

# The Customer Relationship Management Practices of selected Public Sector Banks in Gujarat” [Performance analysis of CRMP in selected PuSB in Gujarat]

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### Abbreviations

**CRMP:** Customer Relationship Management Practices  
**PuSB:** Public Sector Banks  
**IT:** Information Technology

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## ABSTRACT

This research article examines the importance of CRM in creating a sustainable relationship between customers and public sector banks in India. The study investigates customers perceptions of CRM practices of selected public sector banks in Gujarat State, India; relationship between the customers perception and attitude of customers towards CRM practices of banks in India; impact of customer help desk of selected banks on customers perception of banks in India; and the relationship between the CRM practices and attitude of the customers towards factors contributing to services quality. For the purpose of this current study, a sampling survey was conducted among 120 customers of selected public sector banks in India namely State Bank of India, Bank Of Baroda and Bank Of India with the help of a structured questionnaire. The tools used for this study are Percentage analysis and Chi – Square test. The study shows effective CRM practices can lead to confidence in the formal banking sector given the cultural perceptions of banks in India. Also, the study reveals that public sector banks can build relationship with customers by making use of technology and managing information to improve service delivery and achieve increase in their customer base, customer royalty and retention.

## 1. Introduction

Customer Relationship Management practices provides a company with the information necessary to know their customers understand and identify customer needs and effectively build relationships between the company, its customer base, and distribution partners.

CRM can be viewed as an application of one-to-one marketing and relationship marketing, responding to an individual customer on the basis of what the customer says and what else is known about that customer.

It is a management approach that enables organisations to identify, attract, and increase retention of profitable customers by managing relationships with them and further identifying strategically significant customers.

There are three main elements of CRM strategic capabilities and they are technology infrastructure, human analytics and business architecture. Strategic capability refers to a business' ability to

Successfully employ competitive strategies that allow it to survive and increase its value over time. Strategic capability focuses on the organization's assets, resources and market position, projecting how well it will be able to employ strategies in the future.

### Technology infrastructure

This enables CRM practices to function effectively. The key IT components are the front office applications that support sales, marketing and service, a data repository that supports

collection of customer data, and back office applications that help integrate and analyse the data.

### Human analytics

CRM programmes require people who are responsible for CRM initiatives to demonstrate abilities and skills in dealing with customers. According to Davenport et al. human analytics capture the human processes and procedures used to extract raw data and convert them into customer knowledge.

### Business architecture

To ensure stronger and deeper relationships with the right set of customers, companies need to identify the right approaches that will enable them to gain knowledge to gain insight for enhancing the customer value significantly and create a customer centric approach. Many firms will possess the elementary technology and possess similar rudimentary skills. Few companies will possess the organizational architecture of control systems and incentive policies required to fully exploit these resources.

## 2. Meaning

Customer relationship management (CRM) is a planned and sustained interaction with customers to assess their needs through technological platforms. It involves using technology to ascertain the level of customers' satisfaction and organise a company response to sales, marketing and customer service.

CRM is a customer-oriented centric that features service response based on the formation of individualized relationships with customers, with the aim of improving customer satisfaction

and maximizing profits; identifying the most profitable customers and providing them the highest level of service.

CRM is an enterprise wide approach to understanding and influencing customer behaviour through meaningful communication to improve customer acquisition, customer retention, customer loyalty, and customer profitability.

### 3. Literature Review

Customer Relationship Management is commonly perceived as database marketing which focuses on the relationship between promotional marketing and database management tools. There are numerous definitions of CRM.

- Peppers D, Rogers M, Dorf B (1999) "Is Your Company Ready for One To One Marketing?" *Harvard Business Review* 77: 151-160, "CRM can be viewed as an application of one-to-one marketing and relationship marketing, responding to an individual customer on the basis of what the customer says and what else is known about that customer".
- Hobby J (1999) *Looking After the One Who Matters*, *Accountancy Age*, 28-30, "It is a management approach that enables organisations to identify, attract, and increase retention of profitable customers by managing relationships with them and further identifying strategically significant customers".
- Eckerson W, Watson H (2000) *Harnessing Customer Information for Strategic Advantage: Technical Challenges and Business Solutions*, Special report, The Data Warehousing Institute, Chatsworth, CA, "CRM is the application of technology that interfaces on one to one relationships with customers and a company through integrating database knowledge with the sustained customer service delivery and customer loyalty".
- Eckerson W, Watson H (2000), "CRM involves technology that applies software packages which aid the interaction between the customer and the organisation, enabling an organisation to co-ordinate all of the communication efforts so that the customer is presented with a simplified and harmonised information. CRM coordinates messages and images around a common profile of the customer".
- Chen I, Popvich K (2003) *Understanding customer relationship management (CRM): People, process and technology* *Business Process Management*, "Managing a successful CRM programme requires an integrated and balanced approach to technology, process, and people".

