

# A Comparative Study of Nationalized and Private Banks with Reference to Customer Relationship Management

Miss. Nilakshi Tale  
Assistant Professor,  
PDIMTR, Dhanwate National College, Nagpur.  
Rashtrasant Tukdoji Maharaj Nagpur University  
*nilakshi.mhala@gmail.com*

**Abstract** - Customer Relationship Management is the establishment, development, maintenance and optimization of long-term mutually valuable relationships between consumers and the organizations. After analyzing the factors considered in research it is observed that following 8 factors are significant as compared to various factors. 1) Interactive Management 2) Bank initiative with customer plays very important role 3) Empowerment to customers 4) Understanding Customer expectation 5) Presence of internet facility without risk 6) Loan and related facilities with clear and standard terms and conditions 7) Variety of Services Online service, payment and other services 8) Well trained and Mature Staff to handle Errors and critical situations etc. Detail Analysis have been done to understand the relation between various questions. The Private Sector Banks have been perceived to be having higher mean values of CRM than the Public Sector Banks. While analyzing the Public Sector Banks, it has been observed that SBI is taking initiatives on the technological front and is perceived to be better when compared to the other Public Sector Banks considered in this study. However, on comparing the average grand mean with the bank means, it has been concluded that all the Private Sector Banks have scored above average when compared to the Public Sector Banks. It shows that Private Sector Banks are using Customer Relationship Management technique aggressively to enhance their base.

**Keywords** – CRM, Customer Relations Management, Nationalized bank, Private Bank

## 1. Introduction

In recent years, the banking industry around the world has been undergoing a rapid transformation. In India also, the wave of deregulation of early 1990s has created heightened competition and greater risk for banks and other financial intermediaries. The cross-border flows and entry of new players and products have forced banks to adjust the product-mix and undertake rapid changes in their processes and

operations to remain competitive. The deepening of technology has facilitated better tracking and fulfillment of commitments, multiple delivery channels for customers and faster resolution of mis coordination's. Unlike in the past, the banks today are market driven and market responsive. The top concern in the mind of every bank's CEO is increasing or at least maintaining the market share in every line of business against the backdrop of heightened competition. With the entry of new players and multiple channels, customers (both corporate and retail) have become more discerning and less "loyal" to banks. This makes it imperative that banks provide best possible products and services to ensure customer satisfaction. To address the challenge of retention of customers, there have been active efforts in the banking circles to switch over to customer-centric business model. The success of such a model depends upon the approach adopted by banks with respect to customer data management and customer relationship management.

Over the years, Indian banks have expanded to cover a large geographic & functional area to meet the developmental needs. They have been managing a world of information about customers - their profiles, location, etc. They have a close relationship with their customers and a good knowledge of their needs, requirements and cash positions. Though this offers them a unique advantage, they face a fundamental problem. During the period of planned economic

development, the bank products were bought in India and not sold. What our banks, especially those in the public sector lack is the marketing attitude.

## **1. Introduction CRM**

(Advertising) efforts. Focusing on region-specific campaigns rather than national media campaigns would be a better strategy for a diverse country like India. Customer-centricity also implies increasing investment in technology. Throughout much of the last decade, banks world- over have re-engineered their organizations to improve efficiency and move customers to lower cost, automated channels, such as ATMs and online banking. But this need not be the case. However, to maximize the value of this resource, our banks need to transform their branches from transaction processing centers into customer-centric service centers. This transformation would help them achieve bottom line business benefits by retaining the most profitable customers. Branches could also be used to inform and educate customers about other, more efficient channels, to advise on and sell new financial instruments like consumer loans, insurance products, mutual fund products, etc. There is a growing realization among Indian banks that it no longer pays to have a "transaction-based" operating model. There are active efforts to develop a relationship-oriented model of operations focusing on customer centric services. The biggest challenge our banks face today is to establish customer intimacy without which all other efforts towards operational excellence are meaningless. The banks need to ensure through their services that the customers come back to them. This is because a major chunk of income for most of the banks comes from existing customers, rather than from new customers.

### **2.1 Customer Relationship Management**

The Concept Customer Relationship Management is the establishment, development,

maintenance and optimization of long-term mutually valuable relationships between consumers and the organizations. Successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization's strategy, people, technology and business processes.

