

A STUDY OF CUSTOMER RELATIONSHIP MANAGEMENT IN BANKS

(Special Reference to Bank of India, Nashik.)

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ABSTRACT

Today's customers buying decisions are not based simply on the quality of the product but with the relationship they have with the company. Banking industry has gone through many changes, privatisation to nationalisation and back to privatisation with International players on the one hand accepting deposits and giving advances to expanding services to wide variety of products. It is the responsibility of the organisations to provide what they need so that they can do their job properly. In today's world, we do business with individuals or groups with whom we may never meet and hence much less known in person to person sense. Customer Relationship Management is about creating the feel of comfort in this high tech environment. This paper focuses the role Customer Relationship Management in banking sector and the need for Customer Relationship Management to increase customer value and customer Relationship Management in Banks with special reference to Bank of India, Nasik.

Keywords: Customer Relationship Management, Competitive Business Environment, Universal Banking.

INTRODUCTION:

In today's competitive business environment, customers are making their buying decisions not just on the basis of relationships they have with the company. In fact, ensuring customer satisfaction is the key to success and companies are actively engaged in studying and exploring the conceptual foundations of managing relationships with the customers. Customer Relationship Management has been in India for over a decade but its penetration into the industry in general and financial sector in particular has not been very impressive. With the entry of many foreign banks and setting up of many private sector banks, there is an increased competition in the banking sector to attain a competitive advantage. Banks have slowly realised the importance of building and maintaining customer relationships.

CUSTOMER RELATIONSHIP MANAGEMENT:

Customer Relationship Management is a comprehensive approach for creating, maintaining and expanding customer relationships'. Comprehensive means does not belong to just sales or marketing. It is not the sole responsibility of customer service group or an IT team; i.e. Customer Relationship Management must be a way of doing business that touches all the areas. Customer Relationship Management must be way of treating or dealing with something. Customer Relationship Management is a way of thinking about and dealing with customer relationship. It can be also called as 'strategy' because Customer Relationship Management involves a clear plan. In fact, Customer Relationship Management strategy can usually, serve as a benchmark for other strategies in the organisation. Since any strategy sets direction for the organisation, it can also be considered from a department or area level. Just as larger organisations have strategies for shareholder management, marketing, etc. Each strategy must support managing customer relationships. Customer Relationship Management is a sound business strategy to identify the bank's most profitable customers and prospects, and devotes time and attention to expand account relationships with those customers through individualised marketing, re pricing and discretionary decision making, etc.

Today's customer buying decisions are not based on the quality of the product but with the relationship they have with the company. Banking industry has gone through many changes, privatisation to nationalisation and back to privatisation with the international players, on the one hand and on the other hand from simply accepting deposits and giving advances to expanding services to wide variety of products. It is the responsibility of the organisation to provide what they need so that they can do their job properly. Customer Relationship Management is about creating the feel of comfort in this high tech environment.

BENEFITS OF CUSTOMER RELATIONSHIP MANAGEMENT:

1. It helps in understanding the customers, their needs, wants, motives, likes, dislikes, taste and performances.
2. It facilitates identifying an organisation's target customers satisfaction and focusing on the best one which helps the firm to optimise their sales and revenue.
3. It maximises customer satisfaction and boosts customer loyalty which builds long term relationship.
4. It provides appropriate training and development to the employees who offer scope for growth and continuous improvement to the staff.
5. It also helps the key functionalities of the firm which includes marketing, sales, research and development, services, lead, and opportunity management.

