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Comparison of CRM Practices at Public Sector Banks and Private Sector Banks

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Abstract: *Customer relationship management (CRM) is the creation, development, maintenance and optimization of long-term mutually valuable relationships between consumers and organizations. Successful customer relationship management focuses on understanding the needs and wants of customers and is achieved by placing those needs at the centre of business operations by integrating them into the organization's strategy, people, technology and business processes.*

This study explains and finds out the association between customer relationship management (CRM) practices and loyalty of customers in the Indian Retail Banking Sector. To find the relationship of CRM practices with customer Loyalty, this study will go through various types of CRM practices and their impact on the customer. Through this we will find out the effectiveness of the CRM practices adapted by various banks.

Keywords: CRM, customer loyalty, banking, retail banking

I. INTRODUCTION

CRM is a holistic approach to creation; while maintaining and expanding the customer relationship ensures smooth coordination between customer service, marketing, information technology and other customer-related functions. It integrates people, processes and technology to maximize relationships with all customers. It does not aim to create a closer relationship with all customers, but it suggests that organizations take the initiative to identify their most valuable customers in search of their lifetime value.

Customer relationship management (CRM) has become a critical strategic approach for businesses across various industries, including the banking sector. In today's highly competitive market, banks are increasingly recognizing the importance of establishing and nurturing strong relationships with their customers to drive customer satisfaction, loyalty, and ultimately, business growth. Customer relationship management in the banking industry entails the implementation of effective strategies, processes, and technologies to manage and enhance interactions with customers throughout their journey.

The banking sector, being a service-oriented industry, heavily relies on building trust and delivering personalized experiences to customers. With the rise of digitalization and changing customer expectations, traditional banking practices are evolving, and banks are leveraging CRM to adapt to these shifts. CRM in banking goes beyond transactional relationships and focuses on understanding and addressing the unique needs and preferences of individual customers.

By adopting CRM practices, banks can capture and leverage valuable customer data, enabling them to provide tailored financial solutions, personalized services, and proactive support. The integration of technology and data analytics further empowers banks to deliver seamless and omni-channel experiences, optimize customer interactions, and anticipate customer needs.

Effective CRM implementation in the banking sector can lead to a range of benefits. It enhances customer satisfaction by offering relevant and timely solutions, builds long-term customer loyalty, increases customer retention rates, and improves cross-selling and upselling opportunities. Moreover, CRM enables banks to gain insights into customer behavior, preferences, and profitability, enabling them to make informed business decisions and allocate resources more effectively.

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However, implementing CRM in the banking industry also presents its challenges. Banks must navigate data privacy and security concerns, ensure organizational alignment and cultural change, and overcome technological barriers to achieve successful CRM integration. Overcoming these challenges and maximizing the potential of CRM can enable banks to gain a competitive edge, strengthen customer relationships, and drive sustainable business growth.

In this research we will compare the CRM services and experience of Public Sector Bank and Private Sector Bank by collecting reviews from their customers regarding their experience with CRM services of banks. Through this study we will be able to interpret whether a public sector bank or private sector bank adapts more effective CRM techniques and also analyze the application of these practices while maintaining a relationship with their customer.

II. LITERATURE REVIEW

Customer loyalty has become a crucial factor for the success and sustainability of banks in today's competitive market. To retain existing customers and attract new ones, banks have increasingly adopted customer-centric strategies, with CRM playing a pivotal role. CRM practices encompass various activities, including customer acquisition, retention, satisfaction, and relationship building. Understanding the association between customer loyalty and CRM practices is essential for banks to design effective customer management strategies and gain a competitive edge.

Customer Satisfaction:

Numerous studies explore the impact of CRM practices on customer satisfaction and its subsequent influence on customer loyalty in the Indian banking context. The findings consistently highlight the mediating role of customer satisfaction in the relationship between CRM practices and loyalty (Kaur &Jha, 2016; Patel & Patel, 2019). By segmenting customers based on their needs and preferences, banks can customize their offerings and interactions, leading to enhanced customer satisfaction. Additionally, proactive engagement, prompt issue resolution, and personalized attention foster a sense of value and importance among customers, further boosting their satisfaction levels. Moreover, CRM practices enable banks to gather and utilize customer feedback effectively, allowing them to identify areas for improvement and address customer concerns promptly. Overall, the implementation of comprehensive CRM practices plays a vital role in positively influencing customer satisfaction, thereby strengthening the relationship between banks and their customers in the Indian banking industry.