### **2.2 Need of CRM in the Banking Industry:**

A Relationship-based Marketing approach has the following benefits-

- Over time, retail bank customers tend to increase their holding of the other products from across the range of financial products / services available.
- Long-term customers are more likely to become a referral source.  
The longer a relationship continues, the better a bank can understand the customer and his/her needs & preferences, and so greater the opportunity to tailor products and services and cross-sell the product / service range.
- Customers in long-term relationships are more comfortable with the service, the organization, methods and procedures. This helps reduce operating cost and costs arising out of customer error
- Intense Competition there is intense competition among the Private Sector Banks, Public Sector Banks and Foreign Banks and they are all taking steps to attract and retain the customers. New technologies, research facilities, globalization of services, the flood of new products and the concept of all the facilities

under one roof to provide better customer service leading to customer delight.

- Well Informed Customers the 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, it should develop a good relationship with its present customers and try to maintain the same in the future also.
- Decline in Brand Loyalty In the present scenario, brand loyalty is on decline. The customers are switching over frequently to avail the better facilities from other banks. Newer and superior products and services are being introduced continuously in the market. Thus, the banks have to upgrade their products, improve customer service and create bonds of trusts through proper care of customer needs and regular

### **2.3 Banking and CRM**

#### Benefits of CRM

Benefits of CRM can be categorized into three groups namely: Benefits for customers, benefits for employees and benefits for banks.

#### **Benefits for Customers**

1. There is a more coordinated and professional approach to customer contact.
2. With up-to-date customer information, Banks can offer more personalized services.
3. Customers feel empowered if they have greater access to products and services. For example 24 Hours banking.
4. Targeted product and service offerings can be timed to coincide with customer events and

requirements e.g., Education Loans and Tourism Loans.

#### **Benefits for Employees**

Employees are empowered with the information to deliver high quality service and meet customer expectations.

#### **Benefits for Banks**

1. Managers are empowered with information that can help them manage customer relationships and make better decisions.
2. Optimum use of resources.
3. Customer satisfaction and increased loyalty.
4. Improved customer acquisition and cross-selling.
5. It helps in capitalizing on short windows of opportunities in the market

### **2. Introduction of Innovative Services in banks through CRM**

Banks have made several innovations by using the CRM System such as:

1. The introduction of ATMs.
2. Biometric ATMs.
3. Single Window Service.
4. Teller System.
5. Internet Banking
6. Introduction of Plastic Money: Credit Card, Debit Card, Smart Card.
7. Mobile and E-Mail Alerts
8. Electronic Cash
9. Introduction of two in one Accounts.
10. Introduction of new loan schemes as per the customer's needs viz. Education Loans, Marriage

Loans, Housing Loans, Personal Loans, Vehicle Loans, Furniture Loans, Renovation Loans and Tourism Loans.

### **3. Research Methodology**

Research Design - The study proposes to adopt a 'Descriptive Research Design'. This design is & monitor the working styles, structure, economic objectives of various Nationalize Banks in comparison to Pvt. Banks based on the data collected. The research proposes to depend on both Secondary and Primary sources of data.

For secondary data references would include policy documents of regulatory bodies & MFIs, research papers on the subject, articles by experts etc. Secondary data collected and utilized in the study is limited to the purpose of benchmarking the trends of the sample with regional and global data.

To fill in the evaluation of secondary data, primary data was collected from Public & Private Banks in Maharashtra State.

Primary data is collected through questionnaire and personnel interview method. Scope of the study is limited to CRM practices of SBI, PNB, ICICI & HDFC.

#### **4.1 Objectives of the Study**

1. To study & monitor the working styles, structure, economic objectives of various Nationalize
2. Banks in comparison to Pvt. Banks
3. To find out customer account management in banks
4. To measure the customer satisfaction index
5. To evaluate the control criterion for reducing paper work, level of automation, level of

computerization by banks to provide efficient services to customer's identification of barriers to successful implementation of CRM

6. Assessments of customer loyalty towards banks (customer relationship bonds)

7. To suggest a model for successful CRM implementation

#### **4.2 Scope of the Study**

Principal aim is to gather and collate information from the literature and from leading researchers, consultants and practitioners with objective of identifying and delineating the major aspects of Customer Relationship Management in Banks.

