CHAPTER II

Review of Literature
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The introduction and Research design of the study used in this research was described in the previous chapter. This chapter presents the review of literature for CRM practices of the new private Sector banks.

2.1 INTRODUCTION

Review of literature contains information about the previous research findings conclusion drawn by subject experts and research scholars in the identified area of study, the information about the role of CRM in the banking sector and the influence of CRM on the performance of employees. An attempt has been made to gather information on the selected area of the study by reviewing published books, articles in various journals, abstracts and published dissertations. The first hand information has been gathered from the sources of the workshop attended. An attempt has been made to furnish the gathered literature and presented here under the title “Review of Literature”. This information may help the future research scholar in the selected field of study.

Oliver (1980) found that customer satisfaction can be affected by expectation and disconfirmation. Expectation is seen as an adaptation level or a reference point used to compare actual performance with the perceived performance. The comparison resulted in disconfirmation. If perceived performances are higher than the reference point (expectation), it results in

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positive disconfirmation. If the perceived performances are lower than the expectation, it results in negative disconfirmation. These disconfirmation effects will make the post-decision deviate from the adaptation level. Then, the total effects cause customer dissatisfaction.

Gröńroos (1984)² discovered that corporate image is extremely important for service organizations because customers can typically see the firm and its resources when they use service as it requires an interaction of customers with the service providers. He found that the corporate image forms as a result of how customers perceive the components of the firm that they can see. The most salient part that customers can see and perceive is the firm’s service. Therefore, image may be built up mainly by the technical and functional quality of firm’s service.

Ross et al. (1987)³ concluded that patient dissatisfaction is the result of an interaction between expectations and perceived performance of service. If the patient has a positive expectation and it is substantially disconfirmed by perception of poor service performance, then the patient will be dissatisfied. The opposite is also true.

Robin, W.T. Buchanan, and Crawford, S. Gillies, (1990)\(^4\) in their article stated that the increased profitability associated with customer retention efforts occurs because of several factors that occur once a relationship has been established with a customer. The cost of acquisition occurs only at the beginning of relationship, so the longer the relationship, and the lower the amortized cost. Account maintenance cost declines as a percentage of total costs (or as a percentage of revenue). Long-term customers tend to be less inclined to switch, and also tend to be lesser prices sensitive. This can result in stable unit sales volume and increase in amount of sales volume. Long-term customers are more likely to purchase ancillary products and high margin supplemental products. Customers tend to be satisfied with the relationship and are less likely to switch to competitors, making it difficult for competitors to enter the market or gain market share. Regular customers tend to be less expensive to service because the process requires less education and are consistent in their order placement. Increased customer retention and loyalty makes the employees’ jobs easier and more satisfying. In turn, happy employees feed back into better customer satisfaction in a virtuous circle. Relationship marketers speak of the relationship ladder of customer loyalty. It groups types of customers according to their level of loyalty. The ladder’s first rung consists of prospects, that is, people that have not purchased yet but are likely to in the future. This is followed by the successive rungs of customer,

client, supporter, advocate, and partner. The relationship marketer’s objective is to help customers get as high up the ladder as possible.

Patterson (1993)\(^5\) found that consumers compare between perceived performance (P) and prior expectation (E), which results in negative confirmation (when P<E), confirmation (when P=E), and positive confirmation (when P>E). Negative confirmation often tends to lead to a customer’s dissatisfaction. Confirmation is likely to lead to customer (merely) satisfaction. Lastly, positive disconfirmation tends to lead to a greater level of customer satisfaction.

Jennifer Rigley, (1996)\(^6\) pointed out that CRM is a critical successful factor in financial services, but implementation of CRM solution in very challenging in this field because of the complexity of financial service business, where product centric business models and organisational hurdles dampen the implementation efforts. The author gives some best practices in the financial services industry that could help.

Paul Taylor, (1997)\(^7\) has pointed out that the perspective of information technology suppliers, the financial services industry and banking in particular, is a hot market. Banks are among the biggest spenders on information technology of all types and, despite their conservative reputation, are frequently at the leading edge of technological innovation.


\(^7\) Paul Taylor, (1997), IT failure the biggest risk, the banker London, Nov. 27, 1997, p.44.
Kurtz and Clow (1998)⁸ defined the corporate image or firm image as “the overall or global opinion customers have of a firm or organization”. If customers perceive the company as high image, they tend to patronize it. On the other hand, if company’s good image is damaged, customer will be dissatisfied and are not likely to return to the company. Moreover, they will tell their negative experiences to others.

Kamath, K.V. (1998)⁹ clearly presented the importance of change management in ICICI for the powerful implementation of CRM. A CEO stressed lead for revamping the change in the management to increase strategy of CRM for giving customer a maximum satisfaction. It is also found that the introduction of massive change in the organisational structure and emphasis of the organisations changed from a development bank more to that of a market driven financial conglobation. The powerful CRM is noticed in the ICICI to make changes in the procedure to maximize the customer. The ICICI restructured in business days on the recommendation of consultant to pay the way path implementation of CRM.

Peppers and Rogers (1999)¹⁰ in some organizations, CRM is simply a technology solution that extends separate databases and sales force automation tools to link sales and marketing functions in order to improve targeting. Other organizations consider CRM as a tool specifically designed for one-to-one

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⁹ Kamath, K.V. (1998), Change Management @ ICICI.com.
customer communications, only responsibility of sales/service, call centers, or marketing departments.

