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A study on customer relationship management in banking sector (Special reference to Coimbatore)

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Abstract

Due to fierce competition in the banking sector, where the competitive struggle to win larger market share and attract the largest possible number of customers is constantly being led, and taking into account poorly differentiated offer of banks, adequate customer relationship management is a fundamental tool for achieving better business results. In this context, the subject of the paper is the identification of the characteristics of the modern approach to customer relationship management and factors that influence its successful implementation, in order to achieve long-term and mutually beneficial relations between banks and banking products and services users.

Keywords: customer relationship management (CRM), banking industry, segmentation, customer trust

Introduction

Contemporary financial service industry has become highly dynamic and turbulent, with many changes in form of new regulations, changed consumer behavior, increased usage of information and communication technology and intense competition. Banks have to invest great efforts to create added value and one way to do that is to generate and support the development of long-term customer relationships that provide greater value than the value provided by the banking product itself. Building of any added value is hard to achieve nowadays since competitors' activities, which are often very similar, erode added value of any business.

Even though banking industry has faced significant changes in different business segments during the last two decades, such as: distribution changes (with greater usage of ATMs, PCs, Internet, mobile banking), reduction of transaction costs, increased speed of service substantially, managing of supplier-customer relationships is still one of the crucial issues in banking industry. Besides such changes on the providers' side, important changes appeared also on the customers' side. Customers have become more demanding, empowered to perform some activities that were previously handled solely by banks, more knowledgeable, sophisticated, aware of available alternatives, independent, in a position to negotiate with many different service providers and similar. Under the influence of such changes in customer behavior and their needs, and with the goal to gain and maintain market competitiveness, banks invest a lot of financial, technological and human resources in customer relationship management (CRM). Relationships must be such that both banking service providers and customers benefit from it on a long term. As a result of such relationships, productivity and quality of banking services is rising based on the progress of relationship between banks and customers.

Research Methodology

Research Methodology is the systematic, theoretical analysis of the methods applied to a field of study. It comprises the theoretical analysis of the body of methods and principles associated with a branch of knowledge. Typically, it encompasses concepts such as paradigm, theoretical model, phases and quantitative or qualitative techniques.

A methodology does not set out to provide solutions - it is, therefore, not the same as a method. Instead, a methodology offers the theoretical underpinning for understanding which method,

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set of methods, or best practices can be applied to specific case, for example, to calculate a specific result.

It has been defined also as follows:

1. "The analysis of the principles of methods, rules, and postulates employed by a discipline"
2. "The systematic study of methods that are, can be, or have been applied within a discipline"
3. "The study or description of methods".

Data sources

While deciding about the method of data collection for the study the researcher should keep in mind the two sources of data.

- Primary data
- Secondary data

Primary data

The major source of the data used to carry out the analysis is primary data filed survey method was employed to collect the primary data from 80 respondents through a well framed questionnaire The respondents data has been collected from both primary and source. The respondents from difference places are taken based on their demographic aspect like age, gender, academic, qualification, designation and year of the study were selected for the study

Secondary data

The secondary data means the data are those which have collected through the consumers and secondary data was collected from the text books, journals, magazines, newspaper and a few project reports

Statistical tools used in the dissertation

- Simple percentage analysis
- ANOVA

Simple percentage analysis

Percentage method refers to a specified kind which is used in making comparison between two or more series of data. Percentage is based on descriptive relationship. It compares the relative items. Since the percentage reduces everything to a common base and thereby allow meaning comparison.

$$Percentage = \frac{Number\ of\ respondents}{Total\ no\ of\ respondents} \times 100$$

1.6.14 Anova

Analysis of variance (ANOVA) is a collection of statistical models used to analyse the differences among group means and their associated procedures (such as "Variation" among and between groups), developed by statistician and evolutionary biologist Ronald Fisher.

The one – way analysis of variance (ANOVA) is used to determine whether there are any significant differences between the means of three or more independent (unrelated) groups.

One – way ANOVA has the following test statistics:

$$F = \frac{MST}{MSE}$$

Where

F = ANOVA Coefficient

MST = Mean sum of squares due to treatment

MSE = Mean sum of squares due to error.

Formula for MST is given below:

$$MST = \frac{SST}{p - 1}$$

$$SST = \sum n(X-\bar{x})^2$$

Where,

SST = sum of squares due to treatment

P = total number of populations

N = total number of samples in a population

Formula of MSE is given below

$$MSE = \frac{SSE}{N - p}$$

$$SSE = \sum (n - 1)S^2$$

Where,

SSE = Sum of squares due to error

S = Standard deviation of the samples

N = Total number of observations.

H2: Tourist level of perception towards the quality of accommodation is dependent on the nature of accommodation Preferred by them.