Relationship Management:

Several studies have emphasized the role of relationship management practices in building and maintaining customer loyalty in banks. Effective communication, personalized services, and trust-building initiatives have been found to positively influence customer loyalty (Nguyen & LeBlanc, 2001; Jayachandran et al., 2005).

Customer Retention:

CRM practices geared towards customer retention have garnered substantial attention in Indian banking research. Loyalty reward programs, tailored offers, and relationship-based marketing initiatives emerge as effective strategies for fostering customer loyalty and retention (Chakrabarty&Chaturvedi, 2015; Sharma & Rani, 2021).

Technology and CRM:

The integration of technology-driven CRM practices has revolutionized the Indian banking landscape. Digital platforms, mobile banking, and online self-service options have become integral components of CRM strategies. Research emphasizes the positive impact of technology-driven CRM practices on customer loyalty in the Indian context (Rana&Sethi, 2018; Pathak & Kumar, 2020).

Trust and CRM:

Building trust is a cornerstone of establishing enduring customer relationships in Indian banks. CRM practices emphasizing transparency, privacy protection, and ethical conduct play a vital role in enhancing customer loyalty (Verma& Chaudhary, 2016; Suri&Prabhakar, 2022).

Relationship management, customer satisfaction, customer retention, technology adoption, and trust-building emerge as key dimensions of CRM practices that influence customer loyalty in the Indian banking industry. Indian banks that invest in customer-centric CRM strategies, leverage technology, and foster personalized relationships are more likely to enhance customer loyalty, drive customer satisfaction, and achieve sustainable growth. Further research is warranted to

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explore the evolving dynamics of CRM practices and their impact on customer loyalty in the unique context of Indian banks, considering factors such as cultural influences and regulatory frameworks.

III. METHODOLOGY

The sample size of the study is total 100 respondents from New Delhi. Out of this, 50 were the customers of major public sector banks while the other 50 were the customers of major private sector banks. We distributed a questionnaire to these respondents. The questionnaire uses a Likert scale and the respondents had to mark each question on a scale of 1 to 5 which went like this:

- Highly dissatisfied
- Moderately dissatisfied
- Neutral
- Moderately satisfied
- Highly satisfied

The data collected through the questionnaire is then interpreted to assess the hypotheses.
Hypotheses:

- There is no significant impact of different parameters on the efficiency of CRM.
- There is no significant difference between performance ofprivate & public sector banks.

IV. FINDINGS

The following are the results from the questionnaire, for public sector banks and private sector banks individually

Question (Public Sector Banks)	**1**	**2**	**3**	**4**	**5**
Staff cooperation and behaviour	10	23	2	12	3
Speedy service	14	19	5	8	4
Online services	6	10	10	15	9
Personalization	9	7	16	10	8
Variety of products and services	6	8	6	17	13
Frequency of response	19	13	6	8	4
Data protection and privacy	9	8	13	11	9
Interactive management	18	15	6	7	4
Question (Private Sector Banks)	**1**	**2**	**3**	**4**	**5**
Staff cooperation and behaviour	7	7	4	17	15
Speedy service	5	8	6	17	14
Online services	4	7	6	17	16
Personalization	4	9	4	19	14
Variety of products and services	7	5	6	17	15
Frequency of response	5	7	3	14	21
Data protection and privacy	6	11	14	9	10
Interactive management	5	7	1	17	20

