CHAPTER 1

INTRODUCTION TO STUDY

TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Introduction</td>
</tr>
<tr>
<td>1.2</td>
<td>Background of the study</td>
</tr>
<tr>
<td>1.3</td>
<td>Statement of the problem</td>
</tr>
<tr>
<td>1.4</td>
<td>Research Questions</td>
</tr>
<tr>
<td>1.5</td>
<td>Objectives of the study</td>
</tr>
<tr>
<td>1.6</td>
<td>Hypotheses of the study</td>
</tr>
<tr>
<td>1.7</td>
<td>Independent &amp; Dependent variables</td>
</tr>
<tr>
<td>1.8</td>
<td>Scope of the study</td>
</tr>
<tr>
<td>1.9</td>
<td>Significance of the study</td>
</tr>
<tr>
<td>1.10</td>
<td>Originality of the study</td>
</tr>
<tr>
<td>1.11</td>
<td>Limitations of the study</td>
</tr>
<tr>
<td>1.12</td>
<td>Profile of the study area</td>
</tr>
<tr>
<td>1.13</td>
<td>Structure of the thesis</td>
</tr>
</tbody>
</table>
1.1 Introduction

This chapter deals with various aspects of the study carried out by the researcher such as Background of the study, Statement of the problem, Research questions, Objectives, Hypotheses, Different types of variables involved, Scope of the study, Significance of the study, Originality of the study, Limitations of the study, Profile of the study area & Structure of the thesis.

1.1 Background of the study

In the recent past, there is a great need felt by the companies to manage the customer relationships in most efficient manner in the expectation that there is an increase in customer satisfaction & customer loyalty & finally the relationship with customer is mutually beneficial. Customer satisfaction & Customer loyalty are said to be the vital Business performance variables for not only the growth of the business but also its survival.

More predominantly in the service sector & especially banking sector, there is tremendous increase in the competition in the recent past. This is because of entry of the Indian as well as foreign private banks & also the non-banking financial institutions (NBFCs) in the marketplace.

So it becomes all the more important for commercial banks to attain high level of customer satisfaction & loyalty to remain competitive in the marketplace & increase of market share.

The researcher felt that it was a need of the hour to find out various factors impacting the key Business performance variables like Customer Satisfaction, Customer Loyalty & Bank profitability through a research study that will be of great use for the commercial banks. Also it was critical to find out the magnitude & nature of impact of these factors on these key Business performance variables.
These factors are grouped under a comprehensive phenomenon called Customer Relationship Management.

Of late, Customer Relationship Management has gained serious attention in the service industry as it is assumed that CRM positively influences Customer satisfaction, Customer Loyalty & Bank Profitability.

The researcher was of the opinion that it’s important to first of all check whether there exists any impact of CRM on these three key Business performance variables i.e. Customer satisfaction, Customer Loyalty & Bank Profitability & if yes, what is the exact nature of this impact. Researcher is extremely confident that this study will lead to some valuable findings & conclusions which will be useful in designing effective CRM strategies for commercial banks.

Hence, the researcher has decided to carry out this research in which he has analyzed the detailed impact of CRM on Customer satisfaction, Customer Loyalty & Bank Profitability & based on the results obtained he has given some meaningful suggestions to the commercial banks in respect of effectively implementing the CRM strategies.

**1.2 Statement of the problem**

In this study, the researcher wanted to check the existence & nature of impact of CRM on Customer satisfaction, Customer Loyalty & Bank Profitability.

In this context the problem statement is:

In retail banking industry, whether Customer Relationship Management as a whole & its individual components influence key Business performance variables like Customer Satisfaction, Customer Loyalty & Bank Profitability & if yes, what is the nature of this impact?

Here, existence of impact is referred to as “whether the impact is present or absent”.

Nature of impact is referred to as “if the impact is present, then whether it is positive or negative & also what is the magnitude of impact”.

1.3 Research Questions

Based on the above statement of the problem, the researcher has framed following six research questions:

Research question no. 1:
Whether there exists any impact of Customer Relationship Management (CRM) as a whole on Customer Satisfaction (CS) & if yes, what is the nature of this impact?

Research question no. 2:
Whether there exists any impact of Customer Relationship Management (CRM) as a whole on Customer Loyalty (CL) & if yes, what is the nature of this impact?

Research question no. 3:
Whether there exists any impact of Customer Relationship Management (CRM) as a whole on Bank Profitability (BP) & if yes, what is the nature of this impact?

Research question no. 4:
Whether there exists any impact of all individual components of CRM on Customer Satisfaction (CS) & if yes, what is the nature of this impact?

