

Significance of Customer Relationship Management [CRM] in Banking Sector

Rinku Pal¹ and Priti Gode²

Assistant Professor, BBI, Suman Education Society's LN College, Borivali East, Mumbai, India¹

Student, BBI, Suman Education Society's LN College, Borivali East, Mumbai, India²

Abstract: *The customer is the primary focus of service marketing. Designing products and services for the financial services industry requires expert knowledge. The banking industry is the oldest and most important financial service sector. Customer Relationship Management (CRM) has a significant impact on the service industry in order to acquire and retain clients for long-term efficiency. Relationship marketing was formally introduced into the realm of service marketing in the early 1990s. Banks discovered that it was more profitable to keep and reward existing customers than to pursue new ones. The essence of CRM is to acquire and keep customers. Therefore, banks now place a premium on comprehensive customer satisfaction, which indicates that the consumer is pleased and happy with the service. Consequently, the researcher aimed to investigate the level of satisfaction with customer relationship management techniques in chosen private sector banks in this study. Lack of understanding of Customer Relationship Management (CRM) is always a worry for service providers, particularly banks. Banks have their own methods for maintaining consumer connections. However, the perception of clients regarding the CRM activities of banks must also be considered. As a result of CRM activity attending to the demands of customers without delay, banks are able to increase customer awareness and build a substantial client database. Therefore, the concept of CRM could be stressed such that banking customers are treated like royalty. Therefore, banks must increase consumer satisfaction with the usage of contemporary banking services and provide more user-friendly services to make modern banking a pleasure for the client to engage in.*

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

I. INTRODUCTION

Customer relationship management is one of the customer management strategies because it emphasises understanding consumers as people rather than as a group. CRM oversees a company's relationships with its customers. CRM and knowledge management are geared toward enhancing and continually offering quality customer services. To gain a deeper understanding of customer relationship management, we must first comprehend three components: the customer, the relationship, and their management. Managing client interactions is essential and beneficial to the success of a firm. Numerous organisations, including banks, insurance firms, and other service providers, understand the significance of Customer Relationship Management and its potential to help them recruit new customers, retain existing ones, and maximise their lifetime worth. The banking industry is a client-centric service in which the customer is the primary focus. In order to cultivate a long-lasting relationship with customers, it is necessary to conduct research in this industry in order to comprehend their needs and attitudes.

Customer Relationship Management encompasses all marketing operations aimed at establishing, developing, maintaining, and sustaining a successful relationship with the target customers. CRM is an effective business strategy that identifies the bank's most profitable customers and prospects, and then focuses on expanding account relationships with those customers through individualised marketing, remarketing, discretionary decision making, and customised service, all of which are delivered through the bank's various sales channels. To be successful with strategic organisational change, banks must also communicate the change to their customers in a manner that causes them to modify their behaviour and attitudes.

1.1 Relationship Management with Clients

Customer Relationship Management is the buzzword in business these days, as it promises faster customer service at a reduced cost. Customer costs, increased customer pleasure, improved client retention, and subsequently customer loyalty. This is done in the hopes of increasing sales and earnings. According to the company's objectives, the greatest way to accomplish success is to identify and satisfy the requirements and desires of customers. CRM is a system for identifying, targeting, acquiring, and retaining customers. Customer Relationship Management facilitates the comprehension of customer needs and the development of customer relationships through the provision of the most suited products and services with increased customer care. It connects all subsystems to maintain, among other things, a database of client connections, purchases, and technical assistance. This database assists the business in discovering the demands of its consumers in order to enhance the quality of its relationships with them. The customer is king. Forget the concept of royal treatment of customers; many firms do not treat their clients with respect. Standing in line to purchase an item was a typical and expected practise. Customers purchase tickets at airports because airlines stored them there.

Many businesses, such as banks, insurance firms, and other service providers, recognise the significance of Customer Relationship Management (CRM) and its ability to assist them in acquiring new customers, retaining existing ones, and maximising their lifetime value. At this time, IT and marketing departments will need to work closely together to ensure the long-term retention of certain consumers through a close relationship with them.

The phenomena of globalisation have cleared the way for the entry of new generation multinational (foreign) banks in general and private sector banks in particular into the Indian banking market. Several banking professionals say that these new generation banks' world-class services have a significant impact on the attitudes and expectations of Indian banking clients. The services that are supplied by these banks are characterised on a 24 hour X 7 day a week basis with a focus on offering improved quality of service throughout the multiple channels. In this scenario, phone banking and internet technology have become important alternatives for Indian banks. In addition to these modern services such as Tele-banking, Internet banking, Mobile banking, and Automated Teller Machine (ATM) banking are also offered by Indian banks to serve consumers better.

In this context, research on the demographics and opinions of customers about customer relationship management (CRM) methods is growing relevance. A number of studies on the Indian banking landscape's customer service facets emphasised the importance of developing an effective Customer relationship management system.

Reserve Bank of India (RBI) urged all public sector banks to instal innovative customer relationship management (CRM) systems via many touch points of CRM systems, such as call centres, websites, email systems, and interactive kiosks, across all service units and support operations.

