

Study on Importance of Customer Relationship Management's [CRM] in Banks and Financial Institutions

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Abstract: *The main objective of service marketing is the client. Expert expertise is necessary when designing goods and services for the financial services sector. The oldest and most significant segment of the financial services business is banking. The service sector is significantly impacted by customer relationship management (CRM) in order to attract and keep customers for long-term effectiveness. In the early 1990s, relationship marketing was explicitly introduced into the field of service marketing. Banks learned that rewarding and keeping current customers was more profitable than seeking out new ones. The goal of CRM is to attract and hold onto customers. As a result, banks now place a high value on overall customer satisfaction, which shows that the customer is happy and satisfied with the service. In order to better understand the level of satisfaction with customer relationship management strategies in selected private sector banks, the researcher set out to conduct this study. For service providers, especially banks, a lack of understanding of customer relationship management (CRM) is a constant concern. Banks have their own procedures for keeping in touch with customers.*

Customers' perceptions of banks' CRM initiatives must also be taken into account. Banks are able to raise customer awareness and amass a sizable client database as a result of CRM activity responding to customer needs promptly. Therefore, the importance of CRM could be emphasised so that banking customers receive royal treatment. In order to make modern banking a pleasant experience for the customer, banks must boost consumer satisfaction with utilisation of contemporary financial services and provide more user-friendly services.

Keywords: Trust, Banks Service Quality, Loyalty, and Customer Relationship Management

I. INTRODUCTION

One of the customer management strategies is customer relationship management, which places an emphasis on understanding customers as individuals rather than as a group. CRM manages a business's interactions with its clients. CRM and knowledge management are designed to improve and keep providing top-notch client services. We must first comprehend three elements of customer relationship management in order to better understand it: the client, the relationship, and their management. Managing client interactions is crucial and advantageous to a firm's performance. Many businesses, including banks, insurance companies, and other service providers, are aware of the importance of customer relationship management and how it can support them in acquiring new clients, keeping their existing ones, and maximising their lifetime value. The customer is the key focus in the banking sector, which provides client-centric services. Conducting research in this sector is crucial to understand customers' requirements and attitudes in order to build long-lasting relationships with them.

Customer relationship management is the umbrella term for all marketing initiatives designed to create, nurture, uphold, and retain a successful relationship with the target audience. CRM is a successful business strategy that focuses on growing account relationships with the bank's most profitable customers and prospects through individualised marketing, remarketing, discretionary decision-making, and specialised service, all of which are provided through the bank's various sales channels. Banks must communicate the change to their clients in a way that prompts them to alter their conduct and attitudes if strategic organisational transformation is to be successful.

Managing Relationships with Clients

Today's corporate lingo is all about customer relationship management, which promises quicker customer service at a lower price. Customer costs, elevated customer satisfaction, enhanced customer retention, and ultimately, customer loyalty. The goal is to boost sales and profits by doing this. The company's goals include that determining and gratifying consumer needs and wishes is the best method to achieve success. CRM is a method for locating, selecting, obtaining, and keeping consumers. By offering the best products and services with better customer care, customer relationship management makes it easier to understand client demands and to build relationships with customers. It links every component in order to keep track of things like client connections, purchases, and technical support in a database. This database helps the company identify customer needs so it can improve the calibre of its interactions with customers. The consumer is supreme. Forget about the idea of treating consumers like royalty; many businesses do not do so. It was customary and expected to wait in queue to make a transaction. Because airlines store their tickets there, customers buy tickets at airports.

Many companies, including banks, insurance companies, and other service providers, are aware of the importance of customer relationship management (CRM) and how it may help them attract new clients, keep hold of existing ones, and increase the lifetime value of existing ones. To ensure the long-term retention of certain customers through a close relationship with them, IT and marketing departments will need to work closely together at this time.

New generation transnational (foreign) banks in general and private sector banks in particular are now able to enter the Indian banking market thanks to the phenomenon of globalisation. According to a number of banking experts, the world-class services provided by these new generation banks have a profound effect on the attitudes and expectations of Indian banking customers. These banks are known for providing services around-the-clock, every day of the week, with an emphasis on enhancing customer satisfaction across all available channels. In this situation, internet technology and phone banking have emerged as significant options for Indian banks. In addition to these contemporary services, Indian banks also provide automated teller machine (ATM) banking, internet banking, mobile banking, and telebanking to better serve its customers.

Research on customer demographics and attitudes towards customer relationship management (CRM) techniques is becoming more and more pertinent in this setting. The significance of creating an efficient Customer relationship management system has been stressed in a number of studies on the customer service aspects of the Indian banking sector. All public sector banks were urged by the Reserve Bank of India (RBI) to implement cutting-edge customer relationship management (CRM) systems using a variety of CRM touch points, including call centres, websites, email systems, and interactive kiosks, across all service units and support activities.

According to supplementary research, the core of contemporary banks is consumer relationship management (CRM), which is expanding as a technological extension of the current technology landscape by merging client demographics, company information, and Internet proximity. The public sector commercial banks in India have been diverted to pay more attention to the changing customer demands and effective CRM interventions in view of the evolving consumer demographics as a result of these technological advancements and global competitive pressures.

