CHAPTER-5

Findings, Conclusion and Recommendations
Chapter-5
Findings, Conclusion and Recommendations

5.1 Introduction
The focal objective of this research was to explore the relationship between service quality, customer retention and profitability in CRM environment created by the State Bank of India during their post automation and modernization phase. Since CRM in Indian banking sector has been a relatively new philosophy, the metropolitan SBI branches were chosen for the study. The research work has been nourished by the review of literatures which covered an wide array of relationship study on service quality, customer retention and profitability and the researcher also delved deep into the practice of thematic adaptation of CRM as a philosophy by a number of foreign banks and its consequences which included modified behavioural consequences and perceived service quality of the customers. The researcher further considered the impact of demographical cross factors on perceived service quality and the probable future alignment of the customers on the basis of their present association with their bank (SBI) and the perceived service quality. Data were collected through structured questionnaires both from the customers and bankers from selected branches of SBI across four metros of India namely Kolkata, Chennai, Mumbai and New Delhi. This chapter discusses the findings and draws conclusions based on the research objectives. Further to this the researcher has documented his recommendations based on the findings and conclusions and has provided directions for future research.

5.2 Findings
The first objective of the researcher was to explore the relationship between the perceived (P) service quality and expected (E) service quality level of the customers and to identify (if any) gaps between the two levels. Further to this the researcher tried to understand whether the service quality dimensions taken into consideration for the study namely tangibles, reliability, convenience, empathy and responsiveness can be effective predictors of perceived service quality. Analysis of the data did not reveal ‘Gap’ with regard to P – E score (mean unweighted as well as weighted SERVQUAL score) for the metros Kolkata, Chennai and New Delhi. The SERVQUAL gap analysis did reveal a gap with respect to the ‘Responsiveness’ dimension of service quality for New Delhi (mean SERVQUAL score –
The multiple regression analysis conducted to test the predictive capacity of the service quality dimensions to predict the level of perceived service quality. The results revealed that the five dimensions of service quality considered for the study can be effective and significant predictor of perceived service quality. Regression equations were suggested for the four metros.

The second objective of the researcher was to explore the relationship between service quality and customer retention in the context of selected branches of State Bank of India under study. Data analysis revealed that a positive and moderately significant relationship exists between CR and SQ based on bivariate correlation (Pearson coefficient of correlation obtained). The paired-sample T-test also confirmed the relationship between the variables at \( p \leq 0.01 \). The simple regression analysis conducted to examine the predictive capacity of service quality (denoted in the study as perceived service quality or PSQ) to predict the level of customer retention was found significant as the results of ANOVA and standardised regression coefficient were found significant. The regression equation was also formed for the four metros.

The third objective was to explore the relationship between customer retention (association of the customers with SBI in terms of years and retention was considered only for association over 1 year) and profitability (conceptualized as investments made by the customers during their period of retention with their bank in cross-selling and up-selling product/service lines and in traditional investment options) in the context of the organization (SBI) under study and to identify the levels of customer retention which are most significant to invest in profit-inducing instruments (products/services) offered by their bank. Further to this the researcher tried to understand whether retained customers are instrumental in endorsing SBI products and services to new customers. To find the possible relationship between customer retention and profitability across the four metros, bivariate correlation was performed to obtain the Pearson coefficient of correlation. The results revealed positive and significant correlation between the customer retention level and investments made by the customers in profit inducing instruments offered by their bank namely fixed deposits, recurring deposits, Bancassurance, mutual fund, cards and fixed income securities. As far as investing in loan products are concerned positive and significant correlation was observed for car loans, business loans and home loans. The results did not suggest any significant relationship between customer retention and investments made in educational loans and
personal loans. One-way ANOVA revealed that significance level has been achieved (p≤0.001) for the model, thereby further confirming the relationship. Applying multiple comparisons using post-hoc Bonferroni, all possible relationships that may exist among various level of customer retention and the corresponding investments made. The Bonferroni results show that customers having been retained by their bank (SBI) to the level of ≥20 years<25 years and ≥25 years are having inclination to invest in traditional profit inducing instruments namely fixed deposits and recurring deposits. The customers who have been retained by their bank to the level of ≥5 years<10 years and ≥10 years<15 years showed inclination towards investing in relatively new instruments namely bancassurance, mutual fund and cards. While investing in loan instruments customer with level of retention with their bank to the tune of ≥5 years<10 years and ≥10 years<15 years exhibited significance. Bonferroni study clearly depicted that the respondents (customers) retained by their bank (SBI) have shown inclination towards investing in traditional as well as cross-selling/up-selling investments offered by their bank (SBI) and the study further revealed the level of retention and vis-à-vis investments made to contribute in the profitability of their bank (SBI). To understand whether the retained customers were instrumental in advocacy on behalf of their bank, data was obtained with regard to number of new customers introduced by the existing customers to SBI and the number of actual investments made by these new customers which were known to the existing customers who played the role of endorser. Pearson coefficient of correlation revealed positive significance. To further assess the strength of relationship between customer retention (independent variable) and number of prospects introduced by retained customers (dependent variable-1) and actual investment made by the prospect (dependent variable-2), multiple regression was carried out. The R square and the adjusted R square were found adequate for the analysis. The ANOVA result reached to the level of significance for the model and the standardized regression coefficient did reveal a significant relationship for Kolkata, Chennai and Mumbai studies on the basis of t-values and β-values, but it did not establish a strong and significant relationship for the study at New Delhi.

