



CUSTOMER RELATIONSHIP MANAGEMENT OF COMMERCIAL BANKS

*Mahesh and **Dr. Rahul Garg

*Research Scholar, Department of Commerce, SunRise University, Alwar, Rajasthan (India)
**Associate Professor, Department of Commerce, SunRise University, Alwar, Rajasthan (India)
Email: mkareddy@gmail.com

Abstract: Customer relationship management (CRM) is the strongest and the most efficient approach in maintaining and creating relationships with customers. In the twenty-first century, CRM is becoming very important in banking industry as it has been to any other industry. CRM helps businesses to acquire new customers, retain existing ones and maximize lifetime values and improve the business performance. This paper is targeted on identifying customer relation management dimensions which significantly affect bank Performance. Thus, Binary logistic regression model applied to identify the most influential elements of CRM. And therefore, the finding if applied is useful to improve the performance through focusing on the most important elements of Customer relations management.

[Mahesh and Garg, R. **CUSTOMER RELATIONSHIP MANAGEMENT OF COMMERCIAL BANKS.** *Researcher* 2024;16(8):20-24]. ISSN 1553-9865 (print); ISSN 2163-8950 (online).
<http://www.sciencepub.net/researcher>. 04.doi:[10.7537/marsrj160824.04](https://doi.org/10.7537/marsrj160824.04).

Keywords: CRM ORGANIZATION, CUSTOMER RELATIONSHIP MANAGEMENT, COMMERCIAL BANKS

Introduction: Lakhani and Smith (Citation2007) revealed that retail banks face a big challenge in providing the high level of service that is now expected while still improving their profitability and market share. They emphasize that today's competition is based on a differentiated service rather than a differentiated product. The adoption of Customer Relationship Management (CRM) is widely seen as a way to achieve competition strategies in the service rendering companies. Companies that implement CRM can make better relationships with their customers, improve customers' loyalty, increased revenue and reduced cost (Blery & Michalakopoulos, Citation2006).

Now a days, CRM is increasingly important to firms as they seek to improve their profits through longer term relationships with customers. In recent years, many have invested heavily in information technology (IT) assets to better manage their interactions with customers before, during and after purchase (Bohling et al., Citation2006). CRM is one of the major sources of competitive advantage in banking sector. Furthermore, CRM is an extensively accepted instrument that supports customer-oriented organizations' decisions (Mohammed, Rahid, & Tahir, Citation2014). More specifically, CRM is regarded to be among the best strategies and practices for banks in order to develop their performance and thus to make sure that their long-term business is

survival (Kasim & Minai, Citation2009; Sigala, Citation2005) .

Customer retention refers to the activities and actions of companies and organizations to reduce the number of customer defections and making them loyal. The goal of customer retention programs to help companies retain as many customers as possible, often through customer loyalty and brand loyalty initiatives. It is important to remember that retention begins with the first contact customer has with a company and continues throughout the entire lifetime of the relationship (Anonymous, CRM, <http://www.ngdata.com>, accessed in 27 March 2017). CRM helps the customer retention practices of the organization which thought to improve profitability, principally by reducing costs incurred in acquiring new customers; the prime objective being "zero defections of profitable customers" (Reichheld, and Etal, Citation1996).

From a cost perspective, retaining an existing Bank customer costs less than creating a new one. The cost of creating a new customer estimated to be five times more than that of retaining an existing customer (Reichheld, and Etal, Citation1996). Banks seeks to achieve zero defection rate of profitable customer to minimize churn; the acquisition and subsequent loss of customer. The Bank industry globally expanded rapidly in order to become profitable and maintain the market share of banking industry in the country.

Commercial Bank of Ethiopia is the leading Bank in terms of market share, region network, customer and capital base, and aggressively expanded its regions all over the country that is in number around 1014 regions till 12 February 2016 (Commercial Bank of Ethiopia Annual report, CBE, Citation2016).

Customer relationship management

According to Coltman, Devinney, and Midgley (Citation2011), CRM is increasingly important to firms as they seek to improve their profits through longer term relationships with customers. In recent years, many have invested heavily in IT assets to better manage their interactions with customers before, during and after purchase (Bohling et al., Citation2006). Yet, measurable returns from IT investment programs rarely arise from a narrow concentration on IT alone, with the most successful programs combining technology with the effective organization of people and their skills (Bharadwaj Citation2000; Piccoli and Ives Citation2005).