#### **4.3 Data Analysis**

- **Interactive Management**

Response from various respondents indicates that Bank initiative with customer plays very important role. Comparing Public and Private Banks it is observed that in Public Bank only 37 % of respondents are very Highly Satisfied where as in case of Private Banks it is 55.6%

- **Empowerment to customers**

Response from various respondents indicates that Empowerment to customers is still have a neutral response .Comparing Public and Private Banks it is observed that in Public Bank customer 54.3 % of respondents are neutral where as in case of Private Banks it is 28.9 %

- **Understanding Customer expectation**

Response from various respondents indicates that customers from both banks are moderately dissatisfied. Comparing Public and Private Banks it is observed that in Public Bank 52.2 % of respondents are moderately dissatisfied where as in case of Private Banks it is 51.1%

- **Presence of internet facility without risk**

Response from various respondents indicates that though now both Public and Private sector Bank provide this facility but risk factors play still an important concern. Comparing Public and Private Banks it is observed that in Public Bank 56.5 % of respondents are neutral where as in case of Private Banks it is 28.9 %

• **Loan and related facilities with clear and standard terms and conditions**

Response from various respondents indicates that Bank initiative with customer plays very important role. Comparing Public and Private Banks it is observed that in Public Bank only 56.5 % of respondents are neutral where as in case of Private Banks it is 28.9 %.

• **Variety of Services**

Response from various respondents indicates that Bank services play important role. Comparing Public and Private Banks it is observed that in Public Bank

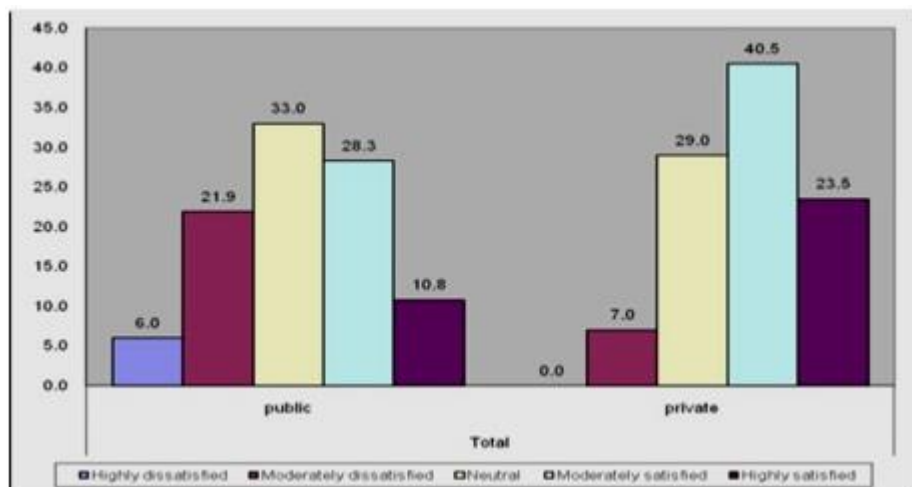
only 39.1 % of respondents are highly satisfied where as in case of Private Banks it is 57.8 %.

• **Online service , payment and other services**

Response from various respondents indicates that Bank in Public Bank only 34.8 % of respondents are Highly Satisfied where as in case of Private Banks it is 66.7 %

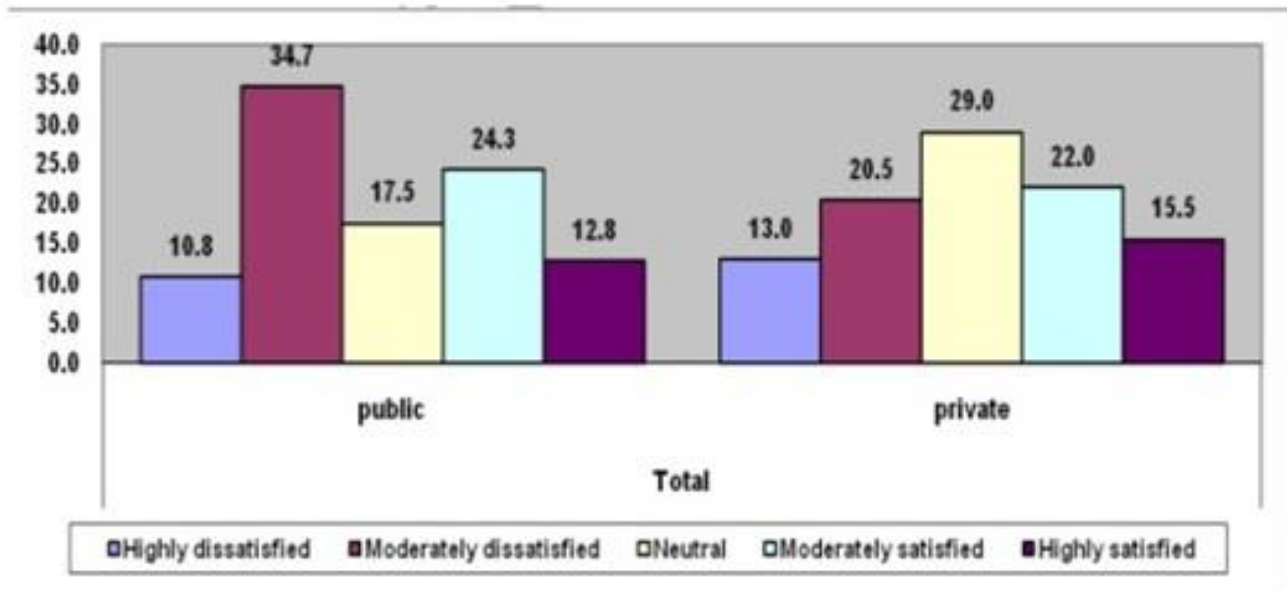
• **Well trained and Mature Staff to handle Errors and critical situations**

