An Empirical Exploration of Customer Relationship Management Practices in Banking Industry: A Study of Indian Private Sector Banks

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Abstract

Customer relationship management CRM is a managerial philosophy that seeks to build long term relationships with customers, assisting in customer retention, and driving sales growth. The paper is review of customer relationship management practices prevalent in Indian banking industry. In this research, an attempt has been undertaken to measure the differences in the perception of customer's of selected banks on CRM practices namely empathy, responsiveness, reliability, and customer relations. The researchers employed 275 respondents of four private sector banks as the sample and collected data through questionnaires designed on a five point Likert scale. This paper used one way ANOVA as the statistical tool to measure the variation in the perception of bank customer towards CRM dimensions. The analysis of the data revealed that no significant variation exists in the perception of customers on CRM dimensions like empathy, responsiveness, reliability, and customer relations.

Note: The present study has been divided into five sections. Section A presents the introductory background and literature review while objectives, hypotheses, and research design have been elucidated in section B. Besides, section C discusses the demographic profile of the respondents and section D explains data analysis and hypothesis testing. Conclusion, limitations of the study, and directions for further research are the subject matter of section E.

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1 Introduction

The profitability of the banking sector is mainly depending on the services offered by the banks and on meeting the customer demands on a regular basis and therefore all banks especially private sector banks emphasized more on adopting CRM. Customer relationship management (CRM) is a term that refers to practices, strategies and technologies that companies use to manage and analyze customer interactions and data throughout the customer lifecycle. The goal of CRM is improving business relationship with customers, assisting in customer retention, and driving sales growth (Kimar & Reinartz, 2012). It is a managerial philosophy that seeks to build long term relationships with customers. It can be defined as the development and maintenance of mutually beneficial long-term relationships with strategically significant customers (Buttle, 2002). Customers Relationship Management (CRM) is a broad term that covers concepts used by companies to manage their relationship with customers, including the capture, storage and analysis of customer information (Parvatiyar & Sheth, 2002). The objectives of customer relationship management are as follows: to create customer loyalty; to maintain profitable relationships with customers; to increase the productivity of the firm; to meet the customer needs and demands; to enable cost minimization and harmonious activities (Yim, Anderson, & Swaminathan, 2005). Therefore, an attempt has been made by the authors to empirically examine the differences in the perception of customers of selected banks on CRM practices namely empathy, responsiveness, reliability, and customer relations. Four private sector banks as shown in the table below have been finally selected for making analysis and interpretation.

Table 1: An overview of selected private sector banks
Source: www.mapsofindia.com

No	Name of the Bank	Established Year	As on 31st July 2015	
			Branches	**Market Capitalization (in Crores)**
1	HDFC	1994	3659	261,226.94
2	ICICI	1994	4050	184,547.26
3	AXIS	1994	2402	134,685.68
4	Yes Bank	2004	1214	35,169.20

2 Review of Related Literature

Varghese & Ganesh (2004) in their research article titled *"Customer Service in Banks: An Empirical Study"* highlighted three mantras for the success of any organization like bank. These are courtesy, accuracy and speed. The study is based on primary data collected through questionnaires. A sample of 456 customers has been selected from ten public sector and thirteen private sector bank branches operating in Kerala. The study revealed that there is no difference between the public and private sector banks with regard to speed but significant difference exist between the public and private sector banks with regard to accuracy and responsiveness. The authors have emphasized on the speed of rendering service that sets apart one bank from another. **Kumar, Anjana &**

