IMPACT OF CRM PRACTICES ON CUSTOMERS SATISFACTION IN BANKING SECTOR

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ABSTRACT

Bankers were worshipped like heroes in the past, customer are the real kings ruling the rostrum in modern days. Proliferation of new and value added financial products and services has gathered momentum because of increasing competition and advent of Information Technology. Bankers are learning and developing new tricks of the trade, becoming customer focused. Banking activities are expanding in scope all the way through extensive products line, customization innovation. Mahatma Gandhi's perception on customer "He is not dependent on us, we are dependent on him, He is not an interruption on our work, he is the purpose of it. He is not an outsider in our premises. He is part of it. We are not doing him a favor by servicing him. He is doing us a favor by giving us an opportunity to do so". Bank customers are not willing to queue in a bank to get petty remittance in a payment or inquiring about the account balance and other facilities. With the available of web service tools and Customer Relationship Management (CRM) packages which facilitate backward and forward integration, retail bankers can afford to utilize customer data. Recently banks are focused more on customer's relationship leading to introduction and growth of customer service and support relationship and management application.

KEYWORDS: Customer Service, Financial Solutions, Multi-Channel Marketing, Deal Closure.

INTRODUCTION

The customer relationship banking lies in regular liaison with particular customer, developing, designing and delivering financial solutions. Relationship managers exploit face to face contact in multi delivery channels reduce transaction cost and facilitates offering of financial products at lower prices to customers.

Customer satisfaction from banking service will naturally depend upon the intensity of the want which will differ among customers and type of service wanted by particular customers. Customer service is of great importance in the banking sector. The customer expectation and their demands are increasing much faster than the banks are equipped to deal with customers. Customer services in the banks draw the attentions of the government, the management of banks, with the growing problems and issues.

The present study travels to link between the deployments of Customer Relationship Management (CRM) practices on Customer Satisfaction of profitable customers in banks at Puducherry Region. This is important because a strong positive association will act as a significant motivator to organizations for making larger investments towards deployment of CRM practices. On the other hand, a weak association will fail to provide necessary encouragement to the same organizations for CRM deployment. The study begins with an introduction to banking practices of CRM on customer Satisfaction.

CRM HELPS BANKS

➢ **Campaign Management -** Banks need to identify customers, tailor products and services to meet their needs and sell these products to them. CRM achieves this through Campaign Management by analyzing data from banks internal applications or by importing data from external applications to evaluate customer profitability and designing comprehensive customer profiles in terms of individual lifestyle preferences, income levels and other related criteria. Based on these profiles, banks can identify the most lucrative customers and customer segments, and execute targeted, personalized multi-channel marketing campaigns to reach these customers and maximize the lifetime value of those relationships.

➢ **Customer Information Consolidation (CIC)** - Instead of customer information being stored in product centric silos, (for e.g. separate databases of savings account & credit card customers), with CRM the information is stored in a customer centric manner covering all the products of the bank. CRM integrates various channels to deliver a host of services to customers, while aiding the functioning of the bank.

➢ **Marketing Encyclopedia** - Central repository for products, pricing and competitive information, as well as internal training material, sales presentations, proposal templates and marketing collateral.

➢ **360- Degree view of company -** This means whoever the bank speaks to, irrespective of whether the communication· is from sales, finance or support, the bank is aware of the interaction. Removal of inconsistencies of data makes the client interaction processes smooth and efficient, thus leading to enhanced customer satisfaction.

➢ **Personalized sales home page -** CRM can provide a single view where Sales Mangers and Agents can get all the most up-to-date

information in one place, including opportunity, account, news, and expense report information. This would make sales decision fast and consistent.

➢ **Lead and Opportunity Management** - These enable organizations to effectively manage leads and opportunities and track the leads through deal closure, the required follow-up and interaction with the prospects.

➢**Activity Management** - It helps managers to assign and track the activities of various members. Thus improved transparency leads to improved efficiency.

➢**Contact Center** - It enables customer service agent to provide uniform service across multiple channels such as phone, Internet, email, Fax.

