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Dr. K Ganesamurthy
Assistant Professor,
Department of Corporate
Secretaryship School of
Management Alagappa
University Karaikudi -630 004.
Tamil Nadu, India.

Employees view on implementation of CRM systems at commercial banks

Dr. K Ganesamurthy

Abstract

CRM is the Information Technology face of the business process that aims to establish enduring the mutually-beneficial relationships with customers in order to drive customer retention, value and profitability. It is meant for a common and equal good of the two stakeholders-businesses and their customers. These changed are compelling the banks to re-organise themselves in order to cope with the present conditions. Though the banks are very keen in providing CRM to the customer to satisfy them, it may not know the customer satisfaction or at the least their expectations. Hence, the present study is implementation of CRM systems at commercial banks and examines the employees' view on implementation of CRM at banks.

Keywords: CRM–Customer Relationship Management; Information Technology, Stakeholders; Business; Profitability.

Introduction

Relationship marketing is the process of building long term mutually beneficial relationship with the customers. The Financial institutions in the developed countries are using this marketing tool very effectively by taking full advantage of Information and Communication Technologies. The Indian Banking Industry which was operating in a bureaucratic style prior to 1991 had to undergo large scale transformation with the opening up of the economy. The Sector has been facing unprecedented challenges with the wave of liberalization, privatization and globalization of Indian Economy. The banks in India are under intense pressure in today's volatile market place. Steep competition, globalization, growing customer demand and exposure to higher credit risks are forcing the banks to find new ways of improving profitability. On the other hand, cost-cutting measures have forced banks to manage operations with a few Customer Relationship Managers and Product Specialists. Industry consolidation also poses fresh challenges to this sector. Every bank in the industry like other business organizations is deploying innovative sales techniques and advanced marketing tools to gain supremacy.

Review of literature

Best systems can be the ground work when constructing a correlated CRM (Laudon and Laudon, 2006). The private sector banks and the foreign banks are the role models of the banking industry especially in the implementation of the CRM practices (Swift, 2000) [2]. To implement the CRM in the commercial banks, there are so many action plans. These are identified by Format (2000) [3], Gandy (2000) [4], Cheu (2003) [5], Turban *et al.*, 2000 and Knox (2003).

Statement of the Problem

Therefore a study on the CRM practices in the banking industry is needed to explore the benefits of the CRM practices in the banking industry, the employees view on implementation of CRM. This aspect has not been explored so far in the District of Sivagangai. Hence the present study is making an attempt in this direction to solve the stated problem.

Correspondence
Dr. K Ganesamurthy
Assistant Professor,
Department of Corporate
Secretaryship School of
Management Alagappa
University Karaikudi -630 004.
Tamil Nadu, India.

Objectives of the Study

1. To study the CRM systems of banks in India.
2. To analyse the CRM systems implemented at the commercial banks in Sivagangai district.
3. To examine the employees' view on implementation of CRM at banks

Methodology

In total, there are 71 Public and 36 Private Sector Commercial Banks branches in Sivaganga district. Hence, a total of 356 Employees and 163 Customers have been included as the sample of the present study. The applied sampling technique of the present study is purposive sampling.

Statistical Tool Used

For analyzing the data collected during the investigation, the following statistical tools were used. (i) 't' test, (ii) Wilk's Lambda, (iii) Exploratory Factor Analysis and (iv) Confirmatory Factor Analysis, Discriminant Analysis.

Analysis and Interpretation

CRM Systems Implemented at Banks

In the present study, the included CRM systems are given in Table 1. The bank staffs are asked to rate the above said CRM systems at five point scale regarding the level of implementation at their banks. The systems related to the CRM are too many. It may vary from bank to bank. The number of systems is also not fixed in numbers. It depends upon the nature of the commercial banks and the requirement of their customers. Even though, there are too many systems related to the CRM, the present study confines to its 31 action plans. The employees are asked to rate these systems at five point scale according to the order of implementation at their banks. The mean scores of each CRM systems at the PRSBs and the PUSBs have been computed separately. The 't' test has been used to find out the significant difference between the two groups of banks regarding the implementation of the CRM systems at the banks. The results are shown in Table.

