

# CUSTOMER RELATIONSHIP MANAGEMENT IN STATE BANK OF INDIA -WITH REFERENCE TO SIVAGANGA DISTRICT

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## Abstract

Customer relationship management (CRM) is a combination of people, processes and technology that seeks to understand a company's customers. It is an integrated approach to managing relationships by focusing on customer retention and relationship development. CRM has evolved from advances in information technology and organizational changes in customer-centric processes. Companies that successfully implement CRM will reap the rewards in customer loyalty and long run profitability. However, successful implementation is elusive to many companies, mostly because they do not understand that CRM requires company-wide, cross-functional, customer-focused business process reengineering. Although a large portion of CRM is technology, viewing CRM as a technology-only solution is likely to fail. Managing a successful CRM implementation requires an integrated and balanced approach to technology, process, and people.

**Key words:** Customer relationship management, relationship marketing, customer retention, service quality, banking services, etc.

## 1. Introduction

"Creating customer" can occur at the emotional, human level at any time, any place. Achieving and sustaining growth in banking business is a herculean task, but it can be successfully done, if the focus is on customers. With hot winds of competition blowing across the banking industry in India, developing an emotionally close, symbiotic relationship with customers has become highly important than ever before. Any bank that wishes to grow in the size of its business or improve its profitability must consider the challenges surrounding its customer relationships. Banks now have realized that, of all the problems the business can have come out with innovative measures to satisfy their present customers, acquire new ones, and at the same time adopt procedures to win back the lost customers. Customers' expectations regarding quality, service and value are ever escalating and hence, a banker can build good relationship with its customers only if it is able to understand their needs and desires. Customer relationship management philosophy, if properly implemented, will enable the banker to develop long-lasting relationship by developing trust and emotional bonding through personalized communication and sharing of values and goals.

Customer relationship management strategies are formulated to retain the profitable customers during their entire life cycle to maximize the customer lifetime value. This kind of a long-lasting relationship requires an emotional bonding. Building emotionally competent relationship with customers starts with love, caring and respect. Retaining valuable customers by satisfying their needs can create loyal customers who, in turn, will become the greatest advertisers and brand ambassadors of bank. Recognizing the importance of customer service, banks are investing heavily on technology, but little attention is shown towards giving their staff a customer orientation and training to sharpen their skills. The understanding regarding CRM of the part of people at the top of the administrative hierarchy also plays a big role in this.

## 2. Statement of the problem

A customer is the core component in the banking business. The business of banking cannot function without customers, nor is the business done by acquiring a certain number of customers. Hence, the secret key factor of a bank's success is effective CRM. The relationship between the banker and his customer deserves special attention because it can influence the future financial well-being of the customer and his/her family. Hence, banker-customer relationship is more emotional as compared to other business relationships. Public *sector* banks are offering loans at a comparatively lower rate than their counter parts. Private sector banks are offering high speed services, with a human touch. Since different categories of banks are offering different benefits to customers, the customer should identify his/her bank, and the duration of relationships depends upon the quality of the relationship and the personality characteristics of the customer. In financial dealings, many customers are rational and have multiple bank dealings. Building a strong and enduring relationship with customers gives a competitive edge by enhancing customer loyalty and cross-selling. Strong banker-customer relationship can have its impact on the present as well as future prospects of banks. Hence, the study focuses on the customer relationship management orientation and customer relationship strength in commercial banks.

## 3. Objectives of the study

1. To develop and validate research models for measuring customer relationship management orientation of branch-level managers of SBI and customer relationship strength of customers of commercial banks.
2. To measure customer relationship management orientation among managers at the branch level of bank belonging to different bank groups, and to see how the demographic features of managers and branches influence it.
3. To establish the association between customer relationship management orientation at the

branch level and the branch level performance.

4. To identify the physical and qualitative factors which can influence customer satisfaction and thereby the relationship strength.

The present study is confined mainly to two areas, namely, customer relationship management orientation of branch-level managers of commercial banks, and customer relationship strength.

#### 4. Research methodology

In pursuance of the objectives, the following methodology was adopted for conducting the present study. For conducting the survey of branch level managers, a multistage random sampling was applied. For this purpose, Sivagangai district was divided into three none, namely, north central south. From each zone, 30 branches operating in two municipalities, 45 semi-urban branches and 25 branches situated in Panchayats were selected at random.

**Table 1**

##### *Sampling Design*

| <b>Bank Groups</b>   | <b>North</b> | <b>Central</b> | <b>South</b> | <b>Total</b> |
|----------------------|--------------|----------------|--------------|--------------|
| SBI                  | 13           | 23             | 19           | 55           |
| Nationalized banks   | 35           | 30             | 28           | 93           |
| Old private banks    | 12           | 13             | 19           | 44           |
| New generation banks | 8            | 12             | 9            | 29           |
| Total                | 68           | 78             | 75           | 221          |

Source: Primary Data.

