

## **Benefits of CRM and Drivers of Customer Loyalty in Commercial Banks - A study with reference to Bengaluru Urban**

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### **Abstract :**

Banking industry is facing at present an unprecedented tough competition. The new generation banks are capitalising short opportunities in the market through offering a multiple number of innovative services. A positive interaction among employees, customers and venders will create a successful enterprises. Contact between customer and bank is essential in order to understand the likes and dislikes of customer. Retention of customers enhances the profitability of the banks and hence banks fearing tough competition should stress on retention of customers.

Banks find difficulties to find new customers and customers going for another better bank can be stopped through offering better services. In the competitive environment retention of customers is vital and retention of customers is achieved with the help of CRM. Further, the banks should upgrade their products, improve customer service and create bands of trust through proper understanding of customer needs which can be attained only through CRM. Banks in these days of economic sluggishness never share confidential details of bank with customers and otherwise the frauds may multiple and cause difficulties.

Keywords : Needs, Retention, sluggishness, frauds, competition, loyalty.

### **Introduction**

Customer Relationship Management (CRM) refers to the establishment of better customer and organisation relationship. It is the establishment, development, maintenance and organisation of long term mutually valuable relationships between customers and banks. As a strategy CRM aims at understanding what customer needs and requirements. Business houses today have realised the valuable significance of CRM and its potentiality in acquiring new customers. Indian banking industry today is undergoing a sea of change and fastly moving towards "mass banking". In order to make profits, banks both private and public are compelled to follow a more pragmatic approach in order to do business and to get more profits. CRM is one such tool which enables the banks to get more profits through offering better service and meeting customers expectations. It is found that private banks are employing better CRM practices than public sector banks which explains that private sector banks are more innovative in grasping customers requirements which builds reputation.

CRM refers to a comprehensive approach for creating maintaining and expanding relationship. CRM offers better coordination between customer service, marketing, IT and other related functions. CRM offers innumerable benefits to customers, bankers and employees. Satisfied customer becomes a loyal customer to the bank. Therefore banks should understand the drivers of customers loyalty and consider them while rendering service to the customers.

## Review of Literature

Zakaria Ahmed Mohammed Azzam (2014) expressed that customer satisfaction being dependent variable is influenced by CRM practices. These CRM practices includes service quality, behaviour of employees, customer database, problem solving approach, physical environment and social network interaction.

Bhattacharya (2011) stated that CRM is implemented in an organisation to reduce cost and increase company performance, which means profitability result through customer satisfaction and loyalty.

Faed (2010) highlighted that CRM amplifies the relationships of customers and competitors in a firm to enhance the share of organisation in market place by integration of technology, procedure and people.

Wang and Lo (2014) stated that functional behaviour of customers has positive impact on customer satisfaction and customer satisfaction has positive effect on customer behaviour based on CRM elements.

## Objectives of the study

- 1) To analyse benefits of CRM to the customers
- 2) To analyse benefits of CRM to employees
- 3) To analyse the benefits of CRM to banks.
- 4) To study the drivers of customers loyalty.

## Hypotheses

- 1) There are no benefits from CRM to customer.
- 2) There are no benefits from CRM to employees.
- 3) There are no benefits from CRM to banks.
- 4) There exist no drivers of customers loyalty.

## Research Methodology

Quantitative approach is followed in the present study as suggested by Youch and Steudal (2013). According to Sekaran and Bougie (2010) an extremely thorough and careful methodology increases where a researchers moves towards a hypotheses testing study from an explorative research. The present study is carried with the objective of testing the stated hypotheses and probe the hypothetical association among dependent and independent variable. Data is collected on a natural background when customers functioning in a bank. This type of research is nicknamed as cross sectional i.e., constituting a typical or similar or representative sample of a large group (Cavana et al. 2001)

## Data Collection, sample and sampling technique

The present study covers both primary and secondary data. Primary data is collected through a questionnaire which is administered as schedule. Secondary sources includes e-journals, books and websites. The sampling technique being convenient sampling technique and researcher approached different customers in the bank.

## Sample and Sample table

Bill Goodens sample formula when population exceeds 50,000 is considered and accordingly sample taken in the present study is 600.

Using the formula suggested by Bill Godden the sample of the study was decided.  
SS = infinite where population is > 50,000

$$SS = Z^2 \times (P) \times (i-p)/c^2$$

Z = Z valueA (e.g. 1.96 for a confidence level)

P = Percentage of population picking a choice, expressed as decimalB.

C = Confidence interval, expressed as decimal.

(e.g. 0.04 = +/- 4 percentage points)

AZ values (Cumulative Normal Probability Table)

1.645 = 90% Confidence level

1.96 = 95% Confidence level

2.576 = 99% Confidence level

$$SS = 3.8416 \times 0.5 \times 0.5 / 0.0016 = 0.9604 / 0.0016$$

$$= 600.25 \text{ or } 600.$$

Sample table

Sample Table	No. of respondents
Government Employees	145
Private Employees	250
Businessmen	80
Self Employed	40
Professionals	35
Housewife	50
Total	600

### Questionnaire design

The present study is carried out with the help of well drafted pre-tested questionnaire. In order to avoid non-response and delay the present study considers questionnaire to be administered as schedule. Respondents were sincerely appealed to provide data on benefits and drivers of customers loyalty. Likert 3 point scale is used to present the bipolar opinions of customers.