Most of the research in CRM and customer exit investigates the processes separately without linking the two processes together (Colgate & Norris, Citation2001). Based on literatures, this study developed a customer retention model linking several major constructs that are proposed to impact a customer's decision to stay with, or leave, his or her current bank. The literature suggests that there is a positive relationship between consumers' behavioral intentions and customer loyalty and customer retention in banks. Furthermore, there is a positive relationship between customer satisfaction and customer value and consumers' behavioral intentions and customer retention. Similarly, there is a positive relationship between competitive advantage, customer satisfaction, customer value, corporate image, switching barriers, customer loyalty and customer retention (Colgate & Norris, Citation2001).

Customer Relationship Management is the business buzzword in these days. Customer Relationship Management promises faster customer service with lower costs, more customer satisfaction with better customer retention and in hope for more sales and profits. According to company's goals can be best achieved through identification and more satisfaction of the customers' 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 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. Customer is the king. Forget the meaning of royal treatment of customers; many of the organizations are not treating the customer with dignity.

Standing in line to buy something was common and expected. The customers go to airports to buy a ticket because there. Nowadays, many businesses such as banks, insurance companies, and other service providers realize the importance of Customer Relationship Management (CRM) and its potential to help them acquire new customers retain existing relationship with customers will require a strong coordination between IT and marketing to provide a long-term retention of selected customers. The phenomenon of globalization has paved multinational (foreign) banks in general and private sector banks in particular into the Indian banking market. Several banking experts argue that the world class services that are offered by these new generation banks have a tremendous bearing on the mindset and expectations of Indian banking customers.

The services that are offered by these banks are characterized on a 24 hour X 7 day a basis with a focus on delivering higher quality of service across the mobile phone banking and internet technologies have emerged as a major option before the Indian addition to these modern services such as Tele Automated Teller Machine (ATM) banking are also offered by Indian banks to serve customers. It is against this backdrop, the studies on understanding the demographics of customers' and attitudes towards customer relationship management (CRM) practices are gaining importance. Several researches studies that were conducted on the customer service aspects of Indian banking scenario, highlighted the need for designing effective (CRM) systems for enhancing the customer satisfaction instructed all public sector banks to focus on implementing management (CRM) systems through multiple touch points of websites, email systems and interactive kiosks. Research studies further revealed that customer relationship offshoot of the modern technological landscape by intelligence, and Internet proximity and therefore. These technological advancements and global commercial banks in India to pay more interventions in the light of the changes strategy to identify the bank's most profitable customers and prospects, and devotes time and attention to expanding account relationships with those customers through individualized marketing, reprising, discretionary decision making, and customized delivered through the various sales channels that the bank uses.

In order to succeed with strategic organizational change banks should also communicate the change to customers in a way leading them to alter their behavior and attitudes accordingly. Customer Relationship Management Customer Relationship Management is the business buzzword in these days. Customer Relationship Management promises faster customer service with lower costs, more customer satisfaction with better customer retention and ultimately achieving customer loyalty. All this is done in hope for more sales and profits. According to company's goals can be best achieved through identification and more satisfaction of the customers' needs and wants. CRM is a system to identify, get, 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 Customer is the king. Forget the meaning of royal treatment of customers; many of the organizations are not treating the customer with dignity. Standing in line to buy something was common and expected. The customers go to airports to buy a ticket because Nowadays, many businesses such as banks, insurance companies, and other service providers realize the importance of Customer Relationship Management (CRM) and its potential to help them acquire new customers retain existing ones and maximize their lifetime value. At this point, close relationship with customers will require a strong coordination between IT and marketing term retention of selected customers. The phenomenon of globalization has paved the way for the entry of new generation multinational (foreign) banks in general and private sector banks in particular into the Indian banking market. Several banking experts argue that the world class services that are offered by these new banks have a tremendous bearing on the mindset and expectations of Indian banking customers. The services that are offered by these banks are characterized on a 24 hour X 7 day a basis with a focus on delivering higher quality of service across the multiple channels. In this phone banking and internet technologies have emerged as a major option before the Indian addition to these modern services such as Tele-banking, Internet banking, Mobile banking,) banking are also offered by Indian banks to serve customers It is against this backdrop, the studies on understanding the demographics of customers' and attitudes towards customer relationship management (CRM) practices are gaining importan Several