➢**Operational Inefficiency Removal** - CRM can help in Strategy Formulation to eliminate current operational inefficiencies. An effective CRM solution supports all channels of customer interaction including telephone, fax, e-mail, the online portals, wireless devices, ATMs, and face-to-face contacts with bank personnel. It also links these customer touch points to an operations center and connects the operations center with the relevant internal and external business partners.

➢**Enhanced Productivity** - CRM can help in enhanced productivity of customers, partners and employees.

➢**CRM with Business Intelligence** - Banks need to analyze the performance of customer relationships, uncover trends in customer behavior, and understand the true business value of their customers. CRM with business intelligence allows banks to assess customer segments, which help them calculate the Net Present Value (NPV) of a customer segment over a given period to derive customer lifetime value. Customers can be evaluated within a scoring framework. Combining the behavior key figure and frequency to monetary acquisition analysis with a marketing revenue quota can optimize acquisition costs and cut the number of inefficient activities. With such knowledge, banks can efficiently allocate resources to the most profitable customers and reengineer the unprofitable ones. Data warehousing solutions have been implemented in Citibank, Reserve Bank of India, State Bank of India, IDBI, ICICI, Max Touch, ACC, National Stock Exchange and PepsiCo. And Business Intelligence players hope many more will follow suit.

METHODOLOGY

The study comprises of both primary and secondary data. Secondary data are collected from various publications, websites and libraries relevant for present research work. Primary data are collected randomly from customers of private and public sector banks using questionnaire instrument. The questionnaire is designed to include a set of eight statements with scale values ranging from 1 to 5 for 'strongly disagree' to 'strongly agree' to gather opinion from sample respondents about *CRM* practices on customer satisfaction.

OBJECTIVES

The present study mainly focuses on CRM in banking in the perception of its customers. With this end in view, the following objective is established in the study.

❁ To identify the impact of *CRM* practices on customer satisfaction of public and private sector bank at Puducherry.

HYPOTHESES

H_0 There is no significant impact of *CRM* practices on customer satisfaction of public and private sector bank.

CRM PRACTICES ON CUSTOMER SATISFACTION

As mentioned, the present study adopted canonical correlation to find out the relationship between CRM practices on customer satisfaction. The canonical correlation is similar to multiple regression analysis, but the goal of the canonical correlation analysis is to quantify the strength of the relationship between the two sets of variables (dependent and independent). This statistical technique is used here for determining the magnitude of the relationships that may exist between the two sets of variables. The canonical correlation analysis is very much useful in explaining the nature of whatever relationships exist between the sets of criterion variables (here Customer satisfaction measures) and predictor variables (CRM practice dimensions), generally by measuring the relative contribution of each variable to the canonical functions (relationships) that are extracted.

The first step of canonical correlation analysis is to derive one or more canonical functions. Each function consists of a pair of variates, one representing the predictor variables and the other representing the criterion variables. The maximum numbers of canonical variates (functions) that can be extracted from the sets of variables equal the number of variables in the smallest data set, predictor (independent) or criterion (dependent). That is, if a research problem involves three independent variables and two dependent variables, the maximum number of canonical functions that can be extracted will be two. The level of significance of a canonical correlation generally considered to be the minimum acceptable for interpretation is at .05 levels. At the same time, the significant canonical functions with very low canonical correlation are generally not considered for making inference. Squared canonical correlations are called canonical roots or eigenvalues.

In Table 1, the number of possible canonical functions produced by the canonical correlation analysis between CRM practices and Customer Satisfaction. From the perusal of the table, it is evident that there are nine canonical functions as the number of attributes (variables) in both sets is nine. Though there are nine canonical correlation functions, only the first three functions are significant statistically.