The fourth objective of the study was to explore the relationship between service quality (perceived service quality of the customers) and profitability (investments made by the customers in cross-selling and up-selling product/service lines and in traditional investment options in SBI). Analysis showed a strong and significant positive relationship between perceived service quality of the customers and investments made by them in traditional
profit-generating products/services of SBI namely fixed deposit schemes and recurring deposits. With the relatively new areas of cross-selling and up-selling investments, relationships were found to be significant and positive particularly with Bancassurance, mutual fund, cards and fixed income securities. Perceived service quality has moderately significant relationship with profitability when investments made by the customers in the loan-products were considered, particularly with car loan, business loan and home loan. Relationship with investments made in educational loan and personal loan were found insignificant. One-way ANOVA revealed a significant difference between investments generating profit for the bank (profitability) by the customers and their levels of perceived service quality. To assess whether Perceived Service Quality can be an effective predictor to investments made by the respondents in different profit inducing instruments offered by their bank (SBI), the researcher obtained the total number of investments made by each and every individual respondent under different portfolio and the subsequent mean of it for all the four metros under study. This mean was taken as the profitability indicator for each respondent. Simple regression analysis was conducted with perceived service quality as the independent variable and profitability as the dependent variable to obtain the standardized regression coefficient, model summary and ANOVA profile for all the four metros. The R square and adjusted R square values were found significant and adequate for all the four metros. ANOVA results showed that significant level has been achieved for the model at $p \leq 0.001$. The standardized regression coefficients also indicated significance based on t-values and $\beta$-values.

The fifth objective of the study was to examine the impact of demographic variables on service quality expectation and service quality perception with regard to the services provided by the State Bank of India across the four metros of India under study and to identify the specific demographic cross-factor ranges specifically sharing relationship with the identified service quality dimensions for the study. The study considered the $P - E$ score (PSQ) obtained as a result of SERVQUAL gap analysis across the four metros. One-way ANOVA was conducted and the results revealed that gender did not have a significant effect on the $P - E$ score. Income as a demographic factor revealed a significant impact on ‘Reliability’ dimension of service quality across all the four metros. Occupation as a demographic factor revealed a significant impact on ‘Convenience’ dimension of service quality across all the four metros. The demographic factors namely age and educational qualifications did show varying degrees of impact significance on service quality dimensions namely ‘Empathy’,
‘Tangibles’, ‘Reliability’ and ‘Convenience’. Post-hoc ANOVA (both Bonferroni and Tamhane) were considered for multiple comparisons to identify range-specific significance of demographic variables on P – E service quality scores. The results revealed that specific demographic cross-factor range were having significant impact of perceived service quality level on the basis of specific dimensions of service quality. Age range between 30-39 years showed significant relationship with ‘Tangible’ dimension. Educational qualifications (Post-graduates and higher) and Income range (Rs. 25,000-Rs. 44,900 and ≥ Rs. 45,000) showed significant relationship with ‘Convenience’ dimension of service quality. Occupation (service holders and professionals) revealed significant relationship with Empathy, Convenience and Reliability dimensions.