**Peppers (1999)** Customer relationship management is grounded on the idea of establishing a learning relationship with each customer. As a result of the learning relationship with each customer, the enterprise may learn the expectations and needs of its customers more easily and meet these expectations just in time, also acquiring an advantage of competition. In a learning relationship, the customer tells the enterprise his/her needs and expectations, and the enterprise may be able to meet these needs and expectations through its products and services. The enterprise may be offering its customers a similar kind of consumption and interaction with its rivals. Since the enterprise will have better information about its customers through the learning relationship it has developed, it will differentiate the enterprise from its rivals.

**Peppard, J. (2000)** presented operations improved by increasing employee’s capabilities. Thus, effectiveness and performance were improved and the level of service and response time increased. Waiting time decreased, although the volume of telephone calls increased. CRM helped the bank to come closer to its customers and emphasis was given to customers instead of sales. The bank could provide services 24 hours a day, seven days a week with a success of 92 percent. The implementation of CRM resulted in a significant

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increase in the banks’ revenues. In the literature review, it was also mentioned that the CRM resulted in high return on investments.

Reddy, Y.V. (2000)\textsuperscript{13} observed that steps have also been initiated to infuse competition into the financial system. The RBI issued guidelines in 1993 in respect of establishment of new banks in the private sector. Likewise, foreign banks have been given more liberal entry. Two new private sector banks have been given ‘in-principle’ approval under these revised guidelines. The union Budget 2002-03 has also provided a fillip to the foreign banking segment. Permitted these banks, depending on their size, strategies and objectives, to choose to operate either as branches of their overseas parent, or, corporative as domestic companies. This is expected to impart greater flexibility in their operations and provide them with a level of playing field vis-à-vis their domestic counterparts. As a group, however, the performance of PSBs in terms of profitability, spreads, non-performing assets and standard assets position seems to have been lower than that of the new private sector and foreign banks. There have been significant divergences in performance among the public sector banks. Some have performed on par with private and foreign banks, whereas the performances of others have been relatively unsatisfactory. Hence, although PSBs have been subject to government intervention, these do not appear to provide a complete explanation of bank performance.

\textsuperscript{13} Reddy, Y.V. (2000), Monetary and Financial Sector Reforms in India, A Central Banker’s Perspective, UBS Publishers, New Delhi, pp.28-31
Duran (2001)\(^{14}\) lists the reasons for the emergence of customer relationship management as follows: i) that mass marketing has become more costly, ii) that customer share has gained importance, not market share, iii) that the concepts of customer satisfaction and customer loyalty have become more important, iv) that the term customer value has gained importance, v) that one-to-one marketing has gained importance, vi) intensive competition and developments in communication technologies.

Kabiraj et al, (2002)\(^{15}\), argued that the facilities offered to the customers by the private sector banks is much more than the public sector banks and the facilities offered by the bank to the customer has really increased after implementation of CRM strategy. Researcher proved that the customers of private sector banks are more satisfied than the public sector banks; the degree of satisfaction has increased to a large extent among the customers after CRM strategy implementation. Level of satisfaction among customers of private sector banks has increased because of the increased facilities offered by the bank after implementation of CRM strategy. As a result marketer’s marketing model is changing from the product centered to the customer-centered. Retail bank customers are demanding a different relationship with bankers and suppliers of financial than the traditional sales and transaction model. The new database technologies enable retail bankers to get the knowledge of who the


customers are, what they bought and when they bought, and even predictions based on the historical behavior.

**Bose, (2002)**\(^{16}\) stated that the CRM is an integration of technologies and business process used to satisfy the needs of customers during any given interaction. An important issue is also the capacity of information technology. CRM is also a process by which a company makes good use of customer information to enhance customer loyalty. All this derives from six categories of customer information: technical support, customer service, product price, product quality, and product package and customer satisfaction, including quality standards. Companies wishing to improve their relationships with customer need constantly to monitor their behavioral and internal processes. A scale in their study could be used as a diagnostic tool to identify areas where specific improvements are needed, and to pinpoint aspects of the firm’s CRM that require work. The paper provides a comprehensive review of CRM and marketing data sources, and considers some design concepts for creating an effective.

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Kamesam Vepa, (2003)\textsuperscript{18} says that the competitive advantage in current banking is technology and its effective usage by bank. A holistic approach towards computerization would give an edge in respect of service provided to their constitutions.

John Steedman, (2003)\textsuperscript{19} highlighted the getting maximum service from banks also an effective CRM success. The main aim of research is the convenient prevailing in banks is due to CRM and its consequences. The author described the entire concept in a descriptive study and concluded that getting the most from the banks is a question of attainment of customer satisfaction. Both customers and banks interact with each other for their mutual benefits.


\textsuperscript{19} John Steedman, the Treasurer, (2003), Journal of Association of Corporate Treasurer, pp. 31-35.
Park, C.H., and Kim, Y.G., (2003)\(^\text{20}\) state that companies empowered with advanced information technologies can collect huge amount of data on their customers and turn them into information for their strategic business purposes. Here, the important issues are: to identify what kind of information they need; about whom they will collect this information. Customer identification is crinkle starting point for CRM.

Chantal Rootman, (2004), argued that significant positive relationships exist between both knowledge and attitude of bank employees and a bank’s CRM. These relationships imply that more extensive knowledge of bank employees and bank employees with more positive attitudes lead to improved, maintained relationships between a bank and its clients. In addition, the empirical investigation revealed that CRM positively influences the service quality of banks. This relationship implies that if a bank successfully maintains relationships with its clients, the bank’s level of perceived service quality would increase.

Gonzalez, et al. (2004)\(^\text{21}\) state the ability to identify and retain the more profitable customer’s importance as all banks approach identical information and analysis lists. Finding ways to keep profitable customers loyal is of vital importance; moreover, there is a need to continually search for ways to improve the profitability of these customers. Fortunately in the case of banks, it may be possible to lessen some of the costs coupled with servicing customers.