NECESSITY OF CUSTOMER RELATIONSHIP MANAGEMENT IN BANKING SECTOR:

One industry best studied for Customer Relationship Management implementation is the Indian Banking and Financial Services Sector, which has the highest growth potential. Banks such as ICICI bank, HDFC bank and City bank are using customer relationship Management products. However, Customer Relationship Management market in India is still in a nascent stage. Indian Banks have not yet seen big results from Customer Relationship Management solutions probably because of improper implementation. Banking industry has undergone tremendous changes during the past decade during which consolidation and reform became inevitable. They have woken up to the fact that they need to understand and manage their customer better. Falling interest rates are making corporate lending a low revenue business, prompting banks to look for additional non interest related business. Thus consolidation in the market has increased the need for Customer Relationship Management which ensures banks to build and retain close relationships with their customers, especially the most profitable ones. This is aimed not only to prevent the customers from taking their business elsewhere, but also to ensure that they are offered the products or services that are most appropriate and most likely to result in new revenue for the bank. Customer Relationship Management helps to categorise and segment customers and align products that best suit them. Being short sighted they have adopted new technology without a clear understanding it with the existing systems and processes.

INDIAN BANKING SYSTEM:

Banking in India originated in the last decade of the 18th century. The oldest bank in existence in India, is the State Bank of India, a government owned bank that traces its origins back to June 1806 and that is the largest commercial bank in the country. Central banking is the responsibility of the Reserve Bank of India, which in 1935 formally took over these responsibilities from the Imperial Bank of India, relegating it to commercial banking functions. After India's independence in 1947, the Reserve Bank of India was nationalised and given broader powers. In 1969, the government nationalised the 14 largest commercial banks; the government nationalised the six next largest in 1980. Currently, India has 88 scheduled commercial banks, 27 public sector banks, 31 private banks and 38 foreign banks holding 18.2% and 6.5% respectively. In India the banks are being segregated in different groups. Each group has their own benefits and limitations in operating in India. Each has their own dedicated target market. Few of them only work in rural sector while others work in both rural as well as urban. Many even are only catering in cities. Some are of Indian origin and some are foreign players. Reserve Bank of India has shown certain interest to involve more of foreign banks than the existing one recently. This step has paved a way for few more foreign banks to start business in India.

PROFILE OF BANK OF INDIA:

Bank of India was founded on 7th September 1906 by a group of eminent businessmen from Mumbai. The bank was under private ownership and control till July 1969 when it was nationalised along with 13 other banks. Beginning with one office in Mumbai, with a paid-up capital of Rs. 50 lakh and 50 employees, the bank was made a rapid growth over the years and blossomed into a mighty institution with a strong national presence and sizable international operations. In business volume, the bank occupies a premier position among the nationalised banks. The bank has 2528 branches in India spread over all states/union territories including 93 specialised branches. These branches are controlled through 47 zonal offices. There are 19 branches (including one representative office at Jakarta, Indonesia) abroad located in 10 countries. The bank came out with its maiden public issue in 1997. Total number of share holders as on 31/03/2005 is 4,03,225. While firmly adhering to a policy of prudence and caution, the bank has been in

the forefront of introducing various innovative services and systems. Business has been conducted with the successful blend of traditional values and ethics and the branch at Mumbai way back in 1989. The bank is also founder member of SWIFT in India. It pioneered the introduction of the Health Code System in 1982 for evaluating/rating its credit portfolio.

Bank of India was the first Indian bank to open a branch outside the country, at London, in 1946 and also the first to open a branch in Europe, Paris in 1974. The bank has sizable presence abroad, with a network of 19 branches at key banking and financial centres. The international business accounts for around 22% of bank's total business. The bank has strong position in financing foreign trade. Over 270 branches provide export credit. The expertise in this area has enabled the bank to achieve a leading position in providing export credit in certain areas like diamond export. The bank has identified specialised target groups to develop core advantage for future growth. The bank, as on March 2007, had 93 specialised branches comprising Corporate Banking branches to undertaken very large credit business, overseas branches specializing in foreign exchange business, NRI branches which specially cater to the requirements of non-resident Indians, capital market, commercial and personal banking branches cater to the requirements of high net worth customers.

New facilities such as Tele banking, ATM and signature retrieval systems have been introduced in a processing manner to add value to the services. Tele-banking facilities with fax on demand facility, remote access terminals for corporate customers are now available at many branches. The bank has installed ATMs in Mumbai and other centres in the country. The bank is a member of the RBI's VSAT network and has installed 39 VSATs linking strategic branches/offices. Apart from this, Bank also has specialised branches for asset recovery, small scale industries, hi-tech agriculture finance, lease finance and treasury. Management information system and critical functions of controlling offices have been computerised.

