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A Study on CRM Practices and its Impact on Customer Retention in Banking Sector

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ABSTRACT

Indian Banking sector is booming every day, it is very clear in competitive context that it has to be customer centric.As new private players are entering, it is mandatory for public sector to develop proper understanding of the customers' needs and expectations. Understanding of customers and changing demand is must along with a prompt response. CRM in this context is a proper methodology and an organized way to develop customers understanding. CRM principally is a deep analysis of consumer behaviour. The customer target base is broadening day by day. And to sustain and fight the competition marketers have been equipped with a mantra that is CRM which enables marketers to maintain their presence. Flourishing trend in banking sector of India is expected to continue for everlasting, and it is attracting huge attention. Attitudinal shift of the Indian consumer and the emergence of ICT have transformed the face of banking sector in India. It has been perceived as a key opportunity area. Present study provides detailed information about the growth of banking industry in India. It further examines the preference and perception among people across different socio-economic classes in India and how the urban and semi-urban retail markets are witnessing significant growth.

***Keywords*--** Banking Sector, CRM (customer relationship management), Customer retention

I. INTRODUCTION

Banking is considered as one of the vital contributors to the economic growth of a country. It serves as the central channel for all economic activities. The banking industry in India has undergone fundamental changes post- independence. The opening up of the economy in the 1990s and the government's decision to privatize banks by reduction in state ownership culminated in the banking reforms based on the recommendations of the Narasimham Committee. Madhok and Zaveri have stated that banking industry has witnessed a sea change since colonial times when profit was the prime consideration. It then moved to the socialist era of seventies and eighties where serving the poor in the remotest corners of India was the only goal. During this era, nationalized banks have started function with a view to give access to organized banking to as many people as possible. Bank policies were solely directed towards achieving the social objectives of employment generation and social welfare. Profit motive took a back seat.

Banking Sector in India has passed through an exciting and challenging phase. The reforms in the Indian financial sector have led the Indian Banking to undergo drastic changes through the creation and diversification of products/ service portfolio, entry of new Private Sector and foreign banks, institutional changes, adoption of modern technology, globalization of banking activities etc. The system has expanded rapidly after nationalization in 1969 and 1980. The banking services that were mostly confined to urban areas are now expanded to rural areas also. Since 1990s the government has been implemented many banking sector reforms which have completely changed the pace, face and character of Indian banking sector.

With the current change in the functional orientations of banks, the entire purpose of banking has been redefined. Therefore, the banking sector has passed through economies and accept challenges and India is no exception. As per several studies, following are the key challenges of change in the banking industry:

- changing customer needs and expectations;
- impact of technology;
- competition among the banks and from MNCs in the financial sector;

and accountability towards the government, stakeholders and customers.

Successful implementation of CRM requires companywide, cross-functional, customer-focused business process re-engineering. The organizations, in order to really manage customer relationships, have to primarily develop a culture, motivating employees at all levels towards learning and facilitating them in capturing, selecting, using, and sharing knowledge by providing the means and the technology required to do so. Also Top management support is an important factor for the performance of CRM implementation. Top management support not only helps to transform the organization structure and culture, but also ensures that CRM-projects that experience unforeseen temporary setbacks continue. Finally, firms often consider CRM-software the key to success in CRM implementation. Although a substantial part of the CRM budget is allocated to software, managers should not fall in the trap of a myopic focus on software .CRM software should primarily result in cost reductions and improved customer interactions. If a CRM-implementation program can survive the scrutiny of these issues then a CRM-program has a larger probability of success.

Customer Relationship Management is the process of establishing , developing maintaining and optimization of long-term mutually valuable relationships between consumers and the organizations. Successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization's strategy, people, technology and business processes. At the heart of a perfect CRM strategy is the creation of mutual value for all the parties involved in the business process. Through CRM a sustainable competitive advantage is build and develop understanding, communicating, and delivering, and developing existing customer relationships in addition to creating and keeping prospects customers.

CRM is a comprehensive approach for creating, maintaining and expanding customer relationship. It provides seamless co-ordination between customer service, marketing, information technology and other customer related functions. . It does not believe in building close relationship with all customers, but it ensures that organizations take initiative to identify the most valuable customers by looking for their life time value. CRM means building an interdependent relationship with the customer in whom each relies on the other for business solutions and successes.

II. LITERATURE REVIEW

Caroline and Elizabeth (2014) examined determinants of customer retention in commercial banks in Tanzania. Four specific objectives were developed related to latent variables: customer service, quality of the products provided by banks, pricing of bank products as well as services and customer satisfaction..The relationship of the variables were established through explanatory study. The study discovered that academics need to incorporate quality of products provided by the banks together with pricing of banks products in customer retention models.