- Singh D, Agrawal DP (2003) "CRM Practices in Indian Industries". *International Journal of Customer Relationship Management* 5: 241-257, "CRM or Customer Relationship Management is both a process and an initiative that belongs to all the departments of an organisation. It shows the comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer. Customer Relationship Management is a term for the methodologies, technologies and e-commerce capabilities used by the firms to manage customer relationships".
- Rajagopal, Romulo Sanchez (2005) *Analysis of Customer Portfolio and Relationship Management Models: Bridging Managerial Gaps*, *Journal of Business and Industrial Marketing* 20: 307 -316, "Customer Relationship Management is the strategic process of shaping the interactions between a company and its customers with the goal of maximizing current and lifetime value of customers for the company as well as maximizing satisfaction for customers. CRM is the integration and collaboration of different business departments to process and access the customer information to provide a unified assessment of customer interaction to enhance the quality of service delivery in the company".

### 4. Analysis of customer relationship management perspectives

There are numerous definitions in relation to customer relationship management in the areas of marketing, management and IT literature that has been considered in this current research which shows the benefits of CRM practices to organisations. CRM perspectives indicate the benefits, applications, and individual aspect of CRM implementation for the organizations.

Customer relationship management (CRM) is increasingly important to organisations worldwide as they seek to improve their profits through longer-term relationships with customers. Many banks in India have invested heavily in information technology infrastructure to assist public sector banks in India to better manage their interactions with customers.

Customers are increasingly becoming aware of similar products in the market, and due to access to information such as the internet, they can quickly know about the reviews of a product in the market. Customer relationship management has now become very central to organisations in delivering their business goals.

### 5. Previous research

According to a previous research carried out by Balakrishnan and Krishnaveni, it found out that most of the male respondents are satisfied with CRM practices where as female respondents are neither satisfied nor dissatisfied with CRM

practices of selected private sector banks in Coimbatore district, India. Hence there is no significant association between gender and overall attitude of customers towards CRM practices of selected private sector banks in India. The study also implies that there is positive correlation between the Customer interaction management practices, Customer retention management practices, Customer service strategies, Customer attitude on factors contributing service quality.

There are numerous researches on bank failures and reforms in India but the author could not find any previous research on customer relationship management practices by public sector banks in India.

### **Cultural perceptions: Traditional methods of savings in India**

Traditional methods of saving money are prevalent in India due to deep rooted mistrust for the formal banking sector or public sector banks. A high percentage of Indians in rural areas prefers to keep money in their homes and farms or invest their money in live stocks. Monies were concealed in clay pots, under the sleeping mattress, wooden box and polythene bags or money wrapped with dried palm leaves and hidden at various locations in homes and farm settlements.

The practice of keeping money at home and farm settlements in rural areas; individuals investing heavily on livestock instead of saving money in the bank.

Farmers in India are concentrated in rural areas due to the availability of spacious land for agricultural purposes. Individuals who previously resided in rural areas and migrated to urban areas due to the increase of rural- urban migration in India carried along their cultural perceptions or preconceived ideals of banks and adopted their traditional methods of keeping money.

### **6. Research Methodology**

- The primary objective of this study is to analyse the CRM practices of selected public sector banks in India and the impact of CRM practices on customers' satisfaction, quality service delivery and confidence in banks.
- The researcher applied convenient sampling namely the simple sampling technique in selecting public sector banks in India and thus primary data is collected through structured questionnaire from the sample of 120 customers of selected public sector banks namely State Bank of India, Bank Of Baroda and Bank Of India using the structured survey method.
- Primary data collected from respondents in Gujarat State were analysed using percentage analysis and chi-square method. The secondary data for the study was compiled from the reports of Central Bank of India, websites, journals, magazines and books.

- The age range of the respondents is between 20-65. The respondents consist of 55 (45.83%) males and 65 (54.17%) females. 100 (83.33%) of the respondents operates savings accounts while 20 (16.67%) of the respondents operate current accounts. 115 (95.83%) of the respondents have used an ATM card for the last three. Also, 5 (4.17%) of the respondents had not used an ATM card for the last three years. There were 117 (97.5%) respondents who regularly visit the bank branch and the number of the respondents who preferred electronic channels including internet banking to operate their accounts were 3 (2.5%).
- The author reported 0.78 reliability co-efficient for the scale. However, for the Current study, 0.83 Cronbach alphas was obtained for the research instrument.

### **7. Scope of the research**

Commercial Bank collapses and liquidations in India have impacted negatively on customers' confidence in banks. Financial sector reforms of Central Bank of India have included the issue of customer oriented service delivery.