Surprisingly some customers appreciate having more control over in their transactions with their service providers and they often delight in doing much of the work involved, as a result, lowering the provider’s workload in providing required services. However, highly profitable customers, on the contrary, request higher levels of personalised service, but may be willing to pay for these services, particularly if they are rationally targeted towards their needs so that they have an appreciation for the true value added by such personalised services. Computer based technology allows companies to identify high value customers more easily. Failure to identify such customers and provide them with superior service puts organisations at significant strategic disadvantage.

Shanker, G. (2004)\textsuperscript{22} state that the customer identified needs change frequently due to competition, the customer universe is as vast, diverse and complex as the real one and never fully comprehensible. He concluded that the ability of an organisation is to transform itself in the fine Belgian mirror that reflects the customer need, mood an emotion translate that impute into a distant long term marketing advantage.

Nair, K.N.C. (2004)\textsuperscript{23} in this article technology banking says that banks are to take care that while embracing technology and transforming traditional touch points to electronic ones, they shall not loose human touch with their customers. He says technology has enabled banks to overcome barrier of time and space in extending their service to customers. The new technology driven

\textsuperscript{22} Shanker, G. The ICFAI Journal of service marketing Vol. No. 2 June 2004 “CRM overcoming CRM failure in financial Services” p. 43.

\textsuperscript{23} Nair, K.N.C. (2004), Technology banking, Chartered financial analyst, pp.36-37.
channels like Internet banking, ATMs, Debit card, Mobile banking, Telebanking, etc. are accessible to customers on 24-hour basis across the world. He says that the value proposition to customers through thesis innovating channel has been tremendous.

Narayan Tarun, (2004)\textsuperscript{24} in this article ‘Banking on Technology’ notes that about 70 percentage of transactions in new private sector banks like ICICI Bank, HDFC Bank and UTI Bank and some foreign banks operating India are off branch transaction. For every 100 transactions, 45 are done through Phone and Internet and rest through branches. In case of public sector banks, the proportion may be the reverse, less than 30 percent of transaction is through non-branch channel. He further adds that the banking industry has over 10,000 ATMs with SBI leading the pack with 2000 ATMs followed by ICICI Bank 1970, HDFC Bank 1925 and UTI 1833.

Rose, (2005)\textsuperscript{25} explores that the internet is critical in assisting companies to deliver tailored responses to their marketplaces by effectively sorting good customers (profitable, valuable) from the bad (unprofitable/not valuable). Once organising the customer base is finalised, business can then design an individualized response in the right proportion to the expected level of customer profitability potential. According to a survey performed by Deloitte Consulting, today leading companies will continue to enhance their capability to discern the best customers, and differentiate their responses using


the Internet capabilities to structure digital loyal networks. Such networks focus on customer loyalty by managing a portfolio of customers matching them profitably with capabilities to secure them over the long term.

**Payne, and Frow, (2005)**\(^{26}\) envisioned CRM as a data warehouse, data mining, e-commerce solution or databases for sales force automation. These differences reflect the tactical and strategic way in which CRM has been deployed. CRM comprises functions in isolation, such as sales force automation or online campaign management. These applications provide silos of customer information based on a single view of the customer, through a particular contract channel. This can be frustrating for bank customers with a loan product and a savings product because they may need to interact with the bank for various reasons (withdrawal transaction, balance request, complaint etc.) using a variety of channels.

**Shajahan, S. (2005)**\(^{27}\) conducted a useful research on the impact of CRM to create customer satisfaction among the customers of ICICI bank Chennai. The main aim of the study is to observe the factor influencing customer satisfaction and the direct impact of CRM. The researcher used simple random sample method to collect the response from the questionnaire and used discriminated analysis as well as logistic regression to identify the factors of CRM incidental of customer satisfaction. The researcher identified the changes in the banking management and services are essential for customer

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\(^{27}\) Shajahan, S.(2005), ICFAI University Press, pp. 81-85.
satisfaction. Most of the bankers are finding that their business becomes more global as presume movement and competition become more intention.

TraiqMohiuddi Ahmed, (2005)\textsuperscript{28} states that CRM builds especially on the principles of relationship marketing, the formal study of which goes back to 20 year. CRM builds on the philosophy of relationship marketing. This emphasis on relationship, as opposed to transactions is redefining how companies are interacting with their customers. Customer relationships have received considerable attention from both academicians and practitioners. The increasing emphasis of relationship marketing is based on the assumption that building committed customer relationship results in greater satisfaction, loyalty, positive word of mouth, business referrals, references, and publicity. Intense competition for market share in today’s market requires managers to attend to customer retention and that patron returning and continuing repurchase.

William Boulding, Richard Staelin, and Michael Ehret, (2005)\textsuperscript{29} identified a CRM road map. The authors aimed at verifying the propositions that the real outcome effects of CRM for marketing ideas. So they developed a methodology to prove the propositions of the CRM practice young hands firm performance and its direct implementation effects. They have further ascertained that the firm incorporate use of customers is the effective process of


CRM coordination channel. Ultimately they concluded the indispensability of evolution of CRM for integrated marketing views with the help of advance technology. They made an important break through their research that emergence of CRM along with technological movement leads to success of CRM.

Krishnavani, R. (2005)\(^{30}\) pointed out the insight into the internal service quality perception of bank employees during CRM implementation. The researcher is tending towards the objectives to influence of CRM on internal service quality perception of bank employee in both public and private sector banks. A sample of 27 banks respectively, 15 from public sector, 12 from private sector selected and random. The researched employed z test and measures of central tendency to get the desired result. It is concluded from the study that the role of internal quality study, is widely recognized has been critical determinant for the success of banks in today’s competitive environment. The CRM implementation has direct impact over the internal service quality of bank employee and also to give customer satisfaction.

