

Factors Impacting the Adoption of Customer Relationship Management Strategies in Commercial Banks with Special Reference to Salem City

G. Kalaiaarasi¹, Dr. C.Mugunthan²

¹Ph.D., Research Scholar(F/T), Department of Commerce, Periyar University PG Extension Centre, Dharmapuri-636701, kalaiganesh84@gmail.com

²Assistant Professor, Department of Commerce, Periyar University PG Extension Centre, Dharmapuri-636701, Mail.ID: mugunth16274@gmail.com

Article Info

Volume 83

Page Number: 3321 - 3329

Publication Issue:

March - April 2020

Abstract:

Customer Relationship Management (CRM) is widespread business approach. It helps business to categorize its activities around the customer. CRM is not meant for only consumer goods and services companies; it is the secret of success of any type of business. Today, only those businesses that constantly strive to make the trust of their customers are successful. A good CRM plan is the structure of common rate for the entire parties involved in the process of business. CRM is a comprehensive move towards for innovating; enabling and growing customer relationship it provide flawless co-ordination between customer service, marketing, information technology and other customer related functions. It incorporates people, process and technology to exploit relationships with the customers. From the Bank's indicate CRM is the management process of acquiring, retaining and rising customers. The victory or crash of a business depends on what of customer relationship training. In the modern world of competition, growing consumerism and information outburst, the one single aspect that stands out as the factor of triumph is the customer satisfaction. As electronic banking becomes more widespread, now-a-days customers are assess banks based more on their "high-touch" issue than on their "high-tech" issue mainly on the developing economy like India. At this milieu, the key crisis before the commercial banks in India which were operating in a privileged rule after nationalisation is their long-run survival and falsify way ahead by maintain their valued customers. This research analyses the factor impacting the adoption on CRM Strategies in Commercial Banks with special reference to Salem City.

Keywords: CRM, Banking, Industry, Adoption, Strategies.

Article History

Article Received: 24 July 2019

Revised: 12 September 2019

Accepted: 15 February 2020

Publication: 22 March 2020

I INTRODUCTION

In India, The Banking industry has undergone a essential transform in the last two decades. When the 90's saw the restore of Banking industry and setting up of new generation Private Sector Banks, the first decade of the 21st century will pilot a little advance (Samal, 2005). Now the banking has turn into open and economical. The basic centre and direction has changed from a level of whatever business available to get everything possible. Even the flow of business movement has changed from Customer's gate bank to Banker's customers'

approach. Everything is now being sold under the roof of banking. Now banks are overkeen to sell third-party products and considerable amount of fee based on income by using their sign and services through existing customers. They advertise all mutual funds and issue credit cards. Bank's ATM is now refilling mobile pre-paid cards of several companies. They have shaped a separate department to lever value bill payments. Banks offer online railway ticket booking through internet.

CRM strategy declared how to revolve a

customer base into a subtle benefit for market valuations via operational feedback; it should develop to incorporate enterprise activity around customer targets. CRM implemented in a gradually fashion fixed on building up capabilities from which it is supposed, valuable customers will stream without a CRM strategy. At the compassion of CRM strategy are the objectives. These impart measurable and definite targets for how corporate financial target to be achieved efficiently through acquiring, developing and retaining customers of value. The objectives are set around the customer life cycle, which in turn imitate time horizons in the creation of life cycle. The customer's life cycle is a spotlight for CRM strategy because a customer base only becomes an advantage that increases customer value.

II BANKING INDUSTRY

Banking industry is one of the hub and significant areas of the nation. Growth of banking sectors is one of the desires for the economic development of the nation. Moreover, Computers and Computerization are not very modern to India. In fact, the first computer was installed in the country in the early sixties. Initially, the growth in the number of computer installation was quite deliberate, but after eighties, this technology spread over all the business establishments very fast. In 1968, the banking industry has undergone big revolutionary changes then government chose a committee for review in the banking service. Deposits on the commercial banks are considered as the trendy form of investment. Deposits in scheduled banks are secure because of the regulation of the RBI and the guarantee provided by the Deposit Insurance Corporation. Bank deposits are very popular because they enjoy exceptionally high liquidity. Now RBI has fixed interest rate on deposits, prescribing only the ceiling rate for different maturities. Thus, Commercial Banks play a key position in providing better services to the customers.