Table – 1 Canonical Functions Identifying the Relationship between *CRM* Practices and Customer Satisfaction

Canonical Function	Canonical R	Canonical R² (Eigenvalue)	Chi-Square	df	p-Value	Wilks Lambda
0	0.5899	0.3480	242.57	81	0.0000	0.4624
1	0.3415	0.1166	108.04	64	0.0005	0.7093
2	0.3075	0.0945	69.04	49	0.0312	0.8029
3	0.2486	0.0618	37.81	36	0.3869	0.8867
4	0.1594	0.0254	17.73	25	0.8534	0.9452
5	0.1312	0.0172	9.64	16	0.8848	0.9698
6	0.1102	0.0121	4.18	9	0.8995	0.9868
7	0.0260	0.0007	0.34	4	0.9874	0.9989
8	0.0198	0.0004	0.12	1	0.7255	0.9996

Source: Primary Data

The first and the second function with correlation of 0.5899 and 0.3415 and shared variance of 34.80 per cent and 11.66 per cent between two sets are significant at 1 per cent level. The third function with canonical correlation of 0.3075 and shared variance of 9.45 per cent is significant at 5 per cent level. From statistical significance of the first three functions, it is understood that there are three sets of latent variables (linear composite of dependent and independent variables, which is also called as canonical variates) characterizing the *CRM* practices and Customer satisfaction which are related significantly. As the canonical correlation for these three functions are substantial (0.30 and above), all these functions are considered for further analysis. Therefore, for further inference, the canonical loadings of the variables in both sets

with the three significant functions are obtained from the analysis are reproduced in Table 2.

From the observation of the table, it is apparent that the first canonical function is loaded substantially by all customer satisfaction measures and all *CRM* practice dimensions. However, out of nine customer satisfaction measures, the loading of "Bank employees' courteous towards customers" and "Willingness of the bank employees to help customers" are highly followed by "Friendliness of the bank employees", "Problem solving attitude of the bank" and "Business hours". That is, the customer satisfaction with "Bank employees' courteous towards customers" and "Willingness of the bank employees" are much more important in defining the canonical variate for customer satisfaction.

Table 2 Canonical Loadings of *CRM* Practice Dimension and Banking Service Aspects Measuring Customer Satisfaction

Variables	Canonical Function		
	1	**2**	**3**
CRITERION VARIABLES			
Banking Service Aspects			
Problem solving attitude of the bank	0.7615	0.2149	-0.3059
Friendliness of the bank employees	0.7788	0.2130	0.1688
Willingness of the bank employees to help customers	0.8362	-0.2247	0.0778
Bank employees' courteous towards customers	0.8523	-0.0067	0.0122
Accessibility of the offices (convenient bank locations)	0.5632	0.3895	-0.3531
Interest and charges on deposits, loans and other services	0.4849	0.4198	-0.4821
Bank's reaction to complaints	0.6673	-0.2483	-0.4083
Communication with bank via telephone, internet and e-mail	0.6212	-0.0589	-0.2607
Business hours	0.6977	0.2293	0.1728
PREDICTOR VARIABLES			
CRM Practice Dimensions			
Customized marketing practices	0.6514	-0.2101	-0.2361
Grievance redressal and fulfilling customer needs	0.4649	0.2440	-0.0674
Fair treatment and building confidence	0.6107	-0.3412	0.1416
Customer focussed practices	0.6633	-0.3606	0.3468
Helping Attitude and Hospitality of the Employees	0.7547	0.1724	0.2790
Creating awareness of *CRM* by frequent customer meet	0.4469	-0.3879	-0.1023
Customer convenience and Customer Centric Performance	0.5449	0.3955	0.3202
Knowledge Management	0.6744	-0.0463	-0.0809
Technology Based *CRM*	0.6021	0.2209	-0.3854

Source: Primary Data

Similarly, in predictor set, the *CRM* dimension, "Helping Attitude and Hospitality of the Employees" have high loading with the first function followed by "Knowledge Management", "Customer focussed practices" and "Customized marketing practices". This envisages that *CRM* organization as part of *CRM* practice in respect of "Helping Attitude and Hospitality of the Employees" are highly important factor in characterising the canonical variate of the *CRM* practices. From the canonical loadings of predictor and criterion variables with the first canonical function, it is found that the banks with high degree of knowledge management, customer focused service and customized marketing practices that adopt *CRM* practice towards "Helping Attitude and Hospitality of the Employees" are associated with customers who are highly satisfied with "Bank employees' courteous towards customers" and "Willingness of the bank employees to help customers" and satisfied with "Friendliness of the bank employees", "Problem solving attitude of the bank" and "Business hours".