AmranjeethKaur, (2006)\(^{31}\) identified the role of CRM in public and private sector for the optimistic managerial effectiveness. The study aims that ascertaining CRM procedure adopted in both public sector and private sector banks. In particular, a researcher has taken the sample from SBI and PNB is a public sector representative and HDFC as well as ICICI as a representative for


private sector banks. The sample of study consist of 200 respondents with stratified random sampling, the author gives factor analysis, z test and corn back alpha method to ascertain the factor of managerial effectiveness due to CRM. The results revealed that there is a significant different in managerial effectiveness with in public and private sector banks due to the dynamic CRM procedure. The factor creativity, initiatives, working environment, motivation and leadership are the essential qualities of bank executives for the successful CRM.

Smith, (2006)\textsuperscript{32} building an infrastructure for CRM is like a building a bridge, it takes comprehension of a need, engineering, reviewing, building and rebuilding. The persistent maturation of the internet, global competition and the innovation of new business models have all increased customer expectations. Customers want and expect to have a value added relationship with the companies. Mass marketing, broad segmentation and super call centers are no longer enough to reach prospects and customers. Today marketers leverage technology, tools and business processes in using data to put the customer in the centre relationship. This requires one-to-one exchanges that are intelligent, relevant and profitable to both markers and customers. An effective CRM strategy involves in the integration of all customer touch points. Customers can choose how they wish to sustain a dialog with the company. To retain customers, it is vital to keep a dialog going and keep the customer in control. Customers enjoy being in control of their relationship.

Khedr, A. and Kok, J.N. (2006)\textsuperscript{33} studied the effect of knowledge discovery in databases on CRM in the Egyptian banking sector believe that the knowledge discovery in databases process and the applications may perform a significant role in Egyptian banks to improve CRM, in particular for customer retention. Their belief is supported by the results of a field survey at the largest Egyptian bank that indicated that-most of the banks' customers are neither satisfied in dealing with the bank, nor have any loyalty towards the bank, but do feel safe in dealing with the bank; the banks' CRM department is not satisfied with the existing service systems; and the information technology department is not satisfied with the existing service level they offer to other employees' bank through all services, and support the introduction of the new techniques.

EvangeliaBlery, and MichalisMichalakopoulos, (2006)\textsuperscript{34} stated that banks are facing an aggressive competition and they have to make efforts to survive in a competitive and uncertain market place. Banks have realised that managing customer relationships is a very important factor for their success. Customer Relationship Management (CRM) is a strategy that can help them to build long-lasting relationships with their customers and increase their profits through the right management system and the application of customer-focused


strategies. In this study, a single descriptive case study of one major Greek bank that has implemented CRM is presented.

Yarong Chen, and Ling Li, (2006)\textsuperscript{35} in their study, they applied customer satisfaction index to evaluate the services provided by a commercial bank in Shanghai, China. Information extracted from CSI has been integrated into knowledge management for better customer service. The result indicates that the most influential factor that affects corporate customers’ satisfaction is customer relationship, which includes such items as account managers explore new financial opportunities for customers, utilize customer time efficiently, partner with customers and make friends with customers. The second important factor viewed by corporate customers is service process, which includes items such as convenient banking systems, e-banking, and self-service banking. However, the ratings on these two factors given by the customers of the bank we studied are lower than the general CSI index. This information is a useful input to knowledge management and this study can be a reference to other Chinese commercial banks. After China enters the World Trade Organization, Chinese banks are facing competition from foreign banks. These banks have sophisticated CRM system and knowledge management capability. Improving Chinese commercial banks’ competence of CRM and knowledge management has become an urgent and important task.

Gopakumar, K.C. (2006)\textsuperscript{36} found that changes in banking practice also make changes in CRM especially in current scenario. The author encountered the both public and private sectors to find a CRM implementation and its optimistic aspect impact. In an empirical study and use of percentage analysis revealed to the banking system in India required a crucial role in the growth and development economy. The CRM system has been stable without any major crisis, it is a realistic transparent in its operation and followed international best practices of disclosure. Global competitiveness of products in India also required interest rate, which confessed the global pattern. The CRM plays a crucial role in the development of the bank and it is relatively transparent in its operation and follows the international best practices of disclosure.

Ravikumar, V.V. (2006)\textsuperscript{37} found the microscopic changes in CRM due to emerging paradigms in banking industries. He has clearly identified that CRM at its implementation in commercial bank dynamically improve the bank. They are looking at new avenues to generate sufficient through CRM procedure. Demanding customers have contributed to a very dynamic CRM environment. Management of banks has to achieve employee suitability to measure up to new paradigms by making them multi skilled to CRM experts.

Gautam Bansal, (2006)\textsuperscript{38} clearly explained that the implementation of service quality gaps in the implementation of effective CRM in private sector

\textsuperscript{36} Gopakumar, K.C(2006), Southern Economist, November - 15, pp. 81-87.
\textsuperscript{37} Ravikumar, V.V. (2006), ICFAI University, pp.30-35.
\textsuperscript{38} Gautam Bansal(2006), Infinity, April - September, pp.11-15.
banks. The author listed out the service quality gaps namely, customer expectation and management gaps, the gap between the management perception and service quality perception. Similarly the other gaps are found among service quality specification and service delivery, and external communication as well as perceived service. The researcher used methodology both primary and secondary data in a random sampling manner, the main aim of the researchers work is pre dominantly tending toward perception of management and the customer regarding the service quality in private sector banks as part of CRM. In conclusion it is found that brand, location and network on the most important factor. That influence CRM banking sector. The better customer service in facility, interest rate, credit limit and loan facilities are important for powerful CRM effects.

