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### Customer relationship management practices: A study on selected commercial banks in India

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#### Abstract

Driven by challenges on competition, rising customer expectation and shrinking margins, banks have been using technology to reduce cost. Apart from competitive environment, there has been deregulation as to rate of interest, technology intensive delivery channel like Internet Banking, Tele Banking, Mobile banking and Automated Teller Machines (ATMs) etc. have created a multiple choice to user of the bank. The banking business is becoming more and more complex with the changes emanating from the liberalization and globalization. For a new bank, customer creation is important, but an established bank it is the retention is much more efficient and cost-effective mechanism. CRM is a sound business strategy to identify the bank's most profitable customers and prospects, and devotes time and attention to expanding account relationships with Banking Industry in India has undergone a rapid change followed by a series of fundamental developments.

The examination of the data analysis on CRM in the review article indicated that the focus of CRM is transitioning from the development of company value to the creation of customer value. The evaluation process results affirm that CRM systems may be classified as operational, analytical, and collaborative. The operational CRM facilitates the automation, optimization, and advancement of services. The purpose of this study is to provide a framework for customer relationship management strategies in banks. CRM is a practice used to get insights into consumer demands and behaviours to cultivate deeper connections.

The objective of the study is to examine the strategic implementation of CRM in selected banks (SBI, ICICI, Central Bank of India, HDFC Bank) to identify and analyse the benefits, challenges, successes, and failures, as well as to assess the implications for competitive factors in banking and enhance the understanding of the impact of CRM best practices. The banking sector has undergone substantial transformation. This research utilizes secondary data.

**Keywords:** CRM, challenges, competition, business strategy, customer value, consumer demand

#### 1. Introduction

Today, firms may simultaneously provide clients with variety, reduced pricing, and individualized service via the efficient use of information and communications technology. These organizations use aspects of a marketing strategy that utilizes continually updated data from present and prospective clients to predict and address their requirements. Your garage notifies you that your vehicle requires servicing. Your bank notifies you of surplus cash in a non-interest-bearing account. The telecommunications service provider notifies you that your payment is due. This constitutes the implementation of Customer Relationship Management (CRM). CRM is a complicated and comprehensive field that requires a thorough re-evaluation of technology, procedures, and staff competencies. CRM is characterized as a process that involves the methodical and proactive management of relationships from commencement to termination, executed across numerous customer-facing communication channels. The primary objective of CRM in any firm is to cultivate relationships with consumers, gain new clientele, personalize treatment for each individual, retain current clients, and optimize their lifetime value.

CRM is designed to integrate components like as people, procedures, and technology to comprehend a company's consumers. Customer Relationship Marketing or Management (CRM) is an essential technique in the banking business internationally. Numerous banks in India are prioritizing the matter.

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However, the adoption process significantly impedes appropriate knowledge acquisition. In this manner, our course instructor has sanctioned the following matter. The study focuses on "Customer Relationship in the Banking Sector," especially examining chosen firms, including SBI, ICICI, Central Bank of India, and HDFC Bank. These banks are examined to determine the strategic tactics and strategies of Customer Relationship Management (CRM) used to keep and evaluate its customers.

### 1.1 Customer Relationship Management

Customer Relationship Management is the business buzzword in these days. Company's goals can be best achieved through identification and more satisfaction of the customer's needs and wants. CRM is a system to identify, target, acquiring, and retaining the best outcome of customers. Customer Relationship Management helps in understanding customer needs, and in building relationship with customers by providing the most suitable products and services with enhanced customer service. It integrates all sub systems to maintain a database of customer contacts, purchases, and technical support, among other things. This database helps the company in identifying the needs of the customers to improve the quality of the relationship.

### 2. Literature Review

K. Ganeshmurthy (2010) <sup>[9]</sup> mentioned in own study about various benefits of CRM just like lower cost of recruiting customers, no need to recruit so many customers to preserve a steady volume of business, reduce cost of sales, increased customers retentions and loyalty and evaluation customer profitability.

The research of Dahistrom *et al.* (2014) <sup>[10]</sup> showed that trust is an element of a crucial importance in banking industry since establishment of relationships between customers and banks appeared to be a double-sided problem since both parties can approach differently depending on the level of trust they have in other party.

Balakrishnan *et al.*, (2014) <sup>[7]</sup> examined CRM practices in selected private sector banks and level of customer's satisfaction. Their research showed that suitable practices of CRM increases satisfaction and develop association with existing and probable clients by managing facts and advances performance of delivering banking services at a without hustle that enables customer notion and preservation Madan, Agrawal, & Matta (2015) <sup>[5]</sup> in their article titled "Relationship Marketing Strategies in Banking Sector: A Review" have examined that relationship marketing means appealing, preserving and augmenting CRM. The authors revealed that trust, assurance and connections hold significant roles for maintaining, enhancing, and developing long-term associations amongst productions and account holders.