Consumer relationship management (CRM) is growing as an extension of the present technological landscape by incorporating customer demographics, business information, and Internet proximity, and is therefore at the heart of modern banks, according to additional research. These technology improvements and worldwide competitive pressures have redirected the public sector commercial banks in India to pay greater attention to the changing customer wants and effective CRM interventions in light of the shifting consumer demographics.

1.2 Implementation of CRM Technology in Financial System

The Information Technology revolution had a profound effect on the Indian banking industry. India's internet banking system was made possible by the usage of computer software. As a result of economic liberalisation in 1991 and the banking sector's exposure to the global market, the usage of modern innovation and computerization has increased in India's banking business. It was difficult for Indian banks to compete with foreign banking standards in terms of customer service and computer system and software provision.

Dr. C. Rangarajan, Deputy Governor of the Reserve Bank of India, chaired the Committee on Mechanism in the Banking Sector, which was established in 1984 without the use of computer technology. The key proposal of the committee was to adopt MICR Technology in every bank in India's metropolitan area. It gave us with uniform check forms and a consistent encoding and decoding mechanism.

In 1994, the Reserve Bank of India established the Committee on Computerization in Banks, which was chaired by Dr. C.R. Rangarajan and emphasised the computerization of settlement operations in the clearing houses of the Reserve

Bank of India in Bhubaneswar, Guwahati, Jaipur, Patna, and Thiruvananthapuram. In addition, MICR should be made operational and there should be National Clearing of inter-city checks in Kolkata, Mumbai, Delhi, and Chennai. It also emphasised the computerization of financial services in all branches and the improvement of computer communication between branches. In addition, it advised establishing online banking services.

The committee issued reports in 1989, and the computerization of all branches began in 1993 following an agreement between the IBA and the bank employees association. Committee on Technology Issues Relating to Payments System, Cheque Clearing, and Securities Settlement in the Banking Sector was established in 1994 under the leadership of Reserve Bank of India Executive Director Shri.WS Saraf. It highlighted the Electronic Funds Transfer (EFT) mechanism, with the internet serving as its carrier. It further stated that MICR clearance must be implemented in all banks with over 100 branches.

II. REVIEW OF LITERATURE

A CRM, according to Knox et al. (2003), is a strategic approach designed to increase stakeholder value (the value the customer receives, the value the organisation receives, and the customer retention and its economics) by developing appropriate relationships with key customers and customer segments and by integrating channels and media (channel and media suitability, channel and media structure, and multichannel and multimedia integration). CRM combines the capabilities of IT and relationship marketing to foster long-term, lucrative connections.

The retail banking industry will face significant challenges in 2015, according to Hedley Kimberley et al(2006) . Customers' connections with banks are simultaneously more individualistic and domineering. Traditional segmentation strategies and go-to-market methodologies will become obsolete for banks. The manner in which retail banks compete on the market will likewise undergo significant change.

According to Bargal Hitendra and Sharma Ashish (2008), banks must adopt diversified services, open their branches in shopping centres, instal their web system, implement a proper training system, and define a high performance system to improve the behaviour of their employees, provide a proper customer complaint system and a performance-based appraisal system in order to enhance their overall services. Customers have a significant impact on the choosing of a bank. Today, customer service, years in operation, and accessibility are regarded as the most influential elements in a consumer's selection of a bank.

According to Das Kallol et al. (2009), the relationship between CRM best practises and the loyalty of lucrative customers in Indian retail banking is investigated. They established the most effective CRM techniques that can aid firms in attaining comprehensive CRM deployment. The analysis finds that the State Bank of India and the Bank of Baroda trail behind their competitors in other industries in terms of implementing best practises.

According to Morpace Reports (2008) and Teller Vision (2009), bank perceptions vary based on their size. However, all banks share the same possibility to enhance customer happiness, namely assisting consumers in achieving their financial objectives. However, according to the study, consumer happiness tends to decline as bank size increases. Clients of national banks tend to be much less satisfied than those of regional or local banks, who in turn are less satisfied than credit union customers.

Customer Retention Management (CRM) is defined by Dr. K. Ganesamurthy et al. (2011) as a technique used by banking institutions to discover, retain, and increase loyal customers in a competitive business environment. Customers' perceptions of CRM in banks do not alter according on customer classifications such as age, sex, education, occupation, income level, bank with which consumers hold an account, account type, account type maintained by customers, and length of affiliation with banks.

III. CONCLUSION

According to the broad consensus, the bank has not yet developed an integrated strategy that prioritises customer requirements and delivers on them. The study demonstrates that the bank is far from developing a customer-centric approach for both its customers and its employees. For customer relationship management to meet expectations, it must play an integrative role inside the bank and guarantee that all procedures are incorporated into the bank's global strategy, which is not the case according to the aforementioned report. Customer loyalty is mostly influenced by the following: efficient complaint response, superior service quality, and a positive staff attitude.

Integrity, Honesty, and Dependability are also essential factors in customer references. CRM is without a doubt taking over the business world and is crucial to compete effectively in today's market. A proper strategic alliance between various partners in the process of implementing CRM must be determined in advance, and once the concept is accepted, it must be implemented in good faith and spirit in order to generate customer satisfaction.

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