Table 1: Implementation of CRM systems at banks

Sl. No.	CRM Systems	Mean Score in		t-statistics
		PRSBs	PUSBs	
1.	Recognize customer needs through channels	3.7308	3.1762	2.0868*
2.	Setting omni heaving services	3.8144	3.2611	1.7331*
3.	Offering differential channels on customers	3.9033	3.1082	2.6882*
4.	Integrating channels dynamically	3.9644	3.2085	2.5147*
5.	Updating the service needs	3.9803	3.1145	2.8646*
6.	Strengthening IT applications of new branches	3.9007	3.2446	2.6881*
7.	Centric call center	3.7886	3.0641	2.5334*
8.	Segmenting customers	3.8168	3.1023	2.7664*
9.	Constructing the objectives model	3.9033	3.1456	2.6696*
10.	Analyse the profits of each segment	3.7664	3.3041	1.6881*
11.	Consideration of customer benefits first	3.8185	3.6684	0.5492*
12.	Adoption of channel marketing strategy	3.9036	3.1245	2.7669*
13.	Establishment of interactive trust	3.7551	3.0641	2.6804*
14.	Redefining the business goals, rules and objectives	3.8663	3.1773	2.5449*
15.	Integrating the customer data	3.9002	3.0917	3.1408*
16.	Application of system management	3.5146	3.2446	0.6696
17.	Development of customer information view point system	3.6617	3.0161	1.9968*
18.	Apply IT to integrate the contact channels	3.8224	3.1082	2.1447*
19.	Integrating the customer data across functioning	3.9086	3.0991	3.2664*
20.	Constructing centralized interactive technology	3.2144	3.3365	-0.3889
21.	Assisting customers to have financial services	3.6673	3.5661	0.2691
22.	Developing intelligent CRM	3.8992	3.0245	2.8442*
23.	Offering personalized services and advice	3.9144	3.1702	2.6556*
24.	Redesigning the services outside-inform the view	3.8646	3.0946	2.7336*
25.	Development of support tools	3.9291	3.1882	2.6898*
26.	Expanding customers on the internet	3.9089	3.0869	3.4502*
27.	Implement data warehouse	3.8184	3.1246	2.7317*
28.	Segmenting the high-profit customers	3.7339	3.0881	2.6869*
29.	Develop system to support decising making	3.8664	3.1046	2.3441*
30.	Constructing comprehensive IT frame work	3.8996	3.1144	2.5882*
31.	Collect customer data from billing	3.7969	3.0814	2.6881*

Source: Computed

*Significant at five per cent level.

The highly implemented CRM systems at the PRSBs are updating the service needs and integrating channels dynamically since their respective mean scores are 3.9803 and 3.9644. In the case of the PUSBs, these are consideration of customer benefits first and assisting customers to have financial services and their respective mean scores are 3.6684 and 3.5661. Regarding the rate of implementation of the CRM systems, the significant difference between the two groups of banks have been noticed in the case of 25 CRM

systems out of 31 systems since their respective 't' statistics are significant at five per cent level.

Important CRM Systems at Banks

The important CRM systems established at the banks have been examined with the help of the Exploratory Factor Analysis. The score of implementation of all 31 CRM systems at the two groups of banks have been included for the analysis. Initially, the validity of data for the EFA have

been examined with the help of the KMO measure of sampling adequacy and Bartlett's test of sphericity. Since both the two tests satisfy the validity of data for factor analysis, the EFA have been executed. It results in four important CRM systems namely Customer Data

Management, Contact Channel Management, Information Technology Management and Enterprise Wide Management. The systems included in each important CRM system, its Eigen value and the percent of variation explained by each important CRM system are summarized in Table 3.

Table 2: Important CRM systems at banks

Sl. No.	Important CRM Systems	Number of Systems in	Eigen Value	Reliability Coefficient	Per cent of Variation Explained	Cumulative Per cent of Variation Explained
1.	Customer Data Management	9	4.2716	0.7842	21.08	21.08
2.	Contact Channel Management	8	3.8024	0.8089	19.33	40.41
3.	Information Technology Management	7	2.4517	0.8242	12.45	52.86
4.	Enterprise Wide Management	7	2.0246	0.7614	10.57	63.43
KMO Measure of Sampling Adequacy: 0.8028				Bartlett's Test of Sphericity: Chi-Square Value: 91.08*		

Source: Computed

*Significant at five per cent level.