researches studies that were conducted on the customer service aspects of Indian scenario, highlighted the need for designing effective Customer relationship management (CRM) systems for enhancing the customer satisfaction and loyalty, Reserve Bank of India (RBI) instructed all public sector banks to focus on implementing innovative customer relationship management (CRM) systems through multiple touch points of CRM systems such as call centers, websites, email systems and interactive kiosks across various service units and support processes.

Research studies further revealed that customer relationship management (CRM) is emerging as an offshoot of the modern technological landscape by incorporating customer demographics, business ence, and Internet proximity and therefore takes its place at the heart of the modern banks. These technological advancements and global competitive pressures have reoriented the public sector commercial banks in India to pay more attention to the changing customer needs and effective CRM interventions in the light of the changes in the consumer demographics. Page 71 ness strategy to identify the bank's most profitable customers and prospects, and devotes time and attention to expanding account relationships with those customers through individualized marketing, reprising, discretionary decision making, and customized service-all delivered through the various sales channels that the bank uses. In order to succeed with strategic organizational change banks should also communicate the change to customers in a way leading them Customer Relationship Management is the business buzzword in these days. Customer Relationship Management promises faster customer service with lower costs, more customer d ultimately achieving customer loyalty.

All this is done in hope for more sales and profits. According to company's goals can be best achieved through identification and more satisfaction of the customers' needs and wants. CRM is a system to identify, get, 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 vice. 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 Customer is the king. Forget the meaning of royal treatment of customers; many of the organizations are not treating the customer with dignity. Standing in line to buy something was common and expected. The customers go to airports to buy a ticket because the airlines kept them Nowadays, many businesses such as banks,

insurance companies, and other service providers realize the importance of Customer Relationship Management (CRM) and its potential to help them ones and maximize their lifetime value. At this point, close relationship with customers will require a strong coordination between IT and marketing departments ed the way for the entry of new generation multinational (foreign) banks in general and private sector banks in particular into the Indian banking market. Several banking experts argue that the world class services that are offered by these new banks have a tremendous bearing on the mindset and expectations of Indian banking customers. The services that are offered by these banks are characterized on a 24 hour X 7 day a week ltiple channels. In this context, phone banking and internet technologies have emerged as a major option before the Indian banks. In banking, Internet banking, Mobile banking, and) banking are also offered by Indian banks to serve customers better. It is against this backdrop, the studies on understanding the demographics of customers' and their attitudes towards customer relationship management (CRM) practices are gaining importance.

Review of Literature

According to Parvatiyar a CRM are multiple and diversified by active interactions supported by networks. Furthermore, banking marketing has developed a Multinew technology as well as internet and other communication instruments. In fact, the basis of CRM implementation on the banking sector is segmentation, information network, algorithm, IT system and sales and customer support. According to Knox et al., stakeholder value (the value the customer receives, the value the organization receives, and the customer retention and its economics) through developing appropriate relationships with key customers and customer segments and through channel and media integration (channel and media suitability, channel and media structure, and multichannel and multimedia integration). CRM unites the potential of IT and relationship marketing to deliver profitable, long According to Hedley Kimberley et al., 2006; tremendous challenges to the retail banking industry. Customers will become increasingly individualistic and, at the same time, more controlling traditional segmentation approaches and go banks compete in the marketplace will also change dramatically. According to Bargal Hitendra & Sharma Ashish 200 diversified services, open their branches at the shopping centers, install their web system, implement proper training system, define high performance system to improve the behavior of the employees, offer proper customer complaint system and performance overall services of the banks. Customers play an important role in the selection of a