Rajni Sofa, (2007)\textsuperscript{39} observed a profound relationship between creativity and innovation in CRM in NPSBs of ICICI and HDFC, the main aim of the research is to obtain the relationship between effective CRM and innovative retail banking in ICICI and HDFC. The author used primary data and random sampling method to find useful research in the result. The author concluded that the retail banking and drastic changes are the direct impact of CRM. In the competitive scenario the ICICI and HDFC are ruling the retail banking system for the effective CRM.

RiyadEid, (2007)\textsuperscript{40} pointed out in a sample of 159 banks that utilise a CRM system and found a substantial positive effect of the CRM usage on relationships effectiveness and marketing objectives. The results of this study have major implications for marketing people, as they suggest the notion that the CRM critical success factors should be implemented holistically rather than piecemeal to achieve the full potential of the CRM. The findings also stress the central role of customer services in the successful implementation of CRM programmes within banks.

Evelyn Richard, and Marcellina Chijoriga, (2008)\textsuperscript{41} developed a conceptual model to be used further in understanding credit risk management system of commercial banks in an economy with less developed financial sector, design/methodology/approach. This paper reviews existing literature that consists of evidence from developed countries. A study model is proposed with amendment to fit Tanzania’s environment. This is achieved through the use of both secondary and primary information from commercial banks and key management officials dealing with credit management.

Shivani Kapoor, and Madhu Jasola, (2008)\textsuperscript{42} state that Customer Relationship Management has emerged as a popular business strategy in today’s competitive environment. It is a discipline which enables the companies to identify and target their most profitable customers. CRM


\textsuperscript{42} Shivani Kapoor, and Madhu Jasola, (2008), CRM: A Competitive Tool for Indian Banking Sector, Communications of the IBIMA, Volume 5, pp.178-188.
involves new and advance marketing strategies which not only retain the existing customers but also acquire new customers. It has been invented as a unique technique capable of remarkable changes in total output of companies. This study attempted to find the differences in an organization’s services employing CRM vis a vis others, as perceived by the customer. It also tries to find out the relationship between perception and satisfaction, commitment and loyalty which underlines the significance of CRM in Indian banking sector.

Aditya Puri, (2008)\textsuperscript{43} the author demands, the CRM and its aim must be procedure through the leadership quality of bank employee in the HDFC bank. It is also found that growth and profitability of HDFC bank has emerged as number one for the fifth year. The author identified the important of CRM in the acquirement of new customer by delivering then form strong bonds of CRM.

Mylonakis (2009)\textsuperscript{44}, to understand more the relationship, the managers should understand more their customers in terms of needs, behaviour, satisfaction and perception towards the services and products where customers are important assets to them. Managers should identify the marketing segmentation as one of the process to build and maintain a long-term relationship between bank and customers. To build a long-term relationship

\textsuperscript{43} Aditya Puri, (2008), (Managing Director of HDFC Bank), Feb., Business Today, pp.76-80.

with the customers, characteristics such as trust, commitment and satisfaction are needed.

**Ravi, P. (2009)**\(^{45}\) stated that CRM is a continuous process especially in banking sector and with a proper demand specification. A great deal of time and money can be saved based on realistic expectations of systems capability and on the other hand a well operating CRM system can be an extremely powerful tool for effective management of customer needs and satisfaction.

**Ilhaamie Abdul GhaniAzmi, and ZainalAriffin Ahmad, (2009)**\(^{46}\) states that a higher number of complaints have been filed by the public due to delays by public sectors in taking action and providing services to the public. This suggests that service quality is not being delivered as expected by customers. With competency-based pay being offered in the public sector under the System Saran Malaysia (SSM), which aims to produce capable workers who are responsive to customers' demands by providing quality services, one would expect that there would be an improvement in the general quality of the services rendered. Thus, this research aimed to investigate the relationship between the extent of competency-based pay practices and service quality.


Takahisa Yamaguchi, (2009) financial institutions in Japan have dramatically have advanced efforts towards Customer Relationship Marketing (CRM) in recent years. This report discusses CRM strategy in financial institutions based on the questionnaires and survey interviews conducted with companies. In order to make the overall system that is modified by CRM introduction function effectively, it is essential to clarify the mission of each department and employee and raise awareness and motivation of employees by evaluating their missions fairly.

Nan-Hong Lin, Wen-Chun Tseng, Yu-Chung Hung, and David C. Yen, (2009) probed the connection between customer value and CRM. A series of examinations revealed that both functional and social value impact customer behaviour directly and positively, customer satisfaction positively and directly affects customer loyalty, a positive and direct relationship exists between customer loyalty and customer behaviour and the positive and significant relationship between customer value and customer behaviour can be developed through mediators such as customer satisfaction and customer loyalty. Consequently, banks should offer their customers different services, products, and marketing channels to meet their diversified needs to cultivate a win-win environment of CRM for both parties.

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Ashfaq Ahmad, and Kashif-ur-Rehman, (2010)\textsuperscript{49} this study examined the perception of bank customers regarding service quality of the Islamic banks as well as conventional banks in Pakistan. In today’s global and border less market, service quality is gaining importance for successful survival of banks. This study is important due to an emerging trend of Islamic banking practices in Pakistan besides conventional banking to replace riba based products with the sharia’h compliance products. Data were collected from 720 bank customers by using stratified random sampling. It is found that the perception of customers of Islamic banks regarding service quality is higher than the perception of customers of conventional banks. The results indicate that there is significant difference in perception of service quality among customers of Islamic banks on the basis of gender but there is no significant difference in service quality perception of male and female customers of conventional banks.