The scope of CRM includes customer satisfaction, service quality, relationship quality, market orientation, trust, loyalty, commitment, customer retention etc. To survive, banks have to redesign their strategy in delivering quality services to attract and maintain customers and employ resource munificence to attract and retain customers. The only strategy that is perceived to make sense in this emerging marketing environment requires marketers to learn and practice CRM.

This current study aims to identify the areas of research in CRM practices with special reference to banking sector, customers' level of satisfaction and offer practical suggestions on how banks can create a superior CRM capability.

### **8. Objectives of the study**

1. To study the customers cultural perceptions of CRM practices of selected public sector banks in Gujarat State, India.
2. To study the relationship between the customers confidence and attitudes towards CRM practices of selected public sector banks in Gujarat State, India.
3. To study the impact of customer help desk of selected banks on customers perception of banks in Gujarat State, India.
4. To study the relationship between gender and the attitude of the customers towards CRM practices of selected banks in Gujarat State, India.
5. To offer suitable measures for improving the CRM practices in public sector banks in India.

### **9. Hypothesis testing**

Following the analysis of data, the hypothesis postulated would be tested. The reason for testing the hypothesis is to ascertain whether to accept or reject it based on the observed values of the chi-square ( $\chi^2$ ) method of analysis. The following procedures will apply.

- The null hypothesis ( $H_0$ ) will be stated.
- Level of significance is taken to be 5% (0.05).
- Critical value is the theoretical value  $\chi^2$ .
- Expected frequency is denoted by E.
- Observed frequency is denoted by O.

Degree of freedom=(Number of rows – Number of columns)  
 OR  $v=df=(r-1)(c-1)$ .  
 $\alpha=0.05$  level of significance for the test of the hypothesis.

The author compared the theoretical value  $\chi^2$  with the empirical  $\chi^2$  value.

Decision rule: accept the null hypothesis if the empirical value  $\chi^2$  is greater than the table/critical  $\chi^2$  value; otherwise reject it.

**Hypothesis formulated for the study**

$H_0$ : There is no significant relationship between gender and attitude of customers towards CRM practices of public sector banks in India

$H_0$ : There is no significant relationship between customers' cultural perceptions of banking and attitude of customers towards CRM practices of public sector banks in India.

$H_0$ : There is no significant association between customers' confidence in public sector banks and attitude of its customers towards the CRM practices of their bank.

**10. Data Analysis and Interpretation**

Table 1 shows that among male respondents 13.3% are satisfied with CRM practices and 0.83% are dissatisfied with CRM practices. Among females 2.50% stated that they are neither satisfied nor dissatisfied with CRM practices and 12.50% have said that they are satisfied with CRM practices.

Table 2 shows Chi – Square P Value is 0.0002 which is less than that of 0.05 at 5% level of significance, thus the null hypothesis is rejected. Therefore there is significant relationship between gender and attitude of customers towards CRM practices of public sector banks in India.

Table 3 shows Chi – Square P Value is 0.001 which is less than that of 0.05 at 5% level of significance, thus the null hypothesis is rejected. Therefore there is significant association between the selected private sector banks and overall attitude of its customers towards the CRM practices of their bank.

Table 4 shows Chi – Square P Value is 0.0001 which is less than that of 0.05 at 5% level of significance, thus the null hypothesis is rejected. Therefore there is significant association between customers' confidence in public sector banks and attitude of its customers towards CRM practices of public sector banks in India.

**11. Findings**

The current study shows that 45% of female respondents are highly satisfied with CRM practices of public sector banks in India compared to 35% of male respondents. On the other hand, 16% of male respondents are satisfied with CRM practices of public sector banks in India compared to 15% of female respondents. From Table 2, it was observed that there is significant relationship between gender and attitude of customers towards CRM Practices of Public sector banks in India. P value=0.0002<0.05 (5% level of significance) where chi square=21.976.

**Table 1: Relationship between gender and attitude of customers towards CRM practices of public sector banks in India.**

Gender	Attitude towards CRM practices						Total
	Scales	Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	
Male	Frequency	35	16	2	1	1	55
	%	29.17	13.33	1.67	0.83	0.83	100
Female	Frequency	45	15	3	1	1	65
	%	37.5	12.50	2.50	0.83	0.83	100
Total	Frequency	80	31	5	2	2	120
	%	66.67	25.83	4.17	1.67	1.67	100

**Table 2: Chi square test**

Chi Square Test	Value	Degree of Freedom	P Value
Pearson Chi- Square	21.976	4	0.0002
Likelihood ratio		4	0.0001
Linear by Linear Association	0.290	1	0.496
No of Valid cases		120	

$H_0$ : There is no significant relationship between gender and attitude of customers towards CRM practices of public sector banks in India.