### Statistical tools used

ANOVA statistical tool is performed in order to measure the variation in the data and good fit of the data.

### Limitations of the study

- 1) The study is confined only to Bengaluru Urban.
- 2) Any generalisation requires further depth study.
- 3) The sample taken seems to be small and a detailed study requires a large sample.

### Survey findings

Table - 1 highlights data about CRM benefits to customers. These benefits vary from professional approach to customer contact with customer up-to-date information to CRM brings more affiliation. Analysis of data reveals that out of 600 sample respondents 360 expressed strongly agree followed by 200 agree, and 40 less agree. Out of 360 respondents who said strongly agree, 80 said about more empowerment when they access more products of services followed by 78 expressed about more affiliation, 75 said with professional approach banks can do more personalised service, 65 stated with up-to-date customer information banks can do more personalised service and 62 felt about targeted products and services can be timed to coincide with customer service events. Out of 200 who said agree, 45 said about professional approach makes the banks to do more personalised service, 43 stated feeling of empowerment, 42 spoke about more affiliation, 38 voiced about doing of more service with up-to-date information, and 32 stated about matching the new products with time and requirement of

customers. Out of 40 who said less agree, a majority of 10 said about matching the products with time and requirements of customers, 9 said about accessing more products is possible with CRM 8 expressed about more affiliating. ANOVA fails to accept H<sub>0</sub> and accepts H<sub>1</sub>. Here it is concluded that there exists significant variation in the data.

Table - 2 reveals data about benefits to employees. variation analysis of data reveals that 350 respondents said strongly agree followed by 220 agree and 30 less agree. Out of 350 who said strongly agree, 75 each said about employees deliver better service when they are empowered and exhibits more commitment, 68 spoke about more time available to serve customers, 67 stated high satisfaction rate and 65 said about enhancement of productivity rates. Out of 220 who said agree, 49 said about empowerment and delivery of service to the customers expectation. 47 stated about more commitment, 46 said about enhancement of of enhancement of productivity rates, and 38 spoke about higher satisfaction rates. Out of 30 who said less agree a majority of 7 each said about higher satisfaction rates and more commitment, 6 each said about empowerment and meeting the customers expectations and enhancement of productivity rates. ANOVA fails to accept H<sub>0</sub> and accepts H<sub>1</sub> and hence it is concluded here that there exist significant variation in the data.

Table - 3 reveals data on CRM practices and benefits to the banks. Out of 600 respondents 350 said strongly agree followed by 210 agree and 40 less agree. Out of 350 respondents who said strongly agree, 74 stated about CRM practices helps in capitalising short windows of opportunities in the market, 72 said about establishes better customer relationship. 70 spoke about enhancing customer loyaty, 68 said about optimum use of researchers and 66 felt about enhanced customer acquisition and cross selling. Out of 210 who said agree 46 said about more acquisition of customers and cross selling, 45 spoke about establishes better customer relationship, 41 felt about capitalising short windows of opportunities in the market, 40 said about enhancement of customer loyalty and 38 expressed about optimum use of resources. Out of 40 who said less agree, a majority of 10 said about establishment of better relationship. 8 each spoke about optimum use of resources and CRM helps in capitalising short windows of opportunities in the market, and 7 each stated about CRM enhances customer loyalty and satisfaction and 7 about acquisition of customers and cross selling. ANOVA statistical tool fails to accept H<sub>0</sub> and accepts H<sub>1</sub> and hence it is concluded here that there exist significant variation in the data.

Table-4 highlights data about CRM and drivers of customers loyalty. Loyalty drivers varies from positive staff attitude to existence of productive advice and delivery of promised service. Analysis of variation reveals that there are 360 respondents out of 600 expressing strongly agree followed by 210 agree, and 30 less agree. Out of 360 who said strongly agree, 71 said about positive staff attitude, 63 stated regarding better delivery of service to the customers.

60 expressed about efficient complaining resolution, 59 viewed about existence of productive advice and delivery of promised service, 55 felt about honesty, integrity and reliability, and 52 viewed about simplicity and easiness of doing business. Out of 210 who said agree, 40 each said about positive staff attitude and honesty, integrity and reliability, 35 felt about simplicity and easiness of doing business, 34 said about efficient complaint resolution system, 32 spoke about existence of productive advice and delivery of promised service. Out of 30 who said less agree a majority of 7 said about honesty, integrity and reliability, 6 each about better delivery of service and existence of productive advice and delivery of promised service and 4 each said about positive staff attitude and simplicity and easiness of doing business. ANOVA fails to accept H<sub>0</sub> and accepts H<sub>1</sub> and hence it is concluded here that there exists a significant variation in the data.