Uppal, R.K. (2010)\textsuperscript{50} states that the maximum complaints are in the public sector banks and are continuously increasing, and as such, they adversely affected customers’ satisfaction and performance. The complaints and all the activities performed by banks are in deposit, credit cards and housing loans. It is necessary to mitigate these complaints to make the customer satisfied. Each and every bank should establish a customer care centre to solve the complaints of the customers. Private sector and foreign banks are taking the lead in making customers happy. Moreover, Indian public


sector banks are still not taking the initiative in solving the complaints of their customers.

**Maheswari, V. (2010)**\(^{51}\) in his article states as the customers become the vital focus area in all the sectors of the banking industry. The better performance of the bank is possible only if they offer need based and superior quality of services to their customers taking into consideration the domestic economy and also the needs of the customers. Banks in every country can design appropriate product and services. This will result in overall economic development. Ultimately, better customer service is the winning strategy for any bank anywhere. The bank should not forget the fact that customer is the king.

**Jayakumar, S. (2010)**\(^{52}\) reveals that the customers trust and satisfaction proves keeping advantage. The careful and timely management of complaints contributes to raising our customer satisfaction index, because a customer who complaints is generally a customer who wants to maintain his or her relationship with the bank.

**Mehdi Rouholamini, and Venkatesh, S. (2010)**\(^{53}\) CRM is a business model that aligns product and sales strategies with customer requirements and preferences. Services are then provided in a timely manner using the channels that are preferred by the customers. Effective CRM starts by focusing on the

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development of business strategies and by aligning an organization to serve customers. These business strategies are then executed using CRM technology solutions’.

RamkelawonBhisham, (2010)\textsuperscript{54}, argued that banks are realizing that CRM is the magic bullet that helps financial institutions to build stronger and more profitable relationships. As such CRM can enable banks to enjoy competitive advantage by delivering high value to the right customer. But they surveyed that the employees are not motivated enough to be part of the company and which may in turn affect the company ability to provide a better customer service to its customers. Research concluded that the right level of commitment is not derived from employees that affect bank ability to provide an excellent service to its customers. There is very low customer centric culture within the company.

Kailash, and Srivastava, B.L. (2010)\textsuperscript{55} this study examined the strength of association among the ‘independent variable’ namely service quality perception and ‘dependent variables’ namely customer satisfaction, customers loyalty, and customer commitment. The results showed that customer value four dimensions of perceived service quality, assurance, empathy, tangibles, security and reliability. Banks should pay attention to these dimensions of service quality. They should pay more attention to the dimensions of

\textsuperscript{54} RamkelawonBhisham,(2010), customer relationship management as an integrated approach in the banking sector: a case study of a local bank in mauritius, international research symposium in service management, ISSN 1694-0938, August.

assurance—empathy in pursuit to increase loyalty to the company, willingness to pay and customer commitment.

**Amran Rasli, and Ibrahim Danjuma, (2011)** to achieve the twin objectives of satisfaction and loyalty, service quality in the banking sector needs to be evaluated from both the internal (customers) and external (service providers) perspectives. Against this background, this article reviewed issues involved in service quality in universities from the customer satisfaction and attachment points of view, taking students as primary customers, especially in technology-based universities in Nigeria.

**Muhammad Anshari, and Mehmet Aksoy, (2011)** banking sectors in Saudi Arabia is increasingly deploying Customer Relationship Management (CRM) to produce a better connection between businesses and improve customer satisfaction. To ensure effective and guarantee a successful implementation requires identifying the potential information needs of these consumers. In his research focus on the factors contributing to success implementation of CRM initiatives in Saudi Arabia’s banking sector.

**Andreas Persson, (2011)** this study contributes to bridging the evident gap in research on how firms are currently implementing actions related to what has been termed customer asset/equity management in the literature.

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taking into account potential obstacles to implementation. In a Nordic retail banking context, it appears that more traditional areas of CRM, such as customer database management and segmentation, are well developed, whereas emerging issues, such as economic profit, customer portfolio management and customer segment managers, although under consideration, are not being used effectively to manage customer relationships as assets.

Sami Alsmadi and Ibrahim Alnawas (2011)\textsuperscript{59} this study is to developed a CRM model and empirically test its underlying constructs in the banking and financial sector in Jordan. The empirical data was collected from a convenient sample of 141 banks and financial institutions, drawn from three major Jordanian cities. A drop-off method of data collection was used. The findings show that Jordanian banks and financial institutions were likely to have a clear CRM strategic vision with specific goals and programs, possess necessary resources to establish CRM, be able to manage CRM programs, and use two way communications to handle CRM. The findings indicated that the CRM concept did not seem to be well incorporated in the business strategy of most Jordanian banks and financial institutions.

Vahid Rangriz and Basavaraja, M.G. (2011)\textsuperscript{60} examined the case of an HDFC Bank branch in India which is a pioneer in introducing and applying e-banking services in India. The findings of the analysis show that although


Electronic Banking System in India is steadily increasing its penetration, factors like security, ease of use, and perceived usefulness of a system continue to play a major role on the final decision of the customer to adopt an E-Banking system.

Mehdi Rouholamini, and Venkatesh, S. (2011)\(^{61}\) in their study “Customer Relationship Management is a strategy that can help them to build long-lasting relationship with their profits through the right management system and the application of customer-focused strategies. The implementation of CRM impacts a number of functions within an organization including people, sales, IT, operations, marketing and finance. Successful CRM implementation depends more on strategy than on the amount you spend on technology and it is strongly dependent on people radiance and acceptance. The research shows a high failure rate for CRM implementation and one of the amazing facts about CRM is that despite this high rate business and organizations still continue to do it because the reason is that ones that work, works really well, and in today’s marketplace CRM is a technology that no organization can do without. The implementation of CRM impacts on a number of functions within an organization including people, sales, IT, operations, marketing and finance.