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Interpretation

Question (Public Sector Banks)	Mean	Median	Mode
Staff cooperation and behaviour	2.5	2	2
Speedy service	2.38	2	2
Online services	3.22	3	4
Personalization	3.02	3	3
Variety of products and services	3.46	4	4
Frequency of response	2.3	2	1
Data protection and privacy	3.06	3	3
Interactive management	2.28	2	1
Question (Private Sector Banks)	**Mean**	**Median**	**Mode**
Staff cooperation and behaviour	3.52	4	4
Speedy service	3.54	4	4
Online services	3.68	4	4
Personalization	3.6	4	4
Variety of products and services	3.56	4	4
Frequency of response	3.78	4	5
Data protection and privacy	3.12	3	3
Interactive management	3.8	4	5

Public banks, typically owned by the government, operate with a broader societal mandate and often prioritize financial inclusion, social welfare, and supporting economic development. Private banks, on the other hand, are owned by private shareholders and focus on profitability and shareholder value. These ownership differences can influence the CRM practices adopted by each category of banks. Public banks may prioritize customer outreach and education initiatives, while private banks may emphasize personalized services and tailored financial solutions to cater to their more affluent customer base.

CRM practices in public and private banks also differ in terms of customer segmentation and targeting strategies. Public banks often cater to a diverse customer base, including low-income individuals, small businesses, and rural communities. Therefore, their CRM strategies may involve segmenting customers based on demographics, income levels, and geographical locations to deliver targeted products and services that meet their specific needs. In contrast, private banks typically target higher net worth individuals, corporate clients, and affluent customers. Their CRM practices may involve segmenting customers based on their financial profiles, investment preferences, and lifestyle choices to provide personalized wealth management solutions and exclusive benefits.

Private banks, driven by their profit-oriented nature and competitive pressures, have been at the forefront of technology adoption and digital transformation in their CRM practices. They leverage advanced customer analytics, artificial intelligence, and digital channels to enhance customer engagement, streamline processes, and provide seamless banking experiences across multiple touchpoints. Public banks, while gradually embracing technology, may face challenges related to infrastructure limitations, legacy systems, and budget constraints.

Private banks often emphasize personalized relationship management, assigning dedicated relationship managers to high-value clients and providing customized financial advice and investment solutions. Given their emphasis on personalized services and catering to high-net-worth clients, private banks typically invest in more comprehensive training programs. Their staff members are trained to have a deep understanding of complex financial products, investment strategies, and wealth management solutions. This enables them to provide specialized advice and guidance to clients with sophisticated financial needs.Public banks, with a larger customer base, focus on building strong customer relationships through personalized interactions, financial literacy programs, and inclusive banking initiatives.

Public banks are subject to stricter regulatory oversight and compliance requirements due to their government ownership and accountability to the public. This regulatory environment may impact their CRM practices, necessitating stringent data privacy measures, enhanced transparency, and adherence to specific guidelines for customer communication and data handling. Private banks, while also subject to regulatory requirements, may have more flexibility in their CRM practices, enabling them to innovate and tailor their strategies to meet the needs and expectations of their customers.

Customer service and staff behaviour in public banks and private banks reflect the unique characteristics and priorities of each category. Public banks focus on financial inclusion, accessibility, and serving a diverse customer base, while private banks emphasize personalized services, expertise, and building relationships with high-net-worth clients. Both types of banks invest in staff training and technology to enhance customer service, but private banks may allocate more resources to offer specialized services and a seamless digital experience.

V. CONCLUSION

Customer expectations and perceptions may differ between public and private banks due to factors such as brand perception, target market, and pricing strategies. Private banks typically cater to customers with higher expectations for personalized service, exclusivity, and efficiency. These customers may expect dedicated relationship managers, personalized advice, and priority access to banking services.

Public banks, on the other hand, often focus on providing accessible and inclusive services to a broader customer base. The public banks are perceived to have complacent staff and slower service when compared to private banks. While customers may not have the same level of expectation for personalized attention, they value prompt and efficient service, transparent processes, and fair treatment.

Differences can also be observed in customer segmentation, technology adoption, relationship management, and regulatory compliance. By understanding and leveraging these distinctions, banks can tailor their CRM practices to meet the unique needs of their customers and drive sustainable growth in their respective domains.

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