The sixth objective of the study was to explore whether CRM initiatives adopted and implemented by SBI were having significant influence on the perceived service quality levels of the customers and to obtain the grid plots with regard to CRM Score and CRM-enabled perceived service quality (CPSQ) level. The researcher further considered plotting of 3D wire-diagrams to denote the plane of interaction between the critical components of CRM namely people, process and technology. Multiple regression analysis was carried out by considering the three critical components of CRM as independent variables (people, process and technology) and CPSQ as the dependant variable. The R square and adjusted R square values were acceptable. The results of ANOVA were found significant justifying the acceptance of the model for all the four metros. The collinearity statistics suggested that the structural model for path analysis is worth pursuing as the tolerance value for all the metros is well over 0.200. Regression equations were proposed for all the metros. For further analysis paired sample T-test was used. The results were found significant. Prior to grid plots, correlation test was carried out to identify relationship between CRM Score (obtained by a 7 point Likert scale over factors identified to influence performance level of CRM) and CPSQ. The relationship between the two (CRM Score and CPSQ) were found significant across the 4 metros at 0.01 level (p≤0.001). The grid plotting was done with the help of R software to identify the flocking of responses along the scale (7 point Likert) used for obtaining the data. The grid plots suggested flocking of responses in the high quadrants of CRM Score and CPSQ confirming the results of other tests. The 3D wire-diagram suggested that the plane of interaction between people, process and technology is quite high in the scale depicting a successful implementation of CRM in SBI.
The seventh objective of the study was to assess the awareness level of the bankers of State bank of India across the four metros with regard to the customer retention policy of the bank which is considered to be a key indicator of successful CRM adoption. Proportionality test was used to analyse dichotomous response generated across seven statements pertaining to customer retention from the bankers of the branches under study. The calculated $\zeta$ values at 5% level were found significant for Kolkata, Chennai and Mumbai. The calculated $\zeta$ value at 5% level was lower than the tabulated $\zeta$ value for New Delhi which further consolidates and justifies the results of SERVQUAL gap analysis whereby it was found that a gap exist in the ‘Responsiveness’ dimension of service quality as per the $P - E$ score generated for New Delhi customers. Runs test was conducted for the response generated against section-IV questions targeted towards bankers to identify the proportion of banker over the ‘k’ level fixed at 5 in a 7 point Likert scale. The Runs test indicates that for V1 (thrust on customer retention), V4 (usage of customer calling/contact programme), V5 (emphasis placed upon quality service programme), V7 (emphasis placed upon obtaining new customers) and V9 (retention of valued customer increases profitability) the alignment of response is well over the median value suggesting that customer retention has become one of the critical consideration for the bankers. On the other hand V6 (addressing public complaints) has a score below the median value which should be a concern for the bankers.

The eighth objective was to explore the customers’ likelihood to remain associate with SBI on the basis of their existing level of perceived service quality. To carry out the test the Behavioural Intentions Battery (Zeithaml, 1996) was used. Pearson correlation suggested that a strong and positive relationship exist between the customers’ present level of perceived service quality and loyalty, indicating their future alignment with the bank, a strong and positive relationship exist between customers’ present level of perceived service quality with their bank and will to pay more for the services hinting towards loyalty. The results further revealed that relationship between present level of perceived quality and propensity to switch is strong and negative and same for complaint behaviour to external agencies. Perceived service quality is moderately correlated with internal response sighting evidence that the customers tend to depend on internal customers to address their grievances. The regression results for PSQ (independent variable) and loyalty (dependant) variable suggested a significant relationship between the variables and hence present level of perceived service quality can be considered as an effective predictor to loyalty levels of the customers. The Customer Retention Indicator Grid used by Bexley (2005) was used with adequate
modification to fit the study to check the likelihood of the customers to be retained or defect in future. A high perception as well as expectation score across the service quality dimensions will suggest that the customers are likely to be retained by the bank and vice versa. The results of the grid plot indicated that the customers across the four metros were sharing moderate to high level of expectation with moderate to high level of perception except for the ‘Responsiveness’ dimension for New Delhi.