Response from various respondents indicates that in Public Bank have 47.8 % of respondents who are moderately satisfied where as in case of Private Banks it is 26.7%



From the table and graph it is analyzed that results are significant in this case. In case of Public Banks it is observed that CRM implementation is still a high concern. Most respondents that is 34.7 % are moderately dissatisfied and in case of Private

Banks 20.5% respondents are moderately dissatisfied. Whereas highly satisfaction level in Private Banks is 15.5% and in Public Banks it is 12.8 %. So CRM Implementation to full extend in both sectors is very important and need to be focused by individual sectors



From the table and graph it is analyzed that results are significant in this case. In case of Public Banks it is observed that respondents felt that customers are not managed as per CRM Policy. Most respondents that is 33 % are neutral .Employees feel once policy framed then there is no issue but if anything not defined in policy that is not followed .In case of Private Banks 33.5% respondents are moderately satisfied. Whereas highly satisfaction level in Private Banks is 23.5% and in Public Banks it is 10.8 %.

5. Interacting on internet
6. Speedy Service
7. Speed of ATM and related service
8. Staff Cooperation
9. Staff Behaviour
10. Problem solving attitude / specific staff
11. Variety of service
12. Better rate of interest
13. Online Service, payment and other facility
14. Home service like delivery of cash

### Findings

1. Understanding customer expectation
2. Partnership
3. Personalization
4. Presence on Internet

## **Conclusion**

Indian Banks have recorded a phenomenal growth in the past decade with the initiation of Economic Reforms. The banks, both Public and Private, have transformed themselves into profit oriented business organizations besides playing a developmental role in the economy. In an attempt to be more profitable, the banks have become competitive and more customer - oriented. This new orientation has compelled them to take a more pragmatic approach for conducting the business. The CRM is one such tool which helps in meeting the customer's expectations according to their changing needs. While analyzing the CRM Implementation in both the sectors, it was found that the Private Sector Banks have been able to implement the CRM practices more effectively when compared to their Public Sector counterparts. This indicates that strategically speaking, the Private Sector Banks have been more innovative in understanding their customers and in building good relations with them, however, a micro analysis reveals that the Public Sector Banks have highest scores in terms of reliability and assurance whereas the Private Sector Banks have lower in terms of tangibility, reliability and assurance. This indicates that the banks are in a dire need to make proper strategies to improve their working. This will make the banks more efficient in serving the customers and in maintaining the long term relations with them. The analysis of the results received suggests that the banks (whether Public or Private) are equally

affected by the kind of CRM initiatives they undertake. The banks are now under tremendous pressure to retain the older customers because of the competition in the Banking Sector. This would not only ensure better customer relations but also loyalty among them, which is very critical and important in today's competitive world. Banks have started acknowledging the importance of the customers in developing their business. They have recognized that it is essential to protect and grow its customer base and ultimately its profitability. The banks can do this by building a strong relationship with the customers. To meet the customer needs and to beat the competition, they must deliver superior quality service. The CRM approach adopted by banks focuses on maximizing the value for the customer and the bank. The key drivers to customer loyalty are:

- (a) Positive Staff Attitude.
- (b) Honesty, Integrity and Reliability.
- (c) Productive advice and delivery of the promised service.
- (d) Consistent delivery of superior quality service.
- (e) Simplicity and easiness of doing business.
- (f) A fair and efficient complaints resolution.

To There is an immense need of adequate training and motivation to the bankers to create fruitful and everlasting relations with their valuable customers.

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