Kavita (2006) in their research article titled *"e- CRM in Banks"* highlighted the importance of e-CRM in banking industry. Their study revealed that increased sales, increased revenues, increased convenience, improved customer service rating, decreased administrative costs, ability to introduce new schemes at a faster rate, improved speed of dissemination of information etc are the offshoots of e-CRM. **Rao (2006)** in his article titled *"Customer Service in Banks"* suggested that any bank wants to grow in size must apply the five steps. These are: acquiring new customers, retaining the existing customers, increasing revenues, reducing the cost and focusing on diversifying and profitable business preposition. **Mittal (2008)** in his research article entitled, *"Empirical Study of Relationship Marketing in Indian Banks (Customers' Perspective)"* analyzed the customer's opinion about their bank and compared the relationship marketing in public and private sector banks. The survey revealed that significant difference exists with respect to the application of relationship marketing in public sector & private sector banks. The author has suggested that the attitude of bank employees especially managers in public sector banks should be changed completely so that customers can be properly served. **Madan, Agrawal, & Matta (2015)** in their article titled **"***Relationship Marketing Strategies in Banking Sector: A Review"* have observed that relationship marketing means attracting, maintaining and enhancing customer relationships. The authors revealed that trust, commitment and bonds hold important roles in order to maintain, enhance, and develop long-term relationships between businesses and customers.

3 Objectives of the Study

1) To investigate the variation in the perception of customers on empathy (one of the CRM dimension) across selected banks.
2) To analyze the variation in the perception of customers on reliability (one of the CRM dimension) across selected banks.
3) To find out the variation in the perception of customers on responsiveness (one of the CRM dimension) across selected banks.
4) To investigate variation in the perception of customers on customer relations (one of the CRM dimension) across selected banks.

3.1 Hypotheses of the Study

Following null and alternative hypotheses have been developed for the study.

Ho_1: There is no significant variation in the perception of customers on empathy (one of the CRM dimension) across selected banks.

Ha_1: There is a significant variation in the perception of customers on empathy (one of the CRM dimension) across selected banks.

Ho_2: There is no significant variation in the perception of customers on reliability (one of the CRM dimension) across selected banks.

Ha_2: There is a significant variation in the perception of customers on reliability (one of the CRM dimension) across selected banks.

Ho_3: There is no significant variation in the perception of customers on responsiveness (one of the CRM dimension) across selected banks.

Ha$_3$: There is a significant variation in the perception of customers on responsiveness (one of the CRM dimension) across selected banks.

Ho$_4$: There is no significant variation in the perception of customers on customer relations (one of the CRM dimension) across selected banks.

Ha$_4$: There is a significant variation in the perception of customers on customer relations (one of the CRM dimension) across selected banks.

3.2 Research Design

➢ **Population:** The population of this study consists of all customers of private sector banks in India.

➢ **Size of the Sample**: The size of the sample is 275 customers of four private sector banks selected from different cities by way of questionnaire. Table 2.1 shows the sample size for the study. A total of 275 respondents have been selected from four banks in which 90 from HDFC bank, 84 from ICICI bank, 59 from Axis bank, and 42 from Yes bank.

Table 2.1: Sample Size

Name of Selected Banks	Number of Customers
HDFC Bank	90
ICICI Bank	84
AXIS Bank	59
YES Bank	42
Total	275

Source: Primary Data

➢ **Data collection:** A well designed questionnaire set on a five point Likert-scale (5-highly satisfied to 1-highly dissatisfied) has been used for collecting data from Aligarh, Agra, Delhi, Ghaziabad, Gurugram, Noida and Chandigarh. Table 2.2 shows questionnaires distributed, rejected, accepted and response rate. A total of 400 questionnaires have been distributed in which 125 have been rejected due to error. Hence, 275 questionnaires have been finally selected and considered as the sample size for the study.

Table 2.2: Shows the Questionnaires Distributed, Rejected and Accepted

Name of Private Sector Banks	Questionnaires Distributed	Questionnaires Rejected	Questionnaires Accepted	Response Rate
HDFC Bank	120	30	90	75%
ICICI Bank	120	36	84	70%
AXIS Bank	90	31	59	65%
YES Bank	70	28	42	60%
Total	400	125	275	69%

Source: Primary Data

➢ **Tools:** Since there are four banks, one way Analysis of Variance (ANOVA) has been used as the statistical tool to test the hypotheses through Statistical Package for Social Science (SPSS_19).