The most important CRM system identified by the CFA is the Customers Data Management system since its Eigen value and the per cent of variation explained by the system are 4.2716 and 21.08 per cent respectively. It consists of nine systems with the reliability coefficient of 0.7842. The second and third important CRM systems identified by the EFA are Contact Channel Management and Information Technology Management since their Eigen values are 3.8024 and 2.4517 respectively. The per cent of variation explained by the above two systems are 19.33 and 12.45 per cent respectively. These two systems consist of eight and seven sub systems with the reliability coefficient of 0.8089 and 0.8242 respectively. The last system narrated by the EFA is

'Enterprise Wide Management' which consists of seven sub-systems with the reliability coefficient of 0.7614.

Reliability and validity of sub-systems in each important CRM system

The present study has made an attempt to analyse the reliability and validity of sub-systems in each important CRM systems with the help of the Confirmatory Factor Analysis (CFA). The CFA results in standardized factor loading of sub-systems in each important CRM system, its 't' statistics, composite reliability and Average Variance extracted by each important system. These results are given in Table 4.

Table 3: Reliability of various systems in each important CRM system

Sl. No.	Important CRM Systems	Number of Practices in	Range of Standardized Factor Loading	Range of t-statistics	Composite Reliability	Average Variance Extracted
1.	Customers Data Management	9	0.8969-0.5842	6.0842* -2.7041*	0.7614	53.01
2.	Contact Channel Management	8	0.9085-0.6149	6.4586* -2.9969*	0.7917	55.08
3.	Information Technology Management	7	0.9344-0.6342	6.9686* -3.3464*	0.8011	57.47
4.	Enterprise Wide Management	7	0.8516-0.5445	5.7347* -2.4568*	0.7565	52.08
Overall Reliability coefficient: 0.7961						

Source: Computed

The 't' statistics of all standardized factor loading of sub-systems in each important CRM system are significant at five per cent level. It shows the convergent validity of the important CRM systems. The convergent validity of each important CRM system has been confirmed with the result of composite reliability and Average Variance Extracted by each CRM system. The Overall reliability coefficient (0.7761) infers that the included 31 sub-systems in the CRM system explain it to the extent of 79.61 per cent.

Employees view on implementation of CRM system

The rate of implementation of the CRM system at the banks has been examined by the mean scores of the four important CRM systems at the banks. The employees view on the implementation of four important CRM systems in the PRSBs and the PUBS have been derived by the mean scores of the various sub-systems in it. Regarding the implementation of the CRM systems, the significant difference between the PRSBs and the PUBS has been examined with the help of 't' test. The results are shown in Table 4.

Table 4: Employees' view on implementation of CRM systems at banks

Sl. No.	Important CRM Systems	Mean Score in		t-statistics
		PRSBs	PUBS	
1.	Customer Data Management	3.7465	3.1956	2.2165*
2.	Contact Channel Management	3.8689	3.1681	2.8445*
3.	Information Technology Management	3.8783	3.1265	2.7038*
4.	Enterprise Wide Management	3.7687	3.1938	2.3245*
Overall		3.8129	3.1725	2.6646*

Source: Computed

*Significant at five per cent level.

The highly implemented CRM systems at the PRSBs, are ‘Contact Channel Management’ and ‘Information Technology Managements and their mean scores are 3.8689 and 3.8783 respectively. In the case of the PUSBs, these two are ‘Customer Data Management’ and ‘Enterprise Wide

Management’ since their mean scores are 3.1956 and 3.1938 respectively. Regarding the implementation of the important CRM systems, the significant differences among the views of the employees in the PRSBs and the PUSBs have been noticed in all the four important CRM systems.