2.1 Commercial Banks in India

The Commercial Banks have pass through a long path since its inception in the country. With a progression of technology, core banking has been introduced in the country which has extended everywhere presently. It has made a lot of things quite easier for both customers and employees in the bank (Vetrivel 2016). The essential role of any Public Sector or Private Sector Bank is to organize the resources and capitals acquire through various deposits and schemes for the varied period and lend the same at higher rates of interest to its own customers in order to gain more profit from the money (Peppard, J. 2000). The Bank also provides facilities like lockers, remittance, draft creation, cheque collection and transfer, bank guarantee credit to its esteemed customers. It also offers insurance and mutual fund plans to its customers along with providing loan schemes and savings their money.

The Banking is conquered by large Public Sector Banks till the 1990's. The liberalization policy by the government of India legitimate access to Private Banks in the banking industry. Because of that the banking sector leads to an increase in their competition. Public Sector Banks are facing more competition, whereas Private Sector Banks are trying to prevail customer satisfaction by providing better services. At this stage, the customer relationship management has become a competitive strategy in the Indian Banking Sector. The development of service industries and the competition between the Private and Public Sector Banks have resulted as there is a break in the market in order to progress relationship provisions to retain the customers.

III CRM STRATEGIES

CRM strategy is a sketch for turning an enterprise's customers into an advantage by building up their worth. It is a foundation on accepting how an enterprise's competencies can be

created worth suggestion for customers and the market section that suggests the value potential and systematically developing the potential. CRM has developed into a chief strategy for many organizations. It is concerned with the creation, development and enhancement of individualized customer relationship with targeted customer groups resulting in maximizing total customer life time value. It is a generally business strategy that facilitate companies to effectively manage relationship with their customers. With the

strengthen competition, bank clutch to delicacy the customers with esteem. Customers have a lot more options and do not have to be loyal to any bank. Banks are now demanding to figure out ways to manage customer relationships successfully not only to obtain new customers but also to retain existing customers. The CRM in banking has expanded significance with the aggressive strategies for customer satisfaction and retention being engaged by the banks in today's competitive environment.