This paper focus the role of customer Relationship Management in Banking sector and the need for Customer Relationship Management to increase customer value and problems relating to implementation of Customer Relationship Management in Banks with special reference to Bank of India, Nashik.

DATA COLLECTION:

The data were collected in two ways. One is primary data and second one is secondary data. Primary data was collected by administering the questionnaire and personal interview. Secondary data were collected through Journals, magazines, books, periodicals, webs, etc. Sample size comprised of 120 respondents in the area of old Nasik city.

DATA ANALYSIS:

In table-1, males are 96 (80%) and females are 24 (20%). Thus, majority of the respondents were males with a small percentage of females. Mostly, the male respondents were retail owners, businessmen and students. Females comprise of home-makers, students and working women.

TABLE 1
Classification of respondents based on gender

S.N.	Gender	No. of respondents	Percentage
1	Female	24	20
2	Male	96	80
Total		120	100

TABLE 2
Classification of respondents based on age

S.N.	Age	Frequency	Percentage
1	Below 20	12	10
2	20-30	24	20
3	30-40	36	30
4	Above 40	48	40
Total		120	100

From Table 1 and 2, it is clear that bulk of the male respondents belongs to above 20 years. Female respondents are generally less when compared to male respondents.

TABLE 3
Classification of respondents based on their account in different banks

S.N.	Name of the Bank	Frequency	Percentage
1	SBI	44	36.67
2	ICICI	15	12.50
3	HDFC	20	16.67
4	Bank of India	25	20.83
5	Other Banks	16	13.33
Total		120	100.00

From Table 3, it can be concluded that respondents were conservative and viewed public sector banks to be more secure investments avenue. Thus, we can see that among all age groups respondents still a prefer public banks to private banks. Large percentage is observed among the age of 30 and above having preference for public banks. Younger generation is showing a trend of moving towards private banks.

TABLE 4
Classification of Respondents based on their interest to open a new branch

S.N.	Attribute	Frequency	Percentage
1	Yes	67	55.83
2	No	30	25.00
3	Can't say	23	19.17
Total		120	100.00

From table 4, it is observed that majority of the respondents have a positive approach towards the opening of this branch as directly or indirectly it will influence their bank dealings.

TABLE 5

Classification of Respondents based on the opinion whether the location of the new branch easily accessible to the customers with regard to the population of the area

S.N.	Attribute	Frequency	Percentage
1	Yes	100	83.33
2	No	12	10.00
3	Can't say	08	06.67
Total		120	100.00

From table 5, it can be concluded that residents of old city are generally pleased with the location of the bank with regard to the population of the area.

OPINION ABOUT OPENING OF NEW BRANCH:

Thus, from a sample about 120 respondents, 52 are interested to avail the services of the branch at old city. Therefore, in a span of short time it can increase its customer base. A lot many were confused because they already availing the services of the previous branch. Respondents interested in availing services of the newly opened Bank of India branch belong to 20-40 age groups. The stereo type idea that public sector banks are safe is changing.

TABLE 6

Classification of services that allure customers

S.N.	Service Providers	Frequency	Percentage
1	Net banking	28	23.33
2	Mobile banking	25	20.83
3	E-pay facility	10	08.33
4	SMS facility	20	16.67
5	Locker facility	16	13.33
6	Credit card	07	05.84
7	ATM service	05	04.17
8	Loans	09	07.50
Total		120	100.00

From table 6, it is evident that majority of the customers are interested in Net banking, Mobile banking and SMS facility.