Table 1: Banking experience towards opinion regarding service quality factors based on your experience with the bank

| Variable | Below 5yrs | | 5-10 yrs | | 11-15 yrs | | 16-20 Yrs | | Above 20 yrs | |
|--|------------|------|----------|-----|-----------|----|-----------|------|--------------|-----|
| | Mean | SD | Mean | SD | Mean | SD | Mean | SD | Mean | SD |
| Feeling safe in the transaction | 1.65 | .66 | 1.88 | .65 | 3 | 0 | 2 | 0 | 3 | 0 |
| Convenience operating hours | 2.35 | .66 | 2.38 | .69 | 2 | 0 | 2.5 | .70 | 2 | 0 |
| Performing correct service at first time | 2.02 | .78 | 2.38 | .98 | 1 | 0 | 2 | 0 | 1.5 | .71 |
| Keeping records correctly | 2.10 | .96 | 2.34 | .68 | 2 | 0 | 2.5 | .70 | 1.5 | .71 |
| Keeping promise | 2.10 | 1.00 | 2.61 | .75 | 3 | 0 | 3 | 0 | 1.5 | .71 |
| Information network | 2.08 | .90 | 2.11 | .76 | 1 | 0 | 2 | 1.41 | 1.5 | .71 |
| Technology | 2.02 | 1.05 | 1.96 | .87 | 2 | 0 | 2 | 0 | 2.5 | .71 |

Source: Computed from Primary Data

Result of Anova

Table 2: Banking experience towards opinion regarding service quality factors based on your experience with the bank

| Variables | Source | Sum of Square | DF | Mean Square | F | Sig |
|---------------------------------|----------------|---------------|----|-------------|-------|------|
| Feeling Safe In The Transaction | Between Groups | 5.632 | 4 | 1.408 | 3.325 | .015 |
| | Within Groups | 31.756 | 75 | .423 | | |
| | Total | 37.388 | 79 | - | | |
| Convenience Operating Hours | Between Groups | .444 | 4 | .111 | .247 | .911 |

| | | | | | | |
|--|----------------|--------|----|-------|-------|------|
| | Within Groups | 33.756 | 75 | .450 | | |
| | Total | 34.200 | 79 | - | | |
| Performing Correct Service At First Time | Between Groups | 4.354 | 4 | 1.089 | 1.522 | .204 |
| | Within Groups | 53.633 | 75 | .715 | | |
| | Total | 57.988 | 79 | - | | |
| Keeping Records Correctly | Between Groups | 2.176 | 4 | .544 | .711 | .587 |
| | Within Groups | 57.374 | 75 | .765 | | |
| | Total | 59.550 | 79 | - | | |
| Keeping Promise | Between Groups | 7.244 | 4 | 1.811 | 2.151 | .083 |
| | Within Groups | 63.144 | 75 | .842 | | |
| | Total | 70.388 | 79 | - | | |
| Information Network | Between Groups | 1.860 | 4 | .465 | .614 | .654 |
| | Within Groups | 56.827 | 75 | .758 | | |
| | Total | 58.687 | 79 | - | | |
| Technology | Between Groups | 1.509 | 4 | .377 | .380 | .822 |
| | Within Groups | 74.441 | 75 | .993 | | |
| | Total | 75.950 | 79 | - | | |

Table 3: Simple Percentage Analysis

| Variables | No of Respondents | Percentage | |
|--|----------------------------|------------|-------|
| Age | Below 25 | 43 | 53.8 |
| | 26-35 | 17 | 21.3 |
| | 36-45 | 13 | 16.3 |
| | 46-55 | 3 | 3.8 |
| | Above 55 | 4 | 5.0 |
| | Total | 80 | 100.0 |
| Gender | Female | 47 | 58.8 |
| | Male | 33 | 41.3 |
| | Total | 80 | 100.0 |
| Education Qualifications | School | 14 | 17.5 |
| | Graduate | 44 | 55.0 |
| | Post Graduate | 12 | 15.0 |
| | Professional Qualification | 6 | 7.5 |
| | Others | 4 | 5.0 |
| | Total | 80 | 100.0 |
| Marital Status | Married | 29 | 36.3 |
| | Unmarried | 51 | 63.8 |
| | Total | 80 | 100.0 |
| Your Present Occupation | Business | 2 | 2.5 |
| | Profession | 18 | 22.5 |
| | Employed In Private | 21 | 26.3 |
| | Employed In Govt | 9 | 11.3 |
| | Pensioner | 1 | 1.3 |
| | House Wife | 4 | 5.0 |
| | Student | 25 | 31.3 |
| | Total | 80 | 100.0 |
| Monthly Income | Below 10000 | 49 | 61.3 |
| | 10000-2000 | 21 | 26.3 |
| | Above 20000 | 10 | 12.5 |
| | Total | 80 | 100.0 |
| Name of Your Bank | Indian Overseas Bank | 14 | 17.5 |
| | Canara Bank | 20 | 25.0 |
| | Indian Bank | 10 | 12.5 |
| | Bank Of India | 8 | 10.0 |
| | State Bank Of India | 6 | 7.5 |
| | Others | 22 | 27.5 |
| | Total | 80 | 100.0 |
| Nature of Your Account | Savings Account | 64 | 80.0 |
| | Fixed Deposit Account | 4 | 5.0 |
| | Current Account | 12 | 15.0 |
| | Total | 80 | 100.0 |
| State your frequency of transaction in the bank in a month | 1-2 Times | 48 | 60.0 |
| | 3-5 Times | 26 | 32.5 |
| | 6-8 Times | 3 | 3.8 |
| | Above 10 Times | 3 | 3.8 |
| | Total | 80 | 100.0 |
| How many banks do you have account | One | 40 | 50.0 |
| | Two | 29 | 36.3 |