Table 3: Chi square test

Chi Square Test	Value	Degree of Freedom	P Value
Pearson Chi- Square	32.05	8	0.0001
Likelihood ratio	37.05	8	0.0000
Linear by Linear Association	0.321	1	0.571
No of Valid cases		120	

H0: There is no significant relationship between customers' cultural perceptions of banking and attitude of customers towards CRM practices of public sector banks in India.

Table 4: Chi square test.

Chi Square Test	Value	Degree of Freedom	P Value
Pearson Chi- Square	38.10	12	0.0001
Likelihood ratio	39.62	12	0.0000
Linear by Linear Association	0.290	1	0.590
No of Valid cases		120	

H0: There is no significant association between customers' confidence in public sector banks and attitude of its customers towards the CRM practices of public sector banks in India.

From Table 3, there is a significant relationship between customers' cultural perceptions of banking and attitude of customers towards CRM practices of public sector banks in India. P value=0.0001<0.05 (5% level of significance) where the chi square value=32.05.

The study also revealed in Table 4 that there is a significant relationship between customers' confidence and attitude of customers towards the CRM practices of banks in India. P value=0.0001<0.05 (5% level of significance where the chi square value=38.10.

This current study helps the bankers to identify aspects of customer attitudes and how they can maintain customer relations and the measures to improve their relationship.

## 12. Practical Implications

1. The study shows that banks are increasingly becoming more consumer-centric but a minority are dissatisfied with banking services. Banks need to improve on their CRM practices to increase the levels of satisfaction of the minority represented in this current study.
2. The study reveals that there a significant relationship between consumers cultural perceptions and attitudes towards CRM practices of public sector banks in India. Banks should make efforts to change customers' cultural perceptions and attitudes towards banks through corporate social responsibility (CSR) initiatives in their host community and offer banking products that impacts positively on the cultural perceptions of customers namely banking products that customers can easily relate to based on their experiences, cultural backgrounds and ethnic affiliations.
3. Staff at customer help desk should be trained and retrained to deal with customers' complaints. There should be a deliberate policy by banks to include at

least a staff in the customer help desk in branches that can speak the local language as well as other prominent languages. It was observed in this current study that a greater part of the minority who were dissatisfied with the CRM practices of the banks had low levels of education and preferred that their complaints were dealt with in the local language.

4. The researcher humbly suggest that there should be a customer care telephone booth in all the branches of banks that connect customers directly with the customer help desk at the head office. Customers would be able to seek redress if they are dissatisfied with CRM practices in the branches and speak directly with staff at the customer help desk in the head office free of charge.
5. It is observed from this study that there is a significant relationship between customers' confidence and their attitude towards CRM practices in banks. Customers' confidence and positive attitudes towards CRM practices of banks can be enhanced through security of their funds; fast and efficient services in the banks; and expedited resolution of complaints from customers.
6. Banks should engage independent researchers to conduct specific researches into customer behaviours and customers cultural perceptions over time which would provide banks with the information needed to adapt business decisions, technology and operational behaviours to maximize results. This would provide additional feedback to the management of banks to bridge the gap between CRM practices and customers' expectations.
7. Managers irrespective of the country where their banks are domiciled should strive to create products that impact positively on the cultural perceptions of customers. Individuals in some parts of the world keep money at home due to deep rooted mistrust of banks.

### 13. Limitations of the study

1. There is not much research carried out on customer relationship management and the customer relationship management policies adopted by banks in India.
2. This study is very much limited to customers of three selected public sector banks in Gujarat State.
3. This study is limited to 120 respondents, a small sample size compared to the millions of bank customers in India. However, the sample size of 120 respondents is sufficient to measure the positive or negative impact on customers with regard to the customer relationship management practices of banks in India. When working with small sample sizes Marcoulides and Saunders, recommend that a researcher should consider "the distributional characteristics of the data, potential for missing data, the psychometric properties of the variables examined, and the magnitude of the relationships considered before deciding on an appropriate sample size to use to ensure that a sufficient sample is actually available to study the phenomenon of interest".

4. The researcher faces some difficulty due to the lack of co-operation from some respondents and the bias of respondents cannot be completely ruled out.

### 14. Conclusion

According to Reichheld, CRM adds business value to an organisation; increase in customers can result in increase in a bank's profit. The entire success and failure of an organisation depends on customer acquisition and retention. It is for this reason that technology has become important to the concept of CRM. To provide worthwhile information about customers, effective data generation and data analysis is very important, backed with appropriate data mining, organisations can reap such benefits. The study reveals that an important stage in CRM is the process of applying lessons learnt from customer information to enhance business and customer relationship behaviours.

This current study reinforces the importance of CRM practices and creates information for banks on customer interactions and behaviours likely to generate desired business results. The study shows that the combination of three strategic capabilities comprising of technologic human, and business architecture capabilities are required to create a superior CRM capability.

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