Table 5: Mean difference and discriminant power of implementation of CRM system into group of banks

Sl. No.	Important CRM Systems	Mean Score in		Mean Difference	t-statistics	Wilk’s Lambda
		PRSBs	PUSBs			
1.	Customer Data Management	3.7465	3.1956	0.5509	2.2165*	0.2733
2.	Contact Channel Management	3.8689	3.1681	0.7008	2.8445*	0.1082*
3.	Information Technology Management	3.8783	3.1265	0.7518	2.7038*	0.1465
4.	Enterprise Wide Management	3.7687	3.1938	0.5749	2.3245*	0.3145

Source: Computed

*Significant at five per cent level.

The significant mean difference is identified in all the four important CRM systems since their respective ‘t’ statistics are significant at five per cent level. The higher mean differences are noticed in the case of information technology management and ‘contact channel management’ since their respective mean differences are 0.7518 and 0.7008. The higher discriminant powers are noticed in the case of contact channel management and information technology management since their respective Wilk’s Lambda coefficients are 0.1082. and 0.1465. The significant CRM system has been included for the establishment of two group discriminant function. The unstandardised procedure has been followed to estimate the function. The estimated function is:

$$Z = 0.9197 + 0.2787x_1 + 0.1664x_2 + 0.2865x_3 + 0.1409x_4$$

Relative contribution of discriminant CRM systems in TDS

The relative contribution of each important CRM system in total discriminant score is computed by the product of the

discriminant coefficient and the mean difference of each important CRM systems. The higher discriminant coefficients have been identified in the case of ‘Information Technology Management’ and ‘Customer Data Management’ since their coefficients are 0.2865 and 0.2787 respectively. It infers that the above said two CRM systems influence more on discriminating the two groups of banks to a higher extent. The higher relative contributions of the CRM systems in the total discriminant score are identified in the case of Information Technology Management and Customer Data Management since their relative contributions are 38.02 and 27.09 per cent respectively. The estimated discriminant function correctively classifies the cases to the extent of 76.08 per cent. The analysis reveals that the important discriminant CRM systems among the two groups of banks are Information Technology Management and Customer Data Management which are higher in the PRSBs than those in the PUSBs. The results are given in Table 6.

Sl. No.	Important CRM Systems	Discriminant Coefficient	Mean Difference	Product	Relative Contribution in TDS
1.	Customer Data Management	0.2787	0.5509	0.1535	27.09
2.	Contact Channel Management	0.1664	0.7008	0.1166	20.58
3.	Information Technology Management	0.2865	0.7518	0.2154	38.02
4.	Enterprise Wide Management	0.1409	0.5749	0.0810	14.31
	Total	-	-	0.5665	-

Per cent of cases correctly classified : 76.08

The Exploratory Factor Analysis has identified four important CRM systems at the banks namely customer data management, contact channel management, information technology management and enterprise wide management. The highly viewed important CRM systems implemented at the PRSBs are ‘contact channel management’ and ‘information technology management’ whereas in the PUSBs, these two are ‘customer data management’ and ‘enterprise-wise management’. Regarding the implementation of the CRM system, the significant differences among the PRSBs and the PUSBs have been identified in all the four CRM systems and also the overall implementation of the CRM systems at the banks. The important discriminant CRM systems among the PRSBs and the PUSBs are information technology management and customers’ data management.

Suggestion

Banks must realize the CRM in its broader term. No doubt personal interaction, marketing and sales are the right view

of the CRM but the CRM includes a lot more than that. In its vital sense the CRM includes personal interaction, marketing and sales, IT, customer knowledge, people, process and technology. There can also be some other dimensions of the CRM. Banks should not only just concentrate on one segment of the CRM, but also by using a mix of different elements they can get a real customer with a long time relationship

Conclusion

The highly viewed CRM practices implemented at the PRSBs are ‘closed information circuit and CRM as a major part of the business strategy whereas in the PUSBs, these two are material and non-material incentives to the employees. Regarding the implementation of the CRM practices, the significant differences among the PRSBs and the PUSBs have been noticed in the case of 31 CRM practices out of 36 practices. Since the CRM will be helpful to banks in India regarding the collection of customers’ information, the banks should be very keen to establish the CRM at their banks. In

order to make the CRM a most successful one, the staffs are advised to collect the family background and other details of the customers, the most effective method to approach customers.

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