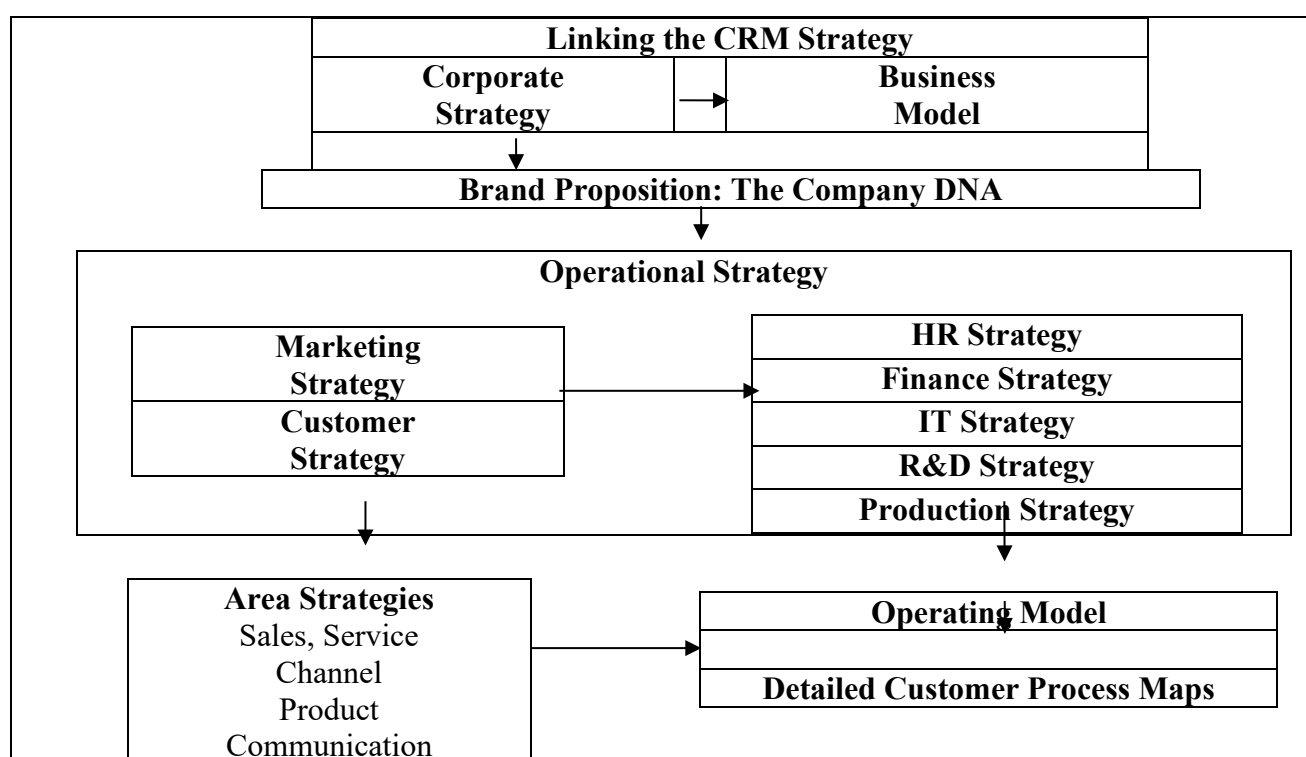


Figure 1.CRM Strategy

Source: Beth Eisenfeld, 2002.

CRM intention through improved product quality, whereas increased service response might be achieved through a "real-time enterprise" venture. In this way, the CRM strategy should grow to be the key vehicle for investment decisions and developing the customer asset base.

IV SCOPE OF THE STUDY

1. Scope of the research is limited to top three public and private sector banks. Public sector banks are State bank of India, Bank of Baroda and Union Bank of India. Private

Sector Banks are HDFC bank, ICICI bank and Axis Bank.

2. Research is carried out in Salem City only.
3. This research explores certain bank related aspects such as attitude of employees, opinion about CRM, support of immediate supervisors, knowledge on customer relationship, Customer Care, Ambience, information about new products and services and physical environment that supports CRM.

V STATEMENT OF THE PROBLEM

Today's banking services industry entered an era of confusion, where modify is accelerating, market disruption are predictable and customers are anxious and demanding than ever. Bank can augment customer services by leveraging on technology maintenance of proficient service delivery standards and business process re-engineering. To stay existing customers and to find out new customers, bank should focus on relationship management strategies particularly in the growing industrial area like Salem City.

VI OBJECTIVE OF THE STUDY

1. To assess the factors manipulate the adoption of CRM strategies in commercial banks in Salem City.
2. To examine the relationship between the factors influencing CRM in commercial banks in Salem City.

VII LIMITATIONS OF THE STUDY

1. The answers given by the bank employees and managers are assumed to be true.
2. Some employees have provided necessary information for some questions from their memory and experience whose accuracy is not pleasing.

VIII METHODOLOGY

8.1 Sampling Selection

1. Random method of sampling would be used for sample selection representing 25% size of the population.
2. There are twenty one Public Sector Banks functioning in India among them top three banks are selected as a sample for research. These banks are State Bank of India, Bank of

Baroda and Union Bank of India. Similarly there are nineteen private sector banks out of these banks top three private banks are selected for research which are HDFC Bank, ICICI Bank and AxisBank.

3. Sample selection for Banks will be made as from each branch of all selected Banks will chosen for research work. Branches of these banks are located at every business places of Salem by which researcher can reach and identify problems of CRM due to geographical inconvenience, systems adopted and issues regarding CRM.

8.2 Data Collection

1. The present study is based on both primary data and secondary data. The information related to customer relationship management is collected for the analysis with the help of structured questionnaire.
2. The sample size of the study is 120. These respondents have been selected on random sampling basis.
3. Separate questionnaires will be structured for relationship managers and executives who are actually the service providers to know their views and existing CRM system.
4. Research model used in this study was suggested based on the study of Syed Hessameddin Zegordi and Navid Fakhredaei, 2011.
5. In order to understand employees 'perception and factors influencing CRM, the following research model was constructed which will help to design appropriate CRM strategies.