TABLE 7

Gender wise classification of respondent based on services allure the customers

S.N.	Service provider	Frequency Female	Frequency Male	Percentage Female	Percentage Male
1	Net banking	5	23	04.15	19.56
2	Mobile banking	4	21	03.32	17.50
3	E-pay facility	2	08	01.65	06.61
4	SMS facility	6	14	05.00	11.66

5	Locker facility	4	12	03.32	10.00
6	Credit card	2	05	01.65	04.16
7	ATM services	1	04	00.84	03.32
8	Loans	2	07	01.65	05.61
Total		26	94	21.58	78.42

From the above table, it can be concluded that males are allured by Net banking, Mobile banking, SMS facility, E-pay facility locker facility and loan facility. They are not so much attracted towards the ATM facility because almost all the banks provide these service facilities efficiently. Thus, bank should bank upon these avenues to enlarge customer base.

TABLE 8
Classification of respondents based on the opinion
Whether they have customer satisfaction

S.N.	Attribute	No. of respondents	Percentage
1	Yes	78	65.00
2	No	22	18.33
3	Can't say	20	16.67
Total		100	100.00

From table 8, it is concluded that respondents are on the whole satisfied by the time taken by the bank employees to deliver them the requisite service. But a lot needs to be done in this regard as it can gain customers and the bank can also lose them at one go. Thus proper training should be provided to employees to tackle the customers and also to retain them. Thus majority of the respondents agreed to the fact at there is a difference in the attitude of employee of a private sector and public sector bank.

Hence Bank of India can build upon its human capital by providing proper training so that customers are happy when they go back. This helps in spreading goodwill and help in image building which ultimately leads to increased customer base.

FINDINGS AND SUGGESTIONS:

1. The bank can start providing service like Mobile banking, Net baking and Bills payment, as the study suggest that there is awareness about the service in the customers. This will give bank all advantage of becoming a market leader in the region.
2. The demand for loans offered by the banks exists in the market although the numbers showing their using it are very low. Bank can go ahead and cash on it by going to the customers and informing them that Bank of India also offers these services better than its competitors.
3. There is need of constant innovation in retail banking. In bracing for tomorrow, a paradigm shift in bank financing through innovative products and mechanisms involving constant up gradation and revalidation of banks internal systems and processes is called for. Banks now need to use retail as a growth trigger. This requires product development and differentiation, innovation and business process reengineering, micro planning, marketing, prudent pricing, customisation, technological, gradation, home/electronic, mobile banking, cost reduction and cross selling. While retail banking is able to lead growth, the challenges are equally daunting. How far retail banking is able to lead growth of the banking industry in future would depend upon the capacity building of the banks to meet the challenges and make use of opportunities profitably.

4. Indian banking industry should aim to formulate strategies incorporating people, processes and technology issues.
5. In accordance with the strategies, current and future IT initiatives can be formulated, prioritizing the related activities and their feasibility. Once this is done, implementation in a phased manner will definitely lead to organisation's success in achieving the goals.
6. The financial sector reforms emphasised the commercial character for the banking system and helped banks to compete with others.
7. Banks both in private sector as well as public sector have to gear up their speed to adapt the fast changing technology.
8. Organisational structures have to be changed to suit the customer needs.
9. Bank should realise that the customer is the "focus point" to improve the business.
10. Banks have to evolve plans and strategies to cater better service and enhance satisfaction levels and try to create a brand image. Skills of personnel working in front office as well as support services should be enhanced through continuous and updated training programs.
11. Service culture is to be developed among the staff. Human Resources Development standards should be maintained in recruitment and selection of personnel at all levels. Customer service should be the main motto for improvement business.
12. Technology implementation should be speeded up such as computerization, electronic banking through e-mail, Tele-banking, mobile phone banking and wide net of ATMs through channel migration process. All these factors will help to increase customer service.
13. Ultimately banks should prove that they are providing essential services as already branded for development of economy.

CONCLUSION:

To conclude, the banking industry is vibrant and active in India, due to technological essential services. The banking industry in India has undergone volatile changes during the last decade and one of the major areas of change has been customer service. Customers of today demand 'universal banking'. This is possible if Customer Relationship Management is implemented in true spirit. Customer Relationship Management plays a vital role for competition in the banking industries.

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