CRM technology implementation in financial systems

The Indian banking sector was significantly impacted by the information technology revolution. By using computer software, India's internet banking system was made possible. The use of contemporary innovation and computerization has grown in India's banking industry as a result of the country's economic liberalisation in 1991 and the banking sector's exposure to the international market. Indian banks found it challenging to compete with foreign banks' standards for customer service, computer systems, and software.

The Committee on Mechanism in the Banking Sector was founded in 1984 without the aid of computers, under the leadership of Dr. C. Rangarajan, Deputy Governor of the Reserve Bank of India. The committee's main recommendation was that MICR Technology be implemented in all banks in the major cities of India. It provided us with standardised cheque forms and a reliable encoding and decoding system.

The Committee on Computerization in Banks, which was chaired by Dr. C.R. Rangarajan and established by the Reserve Bank of India in 1994, placed a strong emphasis on the computerization of settlement operations in the clearing houses of the Reserve Bank of India in Bhubaneswar, Guwahati, Jaipur, Patna, and Thiruvananthapuram. In addition,

inter-city checks in Kolkata, Mumbai, Delhi, and Chennai need to be cleared nationally and MICR needs to be operationalized. Additionally, it prioritised the enhancement of computer connectivity between branches and the computerization of financial services across all branches. It also suggested setting up online banking services.

Following an agreement between the IBA and the bank employees organisation, the committee began to provide reports in 1989, and the computerization of all branches started in 1993. Under the direction of Reserve Bank of India Executive Director Shri.WS Saraf, the Committee on Technology Issues Relating to Payments System, Cheque Clearing, and Securities Settlement in the Banking Sector was constituted in 1994. It emphasised the use of the internet as the vehicle for the Electronic Funds Transfer (EFT) system. Additionally, it stipulated that all banks with more than 100 branches must employ MICR clearing.

II. REVIEW OF LITERATURE

According to Knox et al. (2003), a CRM is a strategic approach created to increase stakeholder value (the value the customer receives, the value the organisation receives, and the customer retention and its economics) by integrating channels and media (channel and media suitability, channel and media structure, and multichannel and multimedia integration) and by building appropriate relationships with key customers and customer segments. CRM blends the powers of relationship marketing and IT to promote lasting, profitable relationships.

Hedley Kimberley et al (2006) predict that the retail banking sector would experience substantial issues in 2015. Bank relationships with customers are becoming both more individualistic and hegemonic. For banks, conventional segmentation tactics and go-to-market procedures will be rendered obsolete. Significant changes will also be made to how retail banks compete in the market.

BargalHitendra and Sharma Ashish (2008) claim that in order to improve their overall services, banks must adopt diversified services, open their branches in shopping centres, install their web system, implement a proper training system, define a high performance system to improve the behaviour of their employees, provide a proper customer complaint system, and implement a performance-based appraisal system. Customers play a big role in deciding which bank to use. Customer service, years in business, and accessibility are currently thought to be the most important factors in a consumer's decision to choose a bank.

The association between CRM best practises and the steadfastness of profitable customers in Indian retail banking is examined, according to Das Kallol et al. (2009). They identified the best CRM implementation strategies that businesses may use to achieve comprehensive CRM deployment. According to the report, when it comes to adopting best practises, the State Bank of India and the Bank of Baroda lag behind their rivals in other industries.

According to Teller Vision (2009) and Morpace Reports (2008), opinions of banks differ depending on their size. However, all banks have the same opportunity to increase customer satisfaction, primarily by helping customers meet their financial goals. However, the study found that as bank size grows, consumer happiness tends to decrease. Customers of national banks typically have lower levels of satisfaction than those of regional or local banks, who in turn have lower levels of satisfaction than those of credit unions.

According to Dr. K. Ganesamurthy et al. (2011), customer retention management (CRM) is a strategy employed by banking institutions to find, keep, and grow their base of devoted clients in a cutthroat business climate. Customer classifications including age, sex, education, occupation, income level, bank with which customers hold an account, account type, account type maintained by customers, and duration of association with banks have little effect on how customers perceive CRM in banks.

III. CONCLUSION

The general agreement is that the bank has not yet created an integrated strategy that prioritises and meets consumer demands. The analysis shows that the bank has a long way to go before adopting a customer-centric strategy that benefits both its clients and workers. According to the aforementioned report, customer relationship management must play an integrative role inside the bank and ensure that all processes are incorporated into the bank's overall strategy in order to live up to expectations. Customer loyalty is largely impacted by effective complaint handling, excellent service, and an upbeat employee culture.

Customer references must also reflect important qualities like as integrity, honesty, and dependability. Without a question, CRM is transforming company, and it is essential to succeed in the market today. CRM implementation requires a proper strategic alliance between a number of partners, which must be decided upon beforehand. Once the concept is adopted, CRM must be implemented in good faith and spirit in order to satisfy customers.

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