Research question no. 5:
Whether there exists any impact of all individual components of CRM on Customer Loyalty (CL) & if yes, what is the nature of this impact?

Research question no. 6:
Whether there exists any impact of all individual components of CRM on Bank Profitability (BP) & if yes, what is the nature of this impact?
1.4 Objectives of the study

Based on the above statement of the problem & research questions the researcher has framed following six objectives of this study:

1) To check the existence & nature of impact of Customer Relationship Management as a whole on Customer satisfaction

2) To check the existence & nature of impact of Customer Relationship Management as a whole on Customer loyalty

3) To check the existence & nature of impact of Customer Relationship Management as a whole on Bank profitability

4) To check the existence & nature of impact of all the individual components of Customer Relationship Management on Customer Satisfaction.

5) To check the existence & nature of impact of all the individual components of Customer Relationship Management on Customer Loyalty.

6) To check the existence & nature of impact of all the individual components of Customer Relationship Management on Bank Profitability.
1.6 Hypotheses of the study

Based on the above objectives, the researcher has framed following six hypotheses to accomplish this study:

1) Customer Relationship Management in retail banks has a significant positive impact on Customer Satisfaction.

2) Customer Relationship Management in retail banks has a significant positive impact on Customer Loyalty.

3) Customer Relationship Management in retail banks has a significant positive impact on Bank profitability.

4) All individual components of Customer Relationship Management have a significant positive impact on Customer Satisfaction.

5) All individual components of Customer Relationship Management have a significant positive impact on Customer Loyalty.

6) All individual components of Customer Relationship Management have a significant positive impact on Bank Profitability.
1.7 Independent & Dependent variables

Through the detailed literature review & primary data collected from the senior bank employees, the researcher has observed that, the efforts of a bank towards CRM are reflected through following five distinct variables / components:

i. Customer Experience (CE)
ii. Process Driven Approach (PDA)
iii. Reliability of Service (RS)
iv. Technology Orientation (TO)
v. Bank’s Commitment towards its customers (BC)

The researcher has checked the existence & nature of CRM as a whole as well as its individual components on Customer satisfaction, Customer Loyalty & Bank Profitability.

Hence the independent, dependent & mediating variables in this study are as follows:

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Type of variable</th>
<th>Variable</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Independent Variables</td>
<td>Customer Relationship Management (CRM)</td>
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<tr>
<td></td>
<td></td>
<td>Customer Experience (CE)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Process Driven Approach (PDA)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reliability of Service (RS)</td>
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<td></td>
<td></td>
<td>Technology Orientation (TO)</td>
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<td></td>
<td></td>
<td>Bank’s Commitment towards its customers (BC)</td>
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<tr>
<td>2</td>
<td>Dependent Variables</td>
<td>Customer Satisfaction (CS)</td>
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<td></td>
<td></td>
<td>Customer Loyalty (CL)</td>
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<tr>
<td></td>
<td></td>
<td>Bank Profitability (BP)</td>
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Source: Generated by researcher
1.8 Scope of the study

The study was carried out in Retail banking industry within the geographical boundaries of Pune city. Corporate banking segment was not the part of this study.

This study covers three types of banks i.e. Public sector banks, Private sector banks & Cooperative sector banks having at least five branches in Pune city.

This study focuses on the Savings account holders of above banks having at least four years of relationship with their bank.

This study covers various key aspects of retail banking industry such as Customer Relationship Management, Customer Satisfaction, Customer Loyalty & Bank Profitability etc.

1.9 Significance of the study

Customer Relationship Management (CRM) has gained tremendous importance in the recent past in service sector & especially in retail banking sector.

In today’s cut throat competition in service sector & especially in banking sector, it’s extremely important to ensure complete customer satisfaction & Customer Loyalty. These are vital business performance variables for not only enhancing the value of the business but also for its survival.

Hence, organizations need to focus on the various factors leading towards Customer Satisfaction, Customer Loyalty & Bank Profitability.

For this purpose, first step is to clearly identify influencing factors & nature of their impact on Customer Satisfaction, Customer Loyalty & Bank Profitability.

In this study, the researcher attempted to study the impact of CRM as a whole & individual CRM components on key Business performance variables like Customer Satisfaction, Customer Loyalty & Bank profitability which ultimately enhances the value of the business & hence the wealth of the shareholders.
So through this study commercial banks can clearly know about which CRM components are influencing on key Business performance variables & which are not.

Also, this study clearly highlights the magnitude & nature of impact of CRM as a whole & also its individual components on Customer Satisfaction, Customer Loyalty & Bank profitability so that banks can focus their resources for attainment of these factors.