4 Demographic Profile of Respondents

4.1 Age of the Respondents

Table 3 and figure 1 highlight the age of the respondents of selected banks. 66 respondents were fall in the age limit of 20-35 years. Besides, 139 respondents belong to the age of 35-50 years whilst 70 were of the age of more than 50 years. In HDFC Bank, 42 respondents were belong to the age limit of 35-50 years where as 31 respondents in AXIS Bank were of the age limit of 35-50 years.

Table 3: Shows the Age of the respondents

Age of Customers	Banks				Total
	HDFC	ICICI	AXIS	YES	
20-35 Years	25	17	13	11	66
35-50 Years	42	44	31	22	139
Above 50 Years	23	23	15	9	70
Total	90	84	59	42	275

Source: Primary Data
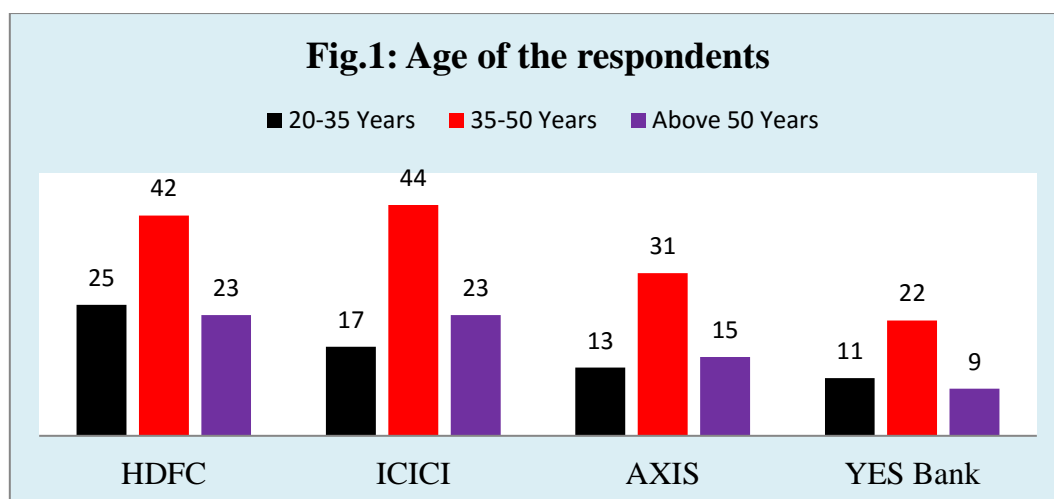
Figure 1: Age of the respondents

Table 4: Gender of the Respondents

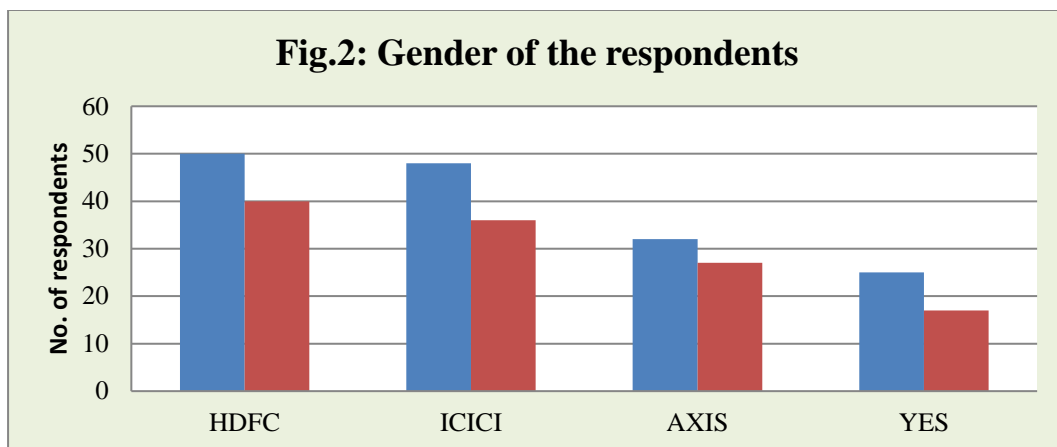| Gender	HDFC	ICICI	AXIS	YES	Total
Male	50	48	32	25	155
Female	40	36	27	17	120
Total	90	84	59	42	275

