the profitability in any organization. Customer Relationship Management as a tool will act as a powerful tool for the banking industry in the upcoming future as it acts a road map for effective communication with the customers, for building as well as enhancing the trust among the customers so it should be carefully used for the betterment of services and building brand loyalty among the customers. It is already a proven term that 'customer is the new king' and appropriate efforts should be taken to satisfy the customers.

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