Benjamin et. al. (2014) focused on the important factors such as Quick services delivery, Productivity, Clear defined customer policy, Communication, Responsiveness, being friendly and approachable, Creativity, Access, Honour promise Competence which results in customer satisfaction . The research has recommended that the Banks should try to maintain customer by giving those good products or services should have appropriate customer perception and improve the services delivery to all customers.

Booheneet. al. (2013) examined the factors which leads to customer retention in Ghana Commercial Bank within the Agona Swedru Municipal area. Correlation and regression techniques were used to examine the relationships between customer satisfaction, service quality, customer trust, customer commitment, switching barrier factors and customer retention..It was concluded that switching barriers emerged as the most cruicial factor impacting customer retention. This was followed by customer commitment and customer trust. The study recommends that management of the bank should pay attention to customer commitment by investing more into customer relationship marketing strategies that can increase customers' dependency and inhibit switching.

Ouma et., al (2013). Their study was set to examine and evaluate customers' retention strategies on customer satisfaction in the banking sector in Kenya case of Equity bank Thikabranch. The study concluded that quality of services offered is the most significant factor for customer retention. However, customers' demographic factors like age, gender, level of formal education and marital status had no influence on customers' retention. Further, the study found that the bank stability, reliability and involvement in community work will influence customers' retention. This study therefore recommended that banks should strive to ensure good quality service so that they ensure high customer retention.. Further, banks should market themselves but in their marketing they should emphasize their uniqueness especially on their services and products offered.

Objective- *To study the impact of CRM strategies on customer retention.*

III. RESEARCH METHODOLOGY

Research Design: Descriptive study.
Sampling units- Sample consists of customers of banks.
Sample size- 500
Sampling technique-convenient sampling

Tools for data collection- Primary data, being the most significant is gathered through self structured questionnaire based on 5-point Likert Scale. The questionnaire consisted 68 questions was self designed and also tested the reliability and validity which was .932.

IV. RESULTS AND DISCUSSIONS

Table 1. Model Summary[b] on CRM& Customer Retention

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.646[a]	.417	.416	3.99355	.417	285.026	1	498	.000

a. Predictors: (Constant),CRM

b. Dependent Variable: Customer Retention

Correlation coefficient between loyalty programs and customer retention is 0.646, and it is significant at 5% level of significance thus, it may be concluded that CRM strategies have significant role in Customer Retention. Furthermore, since the value of correlation coefficient r suggests a strong positive correlation, we can use a regression analysis to obtain a relationship between the variables.

Table 2. Coefficients[a] on CRM& Customer Retention

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	13.498	.712		18.946	.000	12.098	14.899
	consistency in services	.505	.030	.646	16.883	.000	.447	.564

a. Dependent Variable: Customer Retention

From the model summary it can be observed that multiple correlation coefficient R=0.646 and Adjusted R^2=0.417, R^2 change is also 0.416 and these values are significant because p value is zero which is less than 0.05, which indicates that the strength of association is significant. The value of coefficient of determination R^2 is 0.417; therefore, approximately 41.7% of the variation in Customer Retention is explained by CRM strategies. To test the hypothesis that all model coefficients are zero analysis of variance is applied and the results of ANOVA table exhibits that this hypothesis is rejected at 1% as well as 5% level of significance and it should be concluded that the model coefficients differ significantly from zero. In other words we can say that there exists enough evidence to conclude that slope of population regression line is not zero and hence, CRM Strategies are useful as predictor of customer retention. Hence, null hypothesis is not supported. From the table of coefficients, the regression equation can be obtained as

Customer Retention = 13.498+.505*CRM

V. CONCLUSION

The findings revealed that CRM Practices are an essential for any type of retailers as in today's scenario those retailers who follow these practices for the benefit of customers, definitely they win. To conclude, the growth of banking sector is basically based on the systematic segmentation of the customer expectations which is supposed to be done with respect to their needs, desire, expenditure patterns. To integrate these strategies banks are suggested to accumulate and implement new modern technologies in terms of the database and data mining to have most updated customer database for their purpose.

VI. SUGGESTIONS

The present study has suggested some measured for the banking sector. These are as follows:

- ❖ CRM strategies should be mainly concerned with the customers' interest.
- ❖ Services should be tailored according to the customization.
- ❖ Measurable objectives for each plan element should be set up and monitored by the bank officials
- ❖ The bank should promote a culture of diversity.
- ❖ The bank should provide wealth management and portfolio management services to privileged customers
- ❖ Technology enabled customers' interactions should be encouraged

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