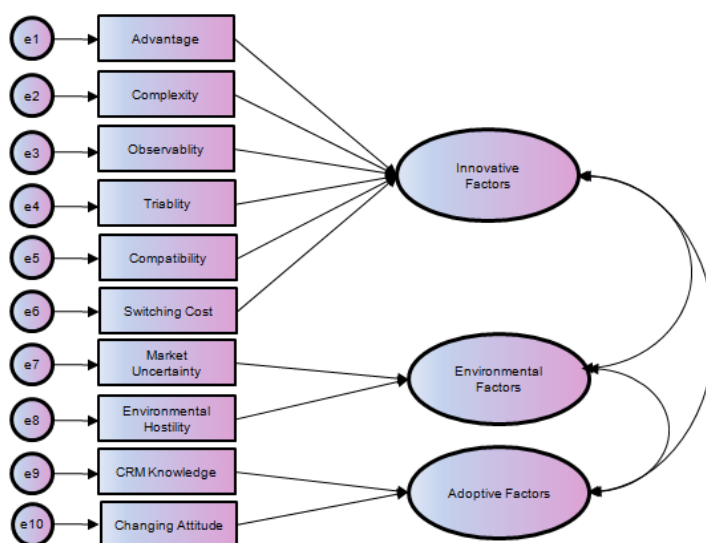


Figure 2. Research Model

IX DATA ANALYSIS, RESULTS & DISCUSSIONS:

The data analysis, results and discussions of the study are summarized below:

9.1 Structural Equation Modelling

Structural Equation Modelling is used to test and eliminate causal relationship using a combination of statistical data and qualitative caused assumptions. It is considered as the best approach because SEM unlike other methods does

not have limitation on the number of variables. There is no difficulty in hypothesis testing in SEM because it takes the confirmatory approach rather than the exploratory approach. The 10 dimension model of CRM has been validated through Structural Equation Modelling using AMOS 18.0. The assessment of model fit is done using the criteria recommended by Schumacker and Lomax (2004), Hu and Bentler (1999), and Hair et al. (1995). The fit criteria against each index and the 10 dimensional model estimated values are depicted in the following table:

Table 1 Goodness of Fit Indices

Goodness of fit indices	Fit Criteria*	18-Dimension Model (Estimated value)
χ^2/df (Normed Chi-square)	≤ 5	4.250
GFI (Goodness-of-fit index)	≥ 0.90	0.912
AGFI (Adjusted goodness-of-fit index)	≥ 0.90	0.961
CFI (Comparative fit index)	≥ 0.90	0.978
NFI (Normed fit index)	≥ 0.95	0.959
TLI (Tucker-Lewis index)	≥ 0.95	0.953
RMSEA (Root mean square error of approximation)	≤ 0.06	0.048

* Fit criteria recommended by Schumacker & Lomax (2004), Hu and Bentler (1999), and Hair et al., (1995)

A model is said to be fulfilling the criteria of goodness of fit, if it satisfies certain values. Based on these values, estimated value for the model is

4.250 which satisfy the required condition. Similarly, the required value of root mean square error of approximation (RMSEA) should be less than 0.06. Against this value, the estimated model value is 0.048 which highly validates the result. Similarly, model fit indices (GFI, AGFI, CFI, NFI and TLI) for the 10-factor model indicates that, the model fits well. Regression weights between items and factors variables are shown in the path diagram.

9.2 Hypothesis Formulation

The research hypotheses have been defined on the basis of the model fit summary outlined in research model and using previous researches on CRM. On the basis of the presented model, the following hypothesis is proposed:

H_0 : Elements of CRM is having positive impact on the adoption of CRM Strategy among the selected commercial banks in Salem City.