Sandeep Kumar mentioned (2016) <sup>[4]</sup> that customer relationship management is one of the biggest challenges for the Indian banking sector especially for the public banking sector, because the customer satisfaction level in public sector banks is not satisfactory as compared to private sector banks.

### 3. Statement of the Problems

During the 1960s, 1970s and 1980s banks took more industrial approach towards their customers. The services did not match the mass market, because the market was

becoming more socialized. Outdated and cumbersome systems and procedures ad undue apathy towards technology has taken their toll in the form of poor-quality vehicle of growth. Lack of resources, absence of appropriate attitude, visions the planning; Banking has today become an extremely competitive business. However, the essential strength of the bank lies in its good customer relationship. Banks in the operation for achieving efficiency and gaining technology are facing the danger of forgetting this fundamental premise. For years, banks have been guilty of five interpersonal sins, that have caused tremendous irritation to customer; inability to cross sell, long queues, poor service attitude, lack of information and lack of human touch, that prevent them from maintaining good customer relationship

### 4. Objectives of the Study

1. To study the importance of CRM in banking sector.
2. To study the role of technology for development of CRM.
3. To study the customer relationship management process in Indian banking sector.

### 5. Research Methodology

The presents study is completely based on secondary sources of data collection such as newspapers, books, journals, magazines, thesis and internet resources.

### 6. CRM Development

To be prepared to the changing economic conditions and, in particular, to a rapidly decreasing inflation rate scenario Garanti Bank has started timely to focus on developing a customer relationship management (CRM) system. The total number of customers is presently around two million, but an increase to roughly three million is 3 foreseen as merging with Osmanli Bank and Kofertz bank are achieved and the present growth targets are reached. The importance for the bank of managing the relationships with their customers has been the drive of the joint projects that have been developed with IBM in the last three years. During the projects a number of crucial technological and architecture choices have been made to implement the entire process. Realizing the importance of customer information availability the first of these projects has focused on the problem of routinely collecting and cleansing data.

The project has been undertaken by the bank with the spirit that has characterized the whole CRM development. The project has promoted a massive involvement of the branches, namely of the portfolio managers and campaigns have been launched for popularizing among branch staff the importance of gathering and maintaining reliable customer data. Another set of methods have been tested for customer not included in portfolios (pool customers), such as mailing or distributing questionnaires in the branches or using automatic teller machines (ATM) and the call center. Methods for data checking and testing have been developed to be routinely employed by the bank's staff. Results obtained are very good: for portfolio customers data available are respectively 98% for the commercial ones and 85% for the retail ones. For pool customers availability goes down to 65%: this is a well-known phenomenon due to the loose relationship with the latter customers.

## 7. CRM as Key for Success

The relationship between banking and CRM practices is such that nowadays it is almost impossible to think of the former without the latter. Now banks are approaching CRM as a tool for building customer base and increasing the sales. This approach held by the banks is damaging their image and the customers are losing confidence on their bankers. Banks need to differentiate themselves by offering value-added service and take special efforts to change their image, if they want to realize the possibilities of building strong relationship with their customers. The CRM program must be embraced and promoted by top management and supported with a comprehensive annual CRM plan to ensure organization wide success. A more consumer-oriented strategy in services would, therefore, be needed to improve understanding of the merits of CRM strategy and incorporate it into the business strategy in the industry.

CRM has a strong impact on the new product performance (NPD), so companies can benefit greatly from integrating CRM processes with their NPD efforts. There is a long-held belief that CRM is a multi-dimensional construct. The critical factors that explain CRM in Indian banking sector have been identified as organizational structure, customer support, service quality, trust, technology, personalization, and market orientation. These factors should be duly considered by the Indian banks in order to achieve a high degree of customer satisfaction and business performance which are the primary and compulsive goals for any business organization in the current competitive scenario.

There are many public and private sector banks doing business in India. In such a competitive environment, the banks should adopt suitable marketing skills rather than depending on the trading skills. Hence, new services should be constantly introduced to ensure the growth of the banks and to be competitive in the market and to keep up the enthusiasm of the employees and customers etc.

The domain of CRM helps into many areas of banking which including strategic decision making, marketing, and selling financial products, helping banking industry to enable its marketing to identify and target their best customers, managing marketing campaigns and generating quality leads. This combined with a growing appetite for customization and personalization, is driving the need to constantly transform applications and offerings to meet new competition and changing customer preferences, expectations and needs (Joshi and Ah). Thus, CRM should be integrated with innovative programs and development of innovative capability must be a supply-chain-wide effort.

The key for profit in the banks are the customers who make the organization profitable and the CRM is a growing trend in banks. Financial service providers are, however, recognizing many challenges they face in implementing an enterprise-wide CRM business strategy. The requirements for a successful cross-selling system are to provide an external input to the current initiative already underway at the bank.