Rama Mohana Rao, K., and Tekeste Berhanu Lakew, (2011) state that service quality in banks has been subject to extensive research since long and remains a topic of research priority in the banking sector due primarily to its apparent association with costs, financial performance, customer satisfaction and customer retention. The study was conducted to examine the service quality perceptions of customers of public sector and private sector banks in the city of Visakhapatnam, India. A total of 300 respondents were surveyed using the universally accepted SERVQUAL model in which 42 quality measurement parameters are used under the five dimensions of service quality: tangibles, reliability, assurance, responsiveness, and empathy. The study reveals that the reliability and assurance dimensions of service quality scored the highest ratings while the Tangibles dimension got the lowest score. Moreover, the study found a strong dissimilarity in service quality perceptions between customers of private sector and public sector banks.

Tefsatsion Sahludesta, (2011) this study aimed at assessing and measuring the banking service quality perception of the SBI-PU branch customers; and examining the relationship between service quality, customer satisfaction and positive word of mouth. A total of 85 out of 100 sample bank customers from Punjab University responded the SERVQUAL instrument. Its finding revealed that the expectations of bank customers were not met and that

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the largest gap was found in the reliability dimension. This dimension also had the largest influence on customer satisfaction and overall satisfaction of bank customers had a positive effect on their word-of-mouth. They also suggested that input from employees on what constitutes service excellence will be beneficial. The bank need to reassess what customers expect from the bank and provide client specific services. It needs to invest on employee training programs that will provide employees with an understanding of service culture and service excellence particularly at front line levels. Employee training programs should focus on interpersonal communication and customer care factors in order to be able to meet the customers’ need for personalized service. Finally, this study must be considered as explorative rather than conclusive.

**Tejinderpal Singh, (2011)**\(^{64}\) has pointed out the Reserve Bank of India set up the Bank Ombudsman in 1995 to provide an expeditious and inexpensive forum to bank customers for resolution of their complaints relating to deficiency in banking services. In this study the mechanism and operations of Bank Ombudsman in India and to evaluate its performance regarding the handling of complaints on the basis of selected parameters. The performance of Bank Ombudsman has been evaluated on the basis various parameters such as complaints received by ombudsman offices, region- wise receipt of complaints, mode-wise receipt of complaints, nature of complaints handled, disposal of

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complaints, mode of disposal of complaints, pending position of complaints, cost of running the scheme.

Malathi, K.P. (2011)\textsuperscript{65} it is obvious that CRM in banks has been given serious thought, though lately, by RBI and banks in unison. It implies that performance improvement alone will not suffice to combat competition. Banks require intelligent people to use intelligent tools. CRM with intelligence allows banks to evaluate customer segments, to deliver the lifetime value of the customer. With such knowledge, banks can efficiently deploy resources to the most profitable customers and re-engineer the unprofitable ones; besides making critical information available to relevant stakeholders.

Subodh Kumar, and Rajpal Sigh Rawat, (2011)\textsuperscript{66} CRM is a holistic concept that envisages a long term relationship with particular cross section of customers whose contribution to the organisation really matters. It is supported by versatile database software relating to the customer profile that helps in serving the customer more proactively. The relationship management extends beyond the set periphery punctuated by legal/commercial framework and embraces a profound humane approach based on deep rooted empathy which makes sure the existence of customer loyalty.


CRM implementation is how organisations should manage and implement and change during a CRM project. CRM implementations often bring challenge to an organisation’s to status quo. A change in the way of an organisation’s operations is normally required. This is because business processes and workflows supporting most CRM packages are designed based on best practice. One assumption for most CRM implementations is to transform an organisation’s current state so that it stick-on to desired future status.

Mehdi Rouholamini, and Venkatesh, S. (2011) information Technology (IT) is concerned with the use of technology in managing and processing information, especially in large organizations. In particular, IT deals with the use of electronic computers and computer software to convert, store, protect process, transmit, and retrieve information. A key challenge to businesses in the 21st century is implementing an information infrastructure that enables rapid responses to competitive pressures and the capability to survive into the future.

Arunkumar, Deepali Singh, and Acharya, P. (2011) customer relationship management is an effective weapon for the business organizations to sustain their position and to survive in the market. In his study is to identify

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the major constructs of CRM from the rural customer’s point of view specifically catering to Indian banking sector. 41 rural banking customers who were attending a training programme (NAREGA) were interviewed and asked for the major issues they are having while dealing with their bank followed by data collection through schedule and a usable sample size of 250 was obtained. One of the major findings of this study clearly indicates that Indian banks are not at all concerned with proper implementation of CRM specifically in rural areas. Rural customers represent a major chunk of Indian banking customers but still the banks are not giving proper attention to them. Academically even though there is a vast literature availability specifically catering to Indian banking sector there is a lack of studies pertaining to rural customer’s point of view. The present study bridges this gap in the literature.