Source: Primary Data

Figure 2: Gender of the respondents

Table 4 and figure 2 highlight the gender of the respondents of the selected banks. Out of 275 respondents, 155 were males and 120 were females. In HDFC bank, 50 and 40 were males and females. Besides, 48 and 32 males were found in ICICI and Axis Bank respectively.

Table 5: Education of the Respondents

Education	HDFC	ICICI	AXIS	YES	Total
Upto XII	7	6	5	5	23
Graduation	41	38	24	15	118
Post Graduation	31	33	17	13	94
Others	11	7	13	9	40
Total	**90**	**84**	**59**	**42**	**275**

Source: Primary Data

Table 5 and figure 3 exhibit the education of the selected respondents. It has been found that maximum respondents (118) were graduates followed by 94 post graduates. Minimum respondents (23) have education till class XII. Besides, 40 respondents were doctors, Chartered Accountants (CA), engineers, etc.
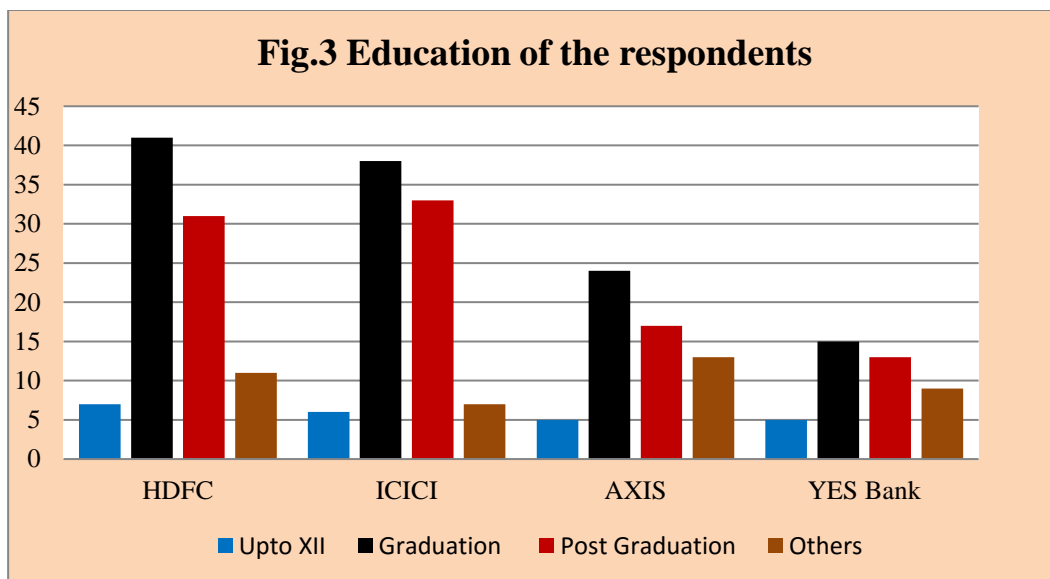
Figure 3: Education of the respondents

5 Data Analysis and Hypothesis Testing

5.1 Reliability Testing

Cronbach alpha is considered as the most accepted statistical tool to check reliability of the data. The value of α between 0.7 - 0.9 is considered good and the value of α greater than 0.9 is considered excellent. Table 5 highlights the reliability of all four dimensions of the study. The value of Cronbach alpha of all CRM dimensions is ranging from 0.7 to 0.9 and the overall reliability is 0.872. Therefore, it can be said that the data is reliable for further analysis.