As the benefits of CRM are brought forward, this focus on the 'segment of one' has become a feature of the service offered by some banks and financial service institutions. Thus, the banks should treat the individual customer differently on the basis of their different requirements. Argues that banks do not sell products; they sell their reputation with every customer relationship. CRM systems have today become an indispensable tool for effective

customer relationships.

## 8. Importance of CRM

Customer Relationship Management is playing very important role for the growth and profitability of banks in the present age. CRM is instrumental in identifying and capturing the most profitable customers of a bank. It combines technology with human resources in order to create new strategies to acquire new customers and retain the existing ones. The long-term business relationships provide many potential benefits for banks and clients. CRM is important due to following factors:

### 8.1 For Banks

- **Global Banking Developmental Engine:** In global banking marketing concept, CRM is developmental engine because through using effective and customer centric nimble policy can grow banking environment under global umbrella. Banking is not fetter limitation of country by using CRM global banking market is on the stage of progression.
- **Maximization Profit through Satisfaction:** CRM focuses on serve customer through better way. Customers want full satisfaction about any banking product with safe way. Through CRM, banks are presenting own service toward customers with secure and customer adoptable mode. Customers feel better and find own self-satisfied thus banks can gain maximize profit through satisfaction of customer.
- **Well Informed Customers:** Customers in Banking Industry today are well informed. With the introduction of new technology, the world has become like a small village. Thus, if a Bank wants to have more customers so it should develop a good relationship with its present customers and try to maintain the same in the future also.
- **Improved Quality of Customer Retention:** In the intensely competitive banking industry, retention of existing customers is vital role which can be achieved through the process of CRM. Customer retention for intensifying business is the most important factor. CRM is emphasizing on retaining customer forever with expectation of profitable customer.
- **Find New Customers:** CRM is helpful for discovering new prospective customers. Banks are diversified own products for attracting new customers. Attraction of these products, new customers are including in line and increasing own profit.

### 8.5 For Customers

- **Availability of New Technologies:** By using CRM, banks always trying to provide new technologies to the customers. Customers are getting and introducing newly technologies and avoid traditional technologies. Banks are presenting toward customer new adoptable technologies customer accept it for performing global level financial activities for example- ATM, Internet banking, Mobile banking, E wallet and E-cards etc.
- **Simplify Marketing:** Customers are wanted to simplify marketing products which is always more profitable. CRM is present toward customers marketing with simple and secure way. Customer can easily justify that which product is more profitable in compression of



another product. Now, bank's marketing strategies have changed and customer can receive information with comparative way and which is useful for choosing better products.

- **Better Customer Service:** Through CRM, a customer can receive better customer services with superior mode. In globalization, banks are focused on achieving own goal for retaining customers and included customers in business, for fulfill this goal banks are providing better services if any banks became failure to provide better services its existence in critical stage. Providing better services towards customers, it's the only way of own protecting and intensifying marketing share.

## 9. Suggestions

- By encouraging people to use our service from the branch is very important but habit needs to be changed and the branch is the first place from where it should starts.
- By putting up corporate drop boxes at the branch, lot of convenience can be provided to the customers as well as for the employees working in the organization.
- Generally due to heavy traffic at the branch customers have to wait, executives should take advantage of this time to explain and enroll customers for the latest services and products. Banners do catch the eyes of existing customers for sure; banners must be put up at the ATM s as people do tend to read things at the ATMs.
- The bank must consider positioning and mapping themselves on the minds of people that they are customer oriented and always explore ways to make banking easier for them. Television ads will make a difference in the attitude of the people; however financial part needs to be considered. Newspaper ads will allow us to reach out and educate maximum customers about our bank and thus create a scene of awareness among the masses.
- We can give out information regarding our bank at various popular e-mail sites or even auction sites.
- After any transaction from the ATM customers generally do take the slips to check balance. The back side of the slip can be used to provide information to the customers about the advantages of banking with them with respect to other banks-just a medium for promotion.

## 10. Conclusion

The Indian financial system boasts several remarkable accomplishments, the most notable of which is its accessibility. Indian banks are currently dispersed in rural areas. India's banking system in terms of number of branches is the biggest in the world. The banking business today is characterized by elevated client expectations and technology advancements. Day-to-day operations of banks in technology are playing a significant role. It used innovative technology, providing banks with a strategic edge.

Banks can enhance customer retention, profitability and loyalty and get an increased share of banks from their customers. Banks need to embrace CRM as a principle and adopt a strategy for managing customer relationships that

effectively addresses three key areas, customers, processes and technology.

Finally, banks should take actions such as recognition and delegation of work, freedom to handle customer's grievances and management's approval to take decision according to the situations.

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