VutlaPadmaja Rani and et al, (2011) the major objective of his research study is to analyze the nature and impact of customer demographics on the CRM awareness and efficiency from five select public sector commercial banks that are located in Hyderabad and Secunderabad cities of Andhra Pradesh state. A sample size of 2502 respondents was chosen and a survey instrument was designed to measure the relationship between the demographics and CRM awareness and efficiency. His research study revealed that the tenure of banking of the respondents has an influence on the CRM efficiency. It was also observed that the occupation of the respondents has an

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influence on the consumers’ awareness of CRM. The gender of the respondents has no influence on the CRM efficiency. In line with the research findings, an effort was made to offer suggestions to strengthen the service delivery in the five select public sector commercial banks in the two select cities. These suggestions are based on the findings of the current research study and the suggestions that are offered by the respondents. The suggestions mainly focused on the issues like understanding demographics, usage of technology and e-customer service. Focusing on these suggestions may help the Indian banks in improving the quality of service delivery.

Mehdi Rouholamini, and Venkatesh, S. (2011)\textsuperscript{71} Information Technology (IT) is concerned with the use of technology in managing and processing information, especially in large organizations. In particular, IT deals with the use of electronic computers and computer software to convert, store, protect process, transmit, and retrieve information. A key challenge to businesses in the 21st century is implementing an information infrastructure that enables rapid responses to competitive pressures and the capability to survive into the future. CRM strategies are dependent information infrastructure comprised of various technologies that enable organizations to store, access, analyze, and manipulate large amounts of customer data.

Uma Sankar Mishra, and BibhutiBhusan Mishra, (2011)\textsuperscript{72} in his study reveals that the private banks are ahead of the public banks in attracting and retaining customers because of good personal relationship with the customers. Reasons for opening accounts with a bank by the customers are factors like convenient location, overall reputation, etc. Private Banks are offering more value-added services for special group of customers (class-banking approaches). The overall scenario for banking behaviour of customers is almost similar for public and private banks. Developing a product for the customers without knowing what customer expects is futile. As regards to the expectations and perceptions of the customers regarding service quality with respect to four different types of services, it is observed that customers of the public sector bank experiences more satisfaction compared to the private bank customers in the given sample.

Dharmendra Singh, (2012)\textsuperscript{73} explored the customer’s satisfaction result service failure and the subsequent service recovery efforts of an organisation can have profound effects on customers’ satisfaction with and organisation as well as helpful for maintain the long term relationship with the organisation. The main objective of the study is to examine dimensions of service failure in the Banking Industry; it is also the intention of the study to see if there is specific pattern of compliant behaviours in Indian context. The finding indicates the service failures can be categorized into six underlying


dimensions: Commitment errors, compliant handling errors, Costly services, Task complexity, Technological errors and Organisational factors. Service failure dimensions can be used by the banks to improve their service process and delivery.

Yao Hui-I, Khong and Kok Wei, (2012)\textsuperscript{74} Customer Relationship Management (CRM) in a bank entails important phases such as integrating the communication tools to meet the needs of customers, treating each customer as individuals, and making the customer relationship an imposing and perpetual experience. The aim of this research is to determine the effectiveness of CRM implementation on customer satisfaction and perceived business performance. Furthermore, there is a strong causal relationship between CRM implementation and customer satisfaction as well as perceived business performance. A survey was carried out using a survey instrument on commercial banks in Taiwan.

Das Sanjay, (2012)\textsuperscript{75}, argued that the bank is yet to develop an integrative approach which focuses on the customer needs and to deliver to it. As shown by the study, the bank is for from developing a customer centric approach both for the customer as well as for the employees. Argued that CRM practices adopt by employee approach to customers is found very poor. It is further observed that the CRM activities are initiated and implemented by the


\textsuperscript{75} Das Kallool et al. (2009), Customer Relationship Management (CRM) Best Practices and Customer Loyalty: A Study of Indian Retail Banking Sector European Journal of Social Sciences – Volume 11, Number, 1, pp. 61-85.
Banks in a serious manner, so that the customers in particular and the society in general benefited a lot. Providing service to customers has been identified as the prime responsibility of the Banks. It is found that though CRM activities have not helped to increase the confidence of the customers in meeting the changing needs CRM activities of the selected Banks.

Yatish Joshi and Ehtesham Ahmad, (2013)\textsuperscript{76}, argued that heavy competition threatening banks revenues and putting downward pressure on operating margins and profits, so retail banks are facing increasing pressure to increase their growth rate and they are using CRM as a Main tool for this purpose. The domain of CRM helps into many areas of banking. Including strategic decision making, marketing and selling financial products, helping banking industry to enable its marketing to identify and target their best customers, managing market campaigns and generating quality leads. Technology-enabled improvements and a desire to improve earnings stability have led many banks to enter new markets (global and national) driving increased competition in local markets by the adoption of new technology.

2.2 RESEARCH GAPS

The foregoing analysis of the available literature of the researches carried out by various scholars clearly shows that there is a research gap for the present study. The earlier studies differs one another in the selection of

\textsuperscript{76} Joshi Yatish and ehteshamahmad, customer relationship management in banks vsrd international journal of business and management research, vol. 3 no. 6 June 2013, e-ISSN : 2231- 248X, p-ISSN : 2319-2194 pp.253-256.
variables, selection of reference period, selection of banks and the use of tools and techniques.

Another important gap which is induced the present research is that the previous researchers did not give any relationship between the service seekers and service providers this present thesis numerically identified the gap between perception of customers and bankers. A careful review of the studies has helped the researcher select the research topic on “Customer Relationship Management of the New Private Banks in Nagapattinam District.

2.3 SUMMARY

Thus the researcher has explored the various studies on banking services which is unique and promotes the quality of service. This quality of service enhances the customer satisfaction. The various studies of the customer relationship management are highlighted as above. The studies also revealed the user friendly technologies which help in realization of customer satisfaction. The technology banking reduces the long waiting period of the customers which enhances the satisfaction and reduces the grievances of the customers. Thus the customer relationship is closely associated with the quality services provided by the bank and the bank’s ability to handle the customer oriented problems effectively.