Table 6: Reliability of all Dimensions

No.	Dimensions	No. of Items	Cronbach's Alpha
1	Empathy	4	0.894
2	Reliability	5	0.746
3	Responsiveness	5	0.914
4	Customer Relations	7	0.834
Overall Reliability		**21**	**0.872**

Source: Output of SPSS_19

Hypothesis Testing
Hypothesis 1
Ho$_1$: There is no significant variation in the perception of customers on empathy (one of the CRM dimension) across selected banks.
Ha$_1$: There is a significant variation in the perception of customers on empathy (one of the CRM dimension) across selected banks.

One way ANOVA has been used as a statistical tool to examine the variation in the perception of customers on empathy across selected banks. The null hypothesis is that

there is no significant variation in the perception of customers on the CRM dimension on empathy (one of the CRM dimension) across selected banks and the alternate hypothesis is that there is a significant variation in the perception of customers on the CRM dimension on empathy across selected banks.

Table 7: ANOVA of Empathy

	Sum of Squares	df	Mean Square	F	Sig.
Between Banks	817.876	3	272.666	68.25	0.834
Within Banks	1274.192	271	4.701		
Total	2092.068	274			

Source: Output of SPSS_19

Table 7 shows the results of one way ANOVA used to find out the variations in the perception of customers on empathy (CRM dimension) across selected banks. The p-value is 0.834 which is more than 0.05 at 95 percent confidence interval. Therefore, null hypothesis is accepted and hence it can be said that there is no significant variation in the perception of customers on empathy (one the CRM dimension) across selected banks.

Hypothesis 2
Ho$_2$: There is no significant variation in the perception of customers on reliability (one of the CRM dimension) across selected banks.
Ha$_2$: There is a significant variation in the perception of customers on reliability (one of the CRM dimension) across selected banks.

One way ANOVA has been used as a statistical tool to examine the variation in the perception of customers on reliability across selected banks. The null hypothesis is that there is no significant variation in the perception of customers on the CRM dimension on reliability (one of the CRM dimension) across selected banks and the alternate hypothesis is that there is a significant variation in the perception of customers on the CRM dimension of reliability across selected banks.

Table 8: ANOVA of Reliability

	Sum of Squares	df	Mean Square	F	P Value
Between Banks	323.949	3	107.983	24.456	0.766
Within Banks	1196.573	271	4.416		
Total	1520.522	274			

Source: Output of SPSS_19

Table 8 shows the results of one way ANOVA used to find out the variations in the perception of customers on reliability across selected banks. The p-value is 0.766 which is more than 0.05 at 95 percent confidence interval. Therefore, null hypothesis stands accepted and hence it can be said that there is no significant variation in the perception of customers on reliability (one the CRM dimension) across selected banks.

Hypothesis 3
Ho₃: There is no significant variation in the perception of customers on responsiveness (one of the CRM dimension) across selected banks.
Ha₃: There is a significant variation in the perception of customers on responsiveness (one of the CRM dimension) across selected banks.

One way ANOVA has been used as a statistical tool to examine the variation in the perception of customers on responsiveness across selected banks. The null hypothesis is that there is no significant variation in the perception of customers on the CRM dimension on responsiveness (one of the CRM dimension) across selected banks and the alternate hypothesis is that there is a significant variation in the perception of customers on the CRM dimension on responsiveness across selected banks.

Table 9: ANOVA of Responsiveness

	Sum of Squares	df	Mean Square	F	P Value
Between Banks	477.160	3	159.053	37.965	0.654
Within Banks	1135.088	271	4.188		
Total	1612.248	274			

Source: Output of SPSS_19

Table 9 shows the results of one way ANOVA used to find out the variations in the perception of customers on responsiveness across selected banks. The p-value is 0. 654 which is more than 0.05 at 95 percent confidence interval. Therefore, null hypothesis stands accepted and hence it can be said that there is no significant variation in the perception of customers on responsiveness (one the CRM dimension) across selected banks.