Hence, this study is very useful for the commercial banks to focus on highly influential factors & kind of pay less attention towards less influencing or non-influencing factors.

The identification of the dimensions of CRM & their impact on key Business performance variables will help bank managers to implement an effective customer relationship management (CRM) process that enhances customer satisfaction, customer loyalty & provides opportunities for banks to cross-sell other products to its customers.

1.10 Originality of the study

After going through the relevant published literature about the research topic, the researcher has observed that most of the studies relating to Customer Relationship Management (CRM) talk about the theoretical aspects of CRM. Also there are individual studies done in the past to evaluate the level of Customer Satisfaction, Customer Loyalty. There are many studies in the past about the comparison of various banks on the basis of their Service Quality, Customer satisfaction & Customer loyalty. Also, there are many studies carried out in the past on comparative analysis between Public sector & Private sector banks. Many studies also attempted to analyze the impact of Customer Satisfaction on Customer Loyalty.
This is an original & unique study which tries to:

1) **Develop a practical model** for measurement of CRM in retail banks.
2) **Analyze in detail the impact** of CRM as a whole on Customer Satisfaction, Customer Loyalty & Bank Profitability
3) **Analyze in detail the impact** of all individual components of CRM Customer Satisfaction, Customer Loyalty & Bank Profitability

Also, in this study, highly advanced statistical techniques like Confirmatory Factor Analysis (CFA) & Structural Equation Modeling (SEM) are used for the purpose of data analysis which was missing in the earlier studies.

This Study has been carried out by making use of a **recent data in Pune City**.

This study includes Public sector, Private sector as well as Cooperative banks.

### 1.11 Limitations of the study

a. This study was restricted to geographical boundaries of Pune city in the state of Maharashtra.

b. This study encompasses only retail banking segment of the banking industry & does not consider Corporate Banking segment due to entire different range of products & services compared to retail banking segment.

c. Many banks & customers were reluctant to provide the data required for the study due to busy schedule & lack of intent etc.

d. This study is dependent on the primary data collected from bank customers & their honesty in revealing the information about their relationship with the bank.

e. It was not practically possible to reach out all customers in the population. The results of this study are based on the responses of customers in the sample.
1.12 Profile of the study area

The study area of this research is Pune city.
Pune city is a popular education hub in India & lakhs of students across the country come to Pune for taking education.

Pune is cultural capital of Maharashtra state & also a major city in terms of no. of industries in India.

Pune has emerged as IT hub in the country along with Bengaluru, Hyderabad & Chennai.
1.13 **Structure of the thesis**

The thesis consists of the following aspects of the study carried out by the researcher:

**Chapter 1: Introduction**

This chapter deals with various aspects of the study such as Background of the study, Statement of the problem, Research questions, Objectives, Hypotheses, Different types of variables involved, Scope of the study, Significance of the study, Research Gap / Originality of the study, Limitations of the study etc.

**Chapter 2: Review of Literature & conceptual framework**

This chapter deals with the summary of relevant existing literature that the researcher has referred for completion of this study. This includes various research journals, dissertation & theses, published reports, books, websites etc.

Also it highlights the conceptual framework developed by the researcher after reading of existing published literature.

**Chapter 3: Industry Profile**

This chapter deals with brief information about:

- Overview of service sector in India
- Overview of Banking sector in India
- Overview of Retail Banking industry in India
- The regulatory authority for Banking sector in India i.e. Reserve Bank of India (RBI)
- Other relevant information found important for this research study
Chapter 4: Research Methodology

This chapter covers methodological aspect of research used for this study. This includes details about Population, Sampling unit, type of data used, Sample size & its calculation, Sampling technique, Statistical tools & techniques used, Measurement scales used in questionnaire, data collecting tools etc.

The validity & reliability testing of all constructs used in the questionnaire is also included in this chapter.

This chapter also covers the theoretical background of all the data analysis tools & techniques used in this study.

Chapter 5: Data Analysis, representation & interpretation

This chapter covers in depth data analysis, data representation & data interpretation which includes Mean, Percentage, Standard deviation, Coefficient of Variation, Skewness, Kurtosis, Karl Pearson’s coefficient of Correlation, Chronbach’s Alpha, Results of Hypothesis testing etc.

Representation of data using Histogram & Pie chart is also covered in this chapter.

Chapter 6: Findings, Conclusions & Recommendations

This chapter deals with all the major findings & conclusions drawn after data analysis.

Also, recommendations based on the conclusions are also covered here which can be used for managerial decision making process.

This chapter also includes Scope for further research.