In the same manner from the loadings of the predictor and criterion variables with the second canonical function, it is found that the customers who have expressed their satisfaction with "Interest and charges on deposits, loans and other services" are associated with banks that take steps to improve *CRM* organization for "Customer convenience and Customer Centric Performance". Similarly, from the loadings of the variables in both sets with the third canonical correlation

function, it is found that the customer who are less satisfied with "Interest and charges on deposits, loans and other services" and "bank's reaction to complaints" belong to banks that adopt Technology based *CRM* at low extent.

The impact of various facets of *CRM* practices on customer satisfaction with overall performance of banks is ascertained by multiple regression analysis. The analysis is carried out in two steps. Firstly the regression was run with all selected variables in the independent set. Then forward stepwise regression was run to obtain the model with variables in predicting the dependent. The results of the analysis are shown in Table 3.

As shown in the table, the initial regression model with all dimensions of *CRM* practice is fitted significantly (F value = 8.79, p < 0.01). From R^2 value of the model, it is understood that all *CRM* practice factors could together explain 20.08 per cent of the variation in the dependent – customer satisfaction with overall performance of the banks. From the adjusted R^2 value, which is used generally, to select the model of best if the number of regression model is more than one, indicates that explained variation in dependent after adjusting the number of predictors is 17.79 per cent. In the initial model, the estimated coefficient is significant only for three predictors. That is, the estimate coefficient is low and insignificant for the most of the predictors in the model. Hence, it is decided to go forward stepwise regression analysis method to drop the least and include the most important variables in the independent set.

Table – 3 Regression Results for Customer Satisfaction over "Overall Performance of Bank" with *CRM* Practices

Dependent Variable: Customer Satisfaction

Independent Variable (*CRM* Practice Dimensions)	Regression Models	
	Initial	Stepwise
Intercept	1.3525**	1.3643**
	(4.56)	(4.98)
Customized marketing practices	0.2119**	0.1991**
	(3.20)	(3.50)
Grievance redressal and fulfilling customer needs	-0.0191	
	-(0.32)	
Fair treatment and building confidence	0.0030	
	(0.04)	
Customer focussed practices	-0.0186	
	-(0.27)	
Helping Attitude and Hospitality of the Employees	0.0959	0.1101*
	(1.56)	(1.99)
Creating awareness of *CRM* by frequent customer meet	0.1226*	0.1323*
	(2.08)	(2.37)
Customer convenience and Customer Centric Performance	0.0428	
	(0.67)	
Knowledge Management	0.0893	0.0843
	(1.43)	(1.40)
Technology Based *CRM*	0.1812**	0.1793**
	(3.16)	(3.21)
R^2	0.2008	0.1990
Adjusted R^2	0.1779	0.1864
F value of overall model	8.79**	15.85**
Degrees of freedom for F (Row..Column)	9..315	5..319

Source: Primary Data. Figures in brackets are t-values.

*Significant at 5% level; **Significant at 1% level.

The stepwise model with five predictors in the independent set is fitted significantly with adjusted R^2 value higher than that of initial model. That is, just five predictors in the stepwise model could explain more variation than the amount of variation that could be explained by all nine variables in the initial model. Hence, the model obtained by stepwise process is considered for final inference

CONCLUSION

The impact of *CRM* practice on Customer satisfaction is found through canonical correlation analysis and the remaining multiple regression technique is adopted. From the results a significant impact of *CRM* practice on customer satisfaction is identified, it is also found that the banks is strong in service related aspects like "bank employees are courteous towards customer", "willingness to help the customer" and "bank employees are more friendly". Whereas banks are strong in CRM practice dimensions aspects like "helping attitude and hospitality of employees", "knowledge management", and "customer focussed practices". Therefore, it is concluded that the banks with moderate level of knowledge management that increase the adoption of *CRM* practices for customized marketing, helping attitude and hospitality of employees, creating awareness of *CRM* by frequent customer meet tend to increase the satisfaction of customers with their overall performance.

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