Hypothesis 4
Ho₄: There is no significant variation in the perception of customers on customer relations (one of the CRM dimension) across selected banks.
Ha₄: There is a significant variation in the perception of customers on customer relations (one of the CRM dimension) across selected banks.

One way ANOVA has been used as a statistical tool to examine the variation in the perception of customers on customer relations across selected banks. The null hypothesis is that there is no significant variation in the perception of customers on the CRM dimension on customer relations (one of the CRM dimension) across selected banks and the alternate hypothesis is that there is a significant variation in the perception of customers on the CRM dimension on customer relations (one of the CRM dimension) across selected banks.

Table 10: ANOVA of Customer relations

	Sum of Squares	df	Mean Square	F	Sig.
Between Banks	597.430	3	199.333	17.302	0.223
Within Banks	3123.637	271	11.52		
Total	3721.067	274			

Source: Output of SPSS_19

Table 10 shows the results of one way ANOVA used to find out the variations in the perception of customers on customer relations across selected banks. The p-value is 0.223 which is more than 0.05 at 95 percent confidence interval. Therefore, null hypothesis is accepted and hence it can be said that there is a significant variation in the perception of customers on customer relations (one the CRM dimension) across selected banks.

Table 11: Shows the P Value and Results of Hypothesis Tested

No	HYPOTHESES	P Value	Results
1	There is no significant variation in the perception of customers on empathy (one of the CRM dimension) across selected banks.	0.834	Accepted
2	There is no significant variation in the perception of customers on reliability (one of the CRM dimension) across selected banks.	0.766	Accepted
3	There is no significant variation in the perception of customers on responsiveness (one of the CRM dimension) across selected banks.	0.654	Accepted
4	There is no significant variation in the perception of customers on customer relations (one of the CRM dimension) across selected banks.	0.223	Accepted

6 Conclusion

Customer relationship management (CRM) is a term that refers to practices, strategies and technologies that companies use to manage and analyze customer interactions, and data throughout the customer lifecycle. The goal of CRM is improving business relationships with customers, assisting in customer retention, and driving sales growth.   In the present study, an attempt has been made by the authors to empirically examine the differences in the perception of customers of four private sector banks selected from different cities of North India like Aligarh, Agra, Delhi, Ghaziabad, Gurugram, Noida and Chandigarh. A total of 400 questionnaires (set on a five point likert scale) have been distributed in which 125 have been rejected because of several mistakes. Hence, 275 questionnaires have been finally selected and considered as the sample size for the study. Before hypotheses testing, cronbach alpha has been applied as the statistical tool to check reliability of the data. It has been found that the overall reliability of all variables is 0.872 which shows that the data is reliable for further analysis. Nevertheless, one way Analysis of Variance (ANOVA) has been used as the statistical tool to test the hypotheses through Statistical

Package for Social Science (SPSS_19). The first hypothesis has been rejected which shows that there is no significant variation in the perception of customers on empathy (one of the CRM dimension) across selected banks. Similarly, the second hypothesis has been rejected meaning thereby no significant variation in the perception of customers on reliability (one of the CRM dimension) across selected banks. Further, the third hypothesis has also been rejected which shows that there is no significant variation in the perception of customers on responsiveness (one of the CRM dimension) across selected banks. Finally, the fourth hypothesis has been rejected meaning thereby no significant variation in the perception of customers on customer relations (one of the CRM dimension) across selected banks.

6.1 Limitations of the Study

The data has been collected from few districts due to time and cost constraints. Besides, the data collection period is only six months since August, 2015 to January, 2016. Further, the sample size is small with respect to total population.

6.2 Directions for Further Research

The current study is based on small sample size taken from seven cities of North India and therefore, the results cannot be generalized to other cities of India especially in the analytical terms. Further research can be conducted by taking more private sector banks and more number of respondents. Moreover, the present study examine the differences in the perception of customers on CRM variables of private sector banks only and hence similar study may be conducted by taking a sample of public sector banks.

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