## Conclusion

Bengaluru is nicknamed as 'silicon valley', 'IT hub' and center of garment units and innumerable public, private foreign banks and new generation banks are working and facing some competition in among the banks. The new generation banks and a few old private banks are offering innovative products to suit the needs of customers. CRM is a potential strategy that helps them to acquire new customers and to retain old customers. The establishment of better relationship and better coordination between IT and marketing departments may improve profitability of the banks. The changed weather across the globe insisting on environment and necessary preparation to reduce global warming, protection of environment and consequences has to be studied carefully by the banks before launching any CRM practice.

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**Table - 1 : CRM practices and Benefits to customers**

Benefits to customers	SA	A	LS	T
Coordinated and professional approach to customer contact	75	45	7	127
With up-to-date customer information, banks can do more personalised service	65	38	6	109
Customers feel empowered when they access more products and service.	80	43	9	132
Targeted product & service offerings can be timed to coincide with customer service events and requirements	62	32	10	104
When better CRM exists customers show more affiliation	78	42	8	128
Total	360	200	40	600

Source: Field Survey

## Hypotheses

H0	There is no significant variation in the data	Reject
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H1 There is significant variation in the data Accept

#### ANOVA Table

Source of variation	SS	df	MS	F-ratio	5% F Limit (From F Table)
Between the sample	10240	(3-1)=2	10240/2 =5120	5120/ 31.17 =164.26	
Within the sample	374	(15-3)=12	374/12 =31.17		(2,12) =3.88
Total	10.614	(15-1)=14			

Source: Field Survey

**ANOVA analysis :** The calculated value being 164.26 higher than the TV = 3.88 @ df V1 = 2 and V2 = 12 fails to accept H0 and accepts H1. Therefore it is concluded here that there exist significant variation in the data.

#### Table - 2 : CRM practices and Benefits to employees

Benefits to employees	SA	A	LA	T
Employees deliver high quality service when they are empowered and meet customer expectation	75	49	6	130
Employees have more time to serve customers	68	40	4	112
Employees have higher satisfaction ratings	67	38	7	112
Employees productivity rates enhances	65	46	6	117
Employees exhibit more commitment	75	47	7	129
Total	350	220	30	600

Source: Field Survey

#### Hypotheses

H0 There is no significant variation in the data Reject  
H1 There is significant variation in the data Accept

#### ANOVA Table

Source of variation	SS	df	MS	F-ratio	5% F Limit (From F Table)
Between the sample	10360	(3-1)=2	10360/2 =5180	5180/ 15.3333 =337.82	
Within the sample	184	(15-3)=12	184/12 =15.3333		(2,12) =3.88
Total	10,544	(15-1)=14			

Source: Field Survey

**ANOVA analysis :** The calculated value being 337.82 higher than the TV = 3.88 @ df V1 = 2 and V2 = 12 fails to accept H0 and accepts H1. Therefore it is concluded here that there exist significant variation in the data.

#### Table - 3 : CRM practices and Benefits to the banks

Benefits to the banks	SA	A	LA	T
Manages with information can establish better relationships and make better decisions	72	45	10	127
Optimum use of resources	68	38	8	114

Enhanced customer satisfaction and loyalty	70	40	7	117
Enhanced customer acquisition and cross selling	66	46	7	119
Helps in capitalising short windows of opportunitis in the market	74	41	8	123
Total	350	210	40	600

Source: Field Survey

### Hypotheses

H0	There is no significant variation in the data	Reject
H1	There is significant varitaion in the data	Accept

### ANOVA Table

Source of variation	SS	df	MS	F-ratio	5% F Limit (From F Table)
Between the sample	10360	(3-1)=2	10360/2 =5180	5180/ 9.3333 =555.00	
Within the sample	112	(15-3)=12	112/12 =9.3333		(2,12) =3.88
Total	10472	(15-1)=14			

Source: Field Survey

**ANOVA analysis :** The calculated value being 555.00 higher than the TV = 3.88 @ df V1 = 2 and V2 = 12 fails to accept H0 and accepts H1. Therefore it is concluded here that there exist significant variation in the data.

**Table - 4 : CRM & Drivers of customers loyalty**

Loyalty drivers	SA	A	LA	T
Positive staff attitude	71	40	4	115
Efficient complaint resolution system	60	34	3	97
Better delivery of service to the customer	63	32	6	101
Honesty, integrity and reliability	55	40	7	102
Simplicity and easiness of doing business	52	35	4	91
Existence of productive advice and delivery if promised	59	29	6	94
Total	360	210	30	600

Source: Field Survey

### Hypotheses

H0	There is no significant variation in the data	Reject
H1	There is significant varitaion in the data	Accept

### ANOVA Table

Source of variation	SS	df	MS	F-ratio	5% F Limit (From F Table)
Between the sample	9100.0401	(3-1)=2	9100.0401/2 =4550.0200	4550.02/ 16.3 =279.14	
Within the sample	203.000	(18-3)=15	243/15 =16.3		(2,15) =3.68
Total	9343.0401	(18-1)=17			

Source: Field Survey

**ANOVA analysis** : The calculated value being 279.14 higher than the TV = 3.68 @ df V1 = 2 and V2 = 15 fails to accept H0 and accepts H1. Therefore it is concluded here that there exist significant variation in the data.

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