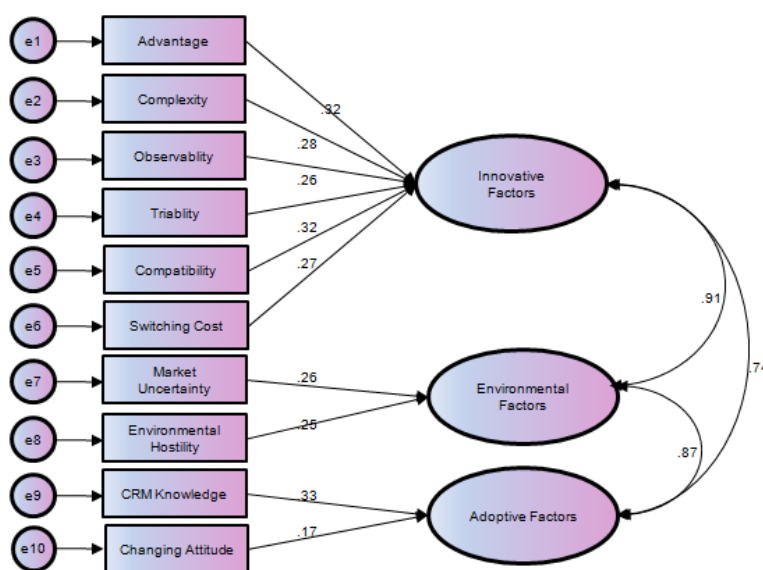


Figure 3. Resulted Hypothesis Model

From all the statistics presented in the tables and figure above, we can find out that presented model

Diagram 3 is completely fit.

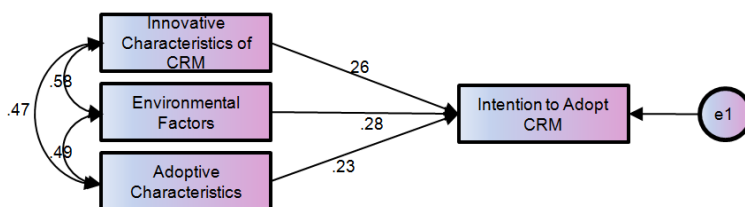


Figure 4. Standardized Path Model

9.3 Path coefficient/path weight

A path coefficient is a standardized regression coefficient (beta) showing the direct effect of an independent variable on a dependent variable in the path model. According to the standardize path

coefficients presented in the above diagram, this model is specified by the following path equations:

$$\text{Intension to adopt CRM} = (0.26 * \text{Innovative Characteristics of CRM}) + (0.28 * \text{Environmental Factors}) + (0.23 * \text{Adoptive Characteristics}) + e1$$

Environmental factors)+ (0.23 * Adoptive characteristics)

This means when the environmental factors change for 1 unit, the intension to adopt change for 0.28. As it was said before environmental factors consist market uncertainty and environmental hostility, so it can say if these two variables change somehow that the environment turbulence increase for one unit, the intension to adopt CRM will increase for 0.28. Hence it can extend this for adoptive characteristics and Innovative characteristics of CRM as well. Through the standardize path coefficients, it can be seen that Environment factors has more effect on intension

to adopt CRM, comparing with other two variables. The difference is not that significant.

9.4 Correlated Exogenous Variables

If exogenous variables are correlated, it is common to label the corresponding double-headed arrow between them with its correlation coefficient. This is shown the path model shown in Diagram 4. As it can be seen in the diagram all three endogenous variables have direct effect on intension to adopt CRM. And these variables also have relationships with each other and these exogenous variables are correlated. Table below also shows the correlation matrix of independent variables.

Table 2 Correlation Matrix of Independent Variable

	Innovative Characteristics of CRM	Environmental factors	Adoptive characteristics
Innovative Characteristics of CRM	1.000		
Environmental factors	0.581	1.000	
Adoptive characteristics	0.473	0.495	1.000

9.5 Discussion of the SEM result

From the path diagram, measured variables with latent variable of CRM is having positive relationship and also significant at one percent. The analysis of the model, from the viewpoint of the antecedent of CRM, suggests that, all the measured variables viz-a-viz., Innovative factors, Environmental factors and adoptive factors are significantly associated with the intention to adopt CRM.

X SUGGESTIONS

The insight of service quality and CRM is reasonably lower in commercial banks employees and according to their proposal, it is optional that commercial banks may take steps to progress their

service quality, strategies, customer interaction management strategies and customer retention management strategies. The overall findings of this research disclose that the major factors (i.e., Innovative factors, Environmental factors and adoptive factors) are significantly associated with the intention to adopt CRM.

Beside the majority of the bank employees felt that they have unsuccessful to convince their customers on their CRM efforts. This underperformance has occurred in spite of technological developments and new processes in place. So, suitable application and execution of CRM in different banks employees suggest the following points;

1. Infrastructure, environment and working atmosphere in the commercial banks should be improved.
2. More help desk for dealing customer.
3. Front office executives of banks should stop looking at customers for multiple product promotion and start centre on creating the customer's sense comfortable in terms of service expenditure.
4. Banks should utilize more relationship executives for cuisine the requirements of the people visit the banks.
5. To reduce the customers visits to the bank by equalize the trouble on phone, e-mail etc.