| | | | |
|---|---------------|----|-------|
| | Three | 5 | 6.3 |
| | Four | 5 | 6.3 |
| | Above 4 | 1 | 1.3 |
| | Total | 80 | 100.0 |
| Bank Experience | Below 5 Years | 49 | 61.3 |
| | 5-10 | 26 | 32.5 |
| | 11-15 | 1 | 1.3 |
| | 16-20 | 2 | 2.5 |
| | Above 20 | 2 | 2.5 |
| | Total | 80 | 100.0 |
| Whether bank employee gives answer for your question at the counter | Yes | 62 | 77.5 |
| | No | 18 | 22.5 |
| | Total | 80 | 100.0 |

Table 4: Distribution of express our opinion regarding service quality factors based on your experience with our bank

| Variables | Highly satisfaction | Satisfaction | Neutral | Dissatisfaction | Highly Dissatisfaction | Mean | Sum | Rank |
|--|---------------------|--------------|-----------|-----------------|------------------------|--------|-----|------|
| Feeling safe in the transaction | 36.3 (29) | 48.8 (39) | 15 (12) | 0 (0) | 0 (0) | 1.7875 | 143 | 7 |
| Convenience operating hours | 6.3 (5) | 56.3 (45) | 33.8 (27) | 3.8 (3) | 0 (0) | 2.3500 | 188 | 1 |
| Performing correct service at first time | 23.8 (19) | 47.5 (38) | 23.8 (19) | 3.8 (3) | 1.3 (1) | 2.1125 | 169 | 4 |
| Keeping records correctly | 23.8 (19) | 40 (32) | 32.5 (26) | 2.5 (2) | 1.3 (1) | 2.1750 | 174 | 3 |
| Keeping promises | 25 (20) | 30 (24) | 36.3 (29) | 8.8 (7) | 0 (0) | 2.2875 | 183 | 2 |
| Information network | 27.5 (22) | 43.8 (35) | 25 (20) | 2.5 (2) | 1.3 (1) | 2.0625 | 165 | 5 |
| Technology | 38.8 (31) | 26.3 (21) | 30 (24) | 3.8 (3) | 1.3 (1) | 2.0250 | 162 | 6 |

Source: Primary data

Table 5: Distribution of respondent based on customer satisfaction

| Variable | Highly satisfaction | Satisfaction | Neutral | Dissatisfaction | Highly dissatisfaction | mean | sum | Rank |
|--------------------|---------------------|--------------|-----------|-----------------|------------------------|--------|-----|------|
| Checking Account | 27.5 (22) | 65 (52) | 7.5 (6) | 0 (0) | 0 (0) | 1.8000 | 144 | 6 |
| Credit Facility | 13.8 (11) | 50 (40) | 35 (28) | 1.3 (1) | 0 (0) | 2.2375 | 179 | 3 |
| Overdraft Facility | 17.5 (14) | 37.5 (30) | 41.3 (33) | 3.8 (3) | 0 (0) | 2.3125 | 185 | 2 |
| Interest Rates | 16.3 (13) | 40 (32) | 32.5 (26) | 10 (8) | 1.3 (1) | 2.4000 | 192 | 1 |
| Trust Worthiness | 16.3 (13) | 53.8 (43) | 30 (24) | 0 (0) | 0 (0) | 2.1375 | 171 | 5 |
| Easy To Contact | 21.3 (17) | 43.5 (34) | 32.5 (26) | 1.3 (1) | 2.5 (2) | 2.2125 | 177 | 4 |

Conclusion

The changes in financial market and customer preferences and behaviour, as well as greater application of modern technologies demand an application of CRM in banking industry. CRM enables segmentation of customers in accordance with different criteria, which enables customization of banking products and services and continuous innovation of product portfolio. CRM provides the possibility to create active, "friendly" relationship with customers, which certainly contributes to their loyalty to banks and the provision of permanent and secure revenues in the long term. Today, when needs and expectations of customers are rapidly changing and becoming more sophisticated, the real business success can be achieved only in case banks.

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