The ninth objective of the study was to understand whether the customers’ likelihood to remain associate with SBI will be affected by their present level of association with their bank. Pearson correlation suggested that a strong and positive relationship exist between the customers’ present level of association with their bank and loyalty, indicating their continuous future alignment with the bank, a strong and positive relationship exist between customers’ present level of association with their bank and willingness to pay more for the services. The results further revealed that relationship between present level of association with their bank and propensity to switch is strong and negative and same for complaint behaviour to external agencies. The regression results for present level of customers’ association with their bank (independent variable) and loyalty (dependant) variable suggested a significant relationship between the variables and hence present level of perceived service quality can be considered as an effective predictor to loyalty levels of the customers.

The tenth objective of the study was to propose a model on the basis of the findings of the study and by taking four constructs into consideration namely:

(a) Construct-1: Service quality dimensions and Service Quality (perceived)
(b) Construct-2: Service Quality (perceived) and Customer retention
(c) Construct-3: Customer retention and Profitability
(d) Construct-4: Service quality (perceived) and Profitability

The analysis and model development were taken into consideration on the basis of the two conceptual models proposed. Confirmatory factor analysis were conducted to check the convergent, discriminant validity and dimensionality of the constructs and the results were found significant on the basis of a number of goodness of fit indices. Structural Equation
Modeling were used to construct the two models depicted in Fig.53 and Fig.54 (Chapter-Data Analysis and Interpretation).

**5.3 Conclusions**

1. The service quality perceived by the customers of State Bank of India met and surpassed their level of expectations with regard to the same in the metropolitan cities of India.

2. The perceived level of service quality had been a significant influencer in retaining customers in the context of banking services provided by the State Bank of India. Customer retention can be well predicted on the basis of perceived service quality level of the customers.

3. Retained customers, who were convinced by the service quality of the State Bank of India, had shown inclination to invest in both traditional and relatively new cross-selling & up-selling instruments thereby stimulating profitability.

4. Demographic cross-factor ranges had a significant influence on the level of perceived service quality level of the customers except for that of gender.

5. The CRM philosophy adopted by the State Bank of India during their post modernization period had successfully integrated the three critical components of CRM namely people, process and technology. The CRM initiatives taken up by the bank was instrumental in enhancement of the level of perceived service quality of the customers.

6. The internal customers of the State Bank of India i.e. the bankers were found to possess adequate level of awareness about the focal objective of CRM practice i.e. retention of customers except that of the bankers of New Delhi where level of awareness was found to be low.

7. Service quality enhancements, adoption of CRM and technological upgradation had influenced the likelihood of the customers to stay associate with the bank.

**5.4 Recommendations**

On the basis of the findings and conclusions made thereof the following recommendations can be considered by the State Bank of India:
1. Internal marketing of the bank should be strengthened to percolate the customer-centric operations adopted by the management. This initiative will further support reducing the level of grievance and confusions amongst the customers with reference to the banking transactions.

2. The bank should consider about improvement of the Servicescape which has emerged as an important service quality dimension.

3. The bank should practice the customer-contact programmes etc on a regular basis to stay in touch with the customers and understand their pulse.

4. The bank should try and integrate their cross-selling and up-selling initiatives with their core banking services within the same premise to enhance the convenience level of the customers.

5.5 Scope for future research

The study was exploratory in nature keeping in mind the relative novelty of CRM adaptation in India’s largest public sector bank – the SBI following its technological upgradation in operating system by virtue of CBS implementation. For the customers of SBI, it has been a new experience too although, customers having multiple account in private and foreign banks are already aware of technology-enabled and CRM-driven banking services. Since, CRM is a relatively new philosophy in Indian public sector banking, there are untapped research opportunities.

The CRM model developed by the researcher may be expanded or modified depending on other parameters that may be considered for the model construct.

The study concentrated primarily on individual customers. Therefore, in future, research work may be taken up by considering the institutional customers too particularly, the Govt. sector and its relationship and transaction through and with State Bank of India. A cross-factor comparative study of CRM maturity and performance may be taken up between SBI and other public sector, private sector and foreign banks.

The study was limited to four metros. In future the study may be considered for expanded geographical domain.