XI CONCLUSION

CRM is an influential concept for the victory of service industry. It paves the way to sustain an optimistic relationship with customers to augment the business and profitability. The strategies engaged CRM is proposed at mutual advantage to the customers and service providers. It generates deep and extensive impact on customers and make deep in roads in recognize the productive for the industries. Personal details of customers like gender, age, education qualification are vital in determine to execute better for the industries in fact it gives maximum credit and gains to the industry for the future.

In the case of customer welfare services, the customer who is all availed in banks, they are perceived better customer welfare services than the competitive bank availed groups. So this study suggested to the commercial banks to develop the strategy to improve and provide better customer welfare. Because CRM is not only used to deal with the existing customers but it is also useful in obtain new customers. The progression first starts with identifying a customer and maintaining the consequent details into CRM scheme which is also

called an Opportunity of Business. The Sales and Field representatives then try to accomplish business out of these customers by sophisticatedly following up and adapt them into a captivating deal. All these are very easily and efficiently done by an integrated CRM system.

XII REFERENCES

- [1] Arunakumari.A.V. (2002), "Economic Reforms and performance Indian Banking: A cross structural Analysis", *Indian Economic panorama, A Quarterly Journal of Agriculture, Industry, tread and Commerce*, Special Banking Issue, pp.19-21
- [2] Berry, M.J.A. & Linoff G.S., *Mastering Data Mining: The Art and Science of Customer Relationship Management*, John Wiley & Sons, Inc.
- [3] Chandrasekhar, C.P. How sounds Indian Banking. *The Economical and Political Weekly* may, pp. 8
- [4] Cabena, P., Choi H.H., Kim I.S., Otsuka S., Reinschmidt J. & Saarevirta G., *Intelligent Miner for Data Applications Guide*, IBM Redbooks, SG24-5252-00.
- [5] Cook, W.D., & Hababou, M., 2001, Sales Performance Measurement in Bank Branches, *Omega*, 29, 299–307.
- [6] Czepiel J.A. (1990), "Service Encounters and Service Relationships: Implications for Research", *Journal of Business Research*, Vol.20, No.1, pp.13-21.
- [7] Dr. Vibhajain: Nonperforming Assets in commercial Banks: *Regal Publication*, New Delhi, 1st Edition 2007, pp. 78-79
- [8] Mihelis, G., Grigoroudis, E., Siskos, Y., Politis, Y., & Malandrakis, Y., 2001, Customer Satisfaction Measurement in the Private Bank Sector, *European Journal of Operational Research*, pp.347-360.
- [9] Peppard, J., 2000, Customer Relationship Management (CRM) in Financial Services, *European Management Journal*, Vol. 18, No. 3, pp. 312–327,
- [10] Peppers, D., & Rogers, M., A New Marketing Paradigm, *Planning Review*, 23(2), pp.14–18.

- [11] Ryals, L., & Knox, S., Cross-Functional Issues in the Implementation of Relationship Marketing Through Customer Relationship Management, *European Management Journal*, Vol. 19, No. 5, pp. 534–542.
- [12] Trivedi.A.K. (2002) “Economic Reforms and Indian Banking Scenario: an Analysis”, Indian Economical panorama, *A Quarterly Journal of Agriculture, industry, Tread and Commerce*, Special, Banking Issue, pp 6-8.
- [13] Koder, D., 2018. Recovery-Oriented Care for Older People: Staff Attitudes and Practices. *International Journal of Psychosocial Rehabilitation*, Vol 22(1) 46, 54.
- [14] Binnie, J., 2018. Teaching CBT to Pre-Registration nurses: A critical account of a teaching session to pre-registration mental health nurses on the subject of cognitive behavioural therapy and trauma. *International Journal of Psychosocial Rehabilitation*, Vol 22(1), pp.55-64.
- [15] Kurian, J., Christoday, R.J. and Uvais, N.A., 2018. Psychosocial factors associated with repeated hospitalisation in men with alcohol dependence: A hospital based cross sectional study. *International Journal of Psychosocial Rehabilitation*. Vol 22 (2) 84, 92.