particular bank. Today, proper customer care, number of years in business and easy accessi important factors that influence a customer's choice of a bank. According to Das Kallol et al., (2009) explores the association between deployment of CRM best practices and loyalty of profitable customers in Indian retail banki CRM practices which may be helpful to the organizations toward achieving comprehensive CRM deployment. The study reveals that State Bank of India and Bank of Baroda are lagging behind their counterparts from other sectors regard According to Morpace Reports (2008) and Teller Vision (2009); banks varies depending on their size. However, all banks share the same key opportunity for improvement in customer satisfactio per the study, the overall customer satisfaction tends to decrease as bank size increases. That is, customers of national banks tend to be significantly less satisfied than customers of reg banks who, in turn, are less satisfied than customers of credit unions. Dr. K. Ganesamurthy et al., 2011; (CRM) perceives as a technique of banking companies in order to explore, retain and a loyal customers in the competitive business era. This research paper attempted to study the customers' perspectives on CRM practices of Commercial Banks in India, the sample size include 421 respondents from both public and private sector customers' perception of CRM in banks does not vary irrespective of different classifications of customers such as age, sex, education, occupation, income level, the bank in which customers have an account, type of account, type of account maintained by the customers and the period of customers' association with banks.

Adoption of CRM Technology in Banking System

Information Technology revolution had a great impact in the Indian banking sector. The use of computers software had led to introduction of online banking system in India. The use of the modern innovation and computerization of the banking industry in India has improved after economic liberalization in the year 1991 as the country's banking sector has been e The Indian banks were finding it difficult to compete with the international banking standards in terms of customer service to provide convenience without the use of the information technology and computer system and software. Reserve Bank of India in the year 1984 formed Committee on Mechanism in the Banking sector whose chairman was Dr C Rangarajan, Deputy Governor, Reserve Bank of India. The major recommendations of the committee were implementing MICR Technology in all the metropolis in India. It provided us standardized cheque forms and encoding and decoding system. In the year 1994, the Reserve Bank of India set up Committee on Computerization in Banks was headed by Dr. C.R.

Rangarajan which emphasized that the computerized in the clearing houses of Reserve Bank of India in Bhubaneswar, Guwahati, Jaipur, Patna and Thiruvananthapuram. It further stated that there should be National Clearing of inter cheques at Kolkata, Mumbai, Delhi, Chennai and MICR should be made Operational. It also focused on computerization of banking services in all branches and increasing connectivity among branches through computers. It also suggested implementing on The committee submitted reports in the year 1989 and computerization of all branches started from the year 1993 with settlement between IBA and bank employees association. In the year 1994, Committee on Technology Issues relating to Payments System, Cheque Clearing and Securities Settlement in the Banking sector was set up with chairman Shri.WS Saraf, Executive Director, Reserve Bank of India. It emphasized on Electronic Funds Transfer (EFT) system, with the internet communication network as its carrier. It also said that in all banks with more than 100 branches.

7/12/2024

References:

- [1]. Bauer, H., Grether, M., Leach, M., (1998), "Kundenbeziehungen ueber das Internet", *Dermarkt*, jg 37, pp 119–128
- [2]. Below, von C., (1998), "Data Mining", in: *Managementinformations-systeme in Marketing und Vertrieb*, Hrsg. Uwe Hannig, Stuttgart, pp. 53–62
- [3]. Carleton Corporation, 2000, "The Four Challenges of Customer-Centric Data Warehousing", <http://www.crm-forum.com>
- [4]. Chablo, E., 1999, "The Importance of Marketing Data Intelligence in Delivering Successful CRM", http://www.crm-forum.com/crm_forum_white_papers/mdi
- [5]. Chen, L., Frolick, N., (2000), "Web-Based Data Warehousing, Fundamentals, Challenges and Solutions", *Information Systems Management*, is. Spring 2000, pp. 80–86.
- [6]. Cherry Tree and Co, (2000), "Extended Enterprise Applications", Spotlight Report, <http://www.Cherrytreeco.com>
- [7]. Chou, D.C., Chou, A.Y., 2000, "A Guide to the Internet Revolution in Banking", *Information Systems Management*, spring, pp. 51–57
- [8]. Delto, A. (1998), "Kundeninformationen professionell nutzen mit Customer Relationship Management", in: *Managementinformations-systeme in Marketing und Vertrieb*, Hrsg. Uwe Hannig, Stuttgart, pp. 83–92
- [9]. Eckerson, W., 1997, "Finding the Dividing Line Between Data Cleansing and Data Transformation Tools", 2:3, pp 30–32.