**Table 2**

##### *Sample Design for Customers*

| <b>Rank Groups</b> | <b>North</b> | <b>Central</b> | <b>South</b> | <b>Total</b> |
|--------------------|--------------|----------------|--------------|--------------|
| Municipality       | 31           | 34             | 34           | 99           |
| Town Panchayat     | 63           | 63             | 55           | 181          |
| Village Panchayat  | 40           | 44             | 42           | 126          |
| Total              | <b>134</b>   | <b>141</b>     | <b>131</b>   | <b>406</b>   |

The data collected from the two surveys were analyzed with the help of SPSS package. Chi square test, analysis of variance, t-test, factor analysis, multiple regressions, and multiple correlations were used for the analysis of data.

#### 5. Findings of the study

1. There is significant positive correlation between all the components of CRMO as well as CRS, which ensures the convergent validity if the two instruments. Branch level managers' orientation in CRM and mass banking are inversely correlated, indicating discriminant validity of the model.
2. All the measures of performance selected for the study, namely, growth in business, growth in profit, customer retention and cross-selling, are positively correlated with all the components of CRMO. Similarly, customer loyalty is positively correlated with all the components of CRS, ensuring homological validity of the two instruments.
3. Branch level manager of commercial banks have a high level of orientation in CRM. But the level of orientation in bonding is less as compared to other components of CRMO and it is the most significant factor causing bank group-wise difference in the average CRMO. Managers of SBI group branches differ significantly from the managers of new generation bank branches in relationship management orientation. Similarly, the managers of new generation banks differ significantly from managers of nationalized banks in all aspects of CRM other than shared value.
4. Performance of bank branches and the orientation in customer relationship management have a linear relationship. Performance of bank branches depends on the extent of CRMO of branch managers.
5. The customers of banks are dealing with different banks at a time. It is empirically proved that there is association between the habit of availing some products of primary banks and utilizing the products or services of some other financial institution.
6. The customers of different bank groups differ in their preference in this respect customer of the SBI group and nationalized banks prefer to have more number of cash counters in their branches and demand near clean and spacious branches.
7. Along with physical ambience, some qualitative factors also determine the extent of customer satisfaction and, in turn relationship with banks. Caring and helping mentality of the staff is ranked as the most important qualitative factor which gives an extra edge to a bank.

8. Customers whose length of relationship with their primary banks exceeds 10 years have a significantly better relationship with their banks.
9. Customer relationship strength between bank groups differs significantly. The average level of customer trust of the SBI is significantly higher than that of new generation banks.
10. Low income classes of customers have low level of relationship, and high income customers have a high relationship irrespective of the bank groups.
11. It is found that 75 percent of the variations in the customer loyalty can be explained by the customer relationship strength. All the components of CRS have a significant impact on the extent of customer loyalty. Customer bonding is the most important factor influencing customer loyalty. The bank manager's orientation in bonding is found to be the weakest area of customer relationship management and the same factor is identified as the key factor governing customer loyalty.

## **6. Recommendations**

1. Banks should cultivate the culture of good care and help to all customers. Frontline employees of banks, especially of the SBI group and nationalized banks should be given very serious and professional training in the areas of customer service and technological operations. Bank staff should be given a new orientation and outlook in how to communicate with customers pleasantly and build personal bonding customers.
2. Lack of customer orientation in a single frontline employee can destroy the customer orientation of the branch and will negatively influence the customer satisfaction and relationship strength. Banks should identify such weak employees and they should be assigned some back office jobs.
3. There should be provision to reward the successful relationship builders on the basis of confidential rating by customers. Such key personnel should not be transferred frequently,
4. Lack of professionalism and customer orientation and lack of competency in computer system operations are very common in the case of many branch managers of nationalized

bank and the SBI group. Hence, proper training to develop such skills should be given to managers.

5. Customer orientation of such young officers should be tested by placing them under high performing and trusted managers. Promotion should be given by given by taking into account their report regarding customer service quality.

## 7. Conclusion

Branch level managers have a very good orientation in CRM and the customers have a reasonably strong relationship with their banks. A good proportion of customers of all banks are highly rational and hence locking them with relationship bonds is a challenging task. All the commercial banks are highly trusted by the customers but the level of bonding is not up to the mark. The bank managements should give most serious attention to building genuine relationship with customers. Even though technology is a must to win the heart of customers by providing financial services in real time, enhancing the operational effectiveness of banks, and reducing cost of operations, the human element is far more significant in establishing sustainable relationship with the customers of banks.

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