CHAPTER-1
INTRODUCTION AND DESIGN OF THE STUDY

1.1 INTRODUCTION

Banks play a vital role in the socio-economic development of our country. Banks offer several facilities to enhance the standard of living of our citizens. In the past, owing to lack of information and proper guidance, the general public could not avail the full benefits from the banking industries to improve their standard of living. It is now undeniable that the face of the Indian consumer is changing. This is reflected in the change in the income pattern of the urban household. The direct fallout of such a change will be the consumption patterns and hence, the banking habits of Indians, which will now be skewed towards retail-products. At the same time, India compares pretty poorly with the other economies of the world that are now becoming comparable in terms of spending patterns with the opening up of our economy.

Customer service management is a key component of business today. The concept is very crucial as it incorporates customer, customer service, customer satisfaction, customer value, customer loyalty, customer retention, etc. In one word, it is linked to Customer Relationship Management (CRM) and Customer Experience Management (CEM). So far as jargons are concerned, more or less relationship Marketing, CRM and customer service management are interchangeably used. Relationship Marketing attracts maintains and enhances customer relationship (Berry: 1983).

Customer service is an extremely dynamic concept. In the earlier period, the customer was not given due attention because he was at the mercy of bank, while bankers were quite choosy. In the wake of the open market economy, options before the customers have been steadily increasing. In Indian banks’ customers are getting exposed to service of international standards. The customers are well informed and their expectations are high. Banks are facing increased pressure from the ever growing demands of the customers, who except services of
high quality of competitive prices. As a result of this, gaps in the quality of service provided vis-à-vis customer’s perception have risen. *(Sangetha Aurora: 1997)*

Customer Relationship Management (CRM) is a fundamental business of every enterprise and it requires a holistic strategy and process to make it successful. *(Jagdish N Sheth: 2001)*

Customer Relationship Management is a comprehensive approach which provides seamless integration of every area of business that touches the customer—namely marketing, sales, customer service and field support—through the integration of people, process and technology, taking advantage of the revolutionary impact of the internet.

**1.2 CUSTOMER RELATIONSHIP MANAGEMENT IN SERVICE INDUSTRY**

Relationship building with customers is now accepted as over-riding goal of marketing and of the business as a whole. In service industries, the goal is especially emphasized since a repeat customer is believed to cost merely a fraction of what needs to be spent in servicing a new customer in service transaction. It is believed that relationships flourish when marketers play the book, meet customers’ core expectations and exceed in respect of other features of their total offering.

Service firms have been the pioneers in adopting the practice of Customer Relationship Management practices. *(Shaines and Ramneesh: 2001)*

In reality, often, products fail to meet the requirements and expectations of the customers resulting in subjective and or objective complaints. The phenomenon is more likely in services where the product is essentially intangible and variable. Services offer only a limited scope of quality correction before they reach customers. As per a preliminary estimate, the intensity of complaint is twice greater in a service product than in the comparable good product.
Marketers of either goods or service are constantly reminded to undo any disappointment to the customers and resolve customers’ complaints. The negative word of mouth mentions emanating from the complaining customers is far more damaging and widespread than the recommendations of the satisfied customers.

A comparative environment has always made business to change and improve their process of working. After Manufacturing Resources Planning (MRP), Total Quality Management (TQM), Quality Function Deployment (QFD), Electronic Data Exchange (EDE), Business Process Reengineering (BPR), Enterprise Resource Planning (ERP), Supply Chain Management (SCM), the next three letter mantra which has rewritten the marketing lexicon by driving for a paradigm shift from a traditional marketing to web enabled interactive relationship marketing is Customer Relationship Marketing (CRM).

In recent years, the use of Customer Relationship Management (CRM) solutions as a Knowledge Management (KM) tool has become fast prevalent in sectors such as the telecommunication, finance and banking industries. (Andrew: 2004).

The objective of CRM would be achieved and benefits harvested by those businessman who can clearly distinguish between the old concepts of customer satisfaction and to the newer concept of customer delight. Thus achieving competitive advantages in services require integration of services, marketing with service delivery to meet or exceeds customer expectation.

1.3 DEFINING CRM

Lawrence Handen defines CRM as “process of acquiring, retaining and growing profitable customers”

Hewlett defines CRM as “Bridiness strategy that involves focusing knowledge business process and organizational structures ground customers and prospects enterprise wide”.

3
According to various scholars and experts CRM may be defined as below;

- "CRM deals with long term mutually beneficial relationship among consumers, companies and other stakeholders”.

- CRM is a new technology enabled way to do business that revives a simple old-fashioned notion: keep pleasing customers and they will keep coming back”.

- "CRM is a well defined series of functions, skills, processes and technologies which together will allow companies to more profitable manage customer as tangible assets”.

1.4 THE HISTORY OF CRM

Following on from Enterprise Resource Planning or ERP (the business strategy that promised to automate the “back-office”), the term CRM was first coined in the mid-1990s. CRM in those days referred to the software used to help businesses to manage their customer relationships. From Sales Force Automation Software (SFA) that focused on customer contact management to integrated knowledge management solutions, these were the early foundations of CRM. (Singh N, Jinender Kumar: 2009)

1.5 CUSTOMER RELATIONSHIP MANAGEMENT IN BANKS

Indian banking industry has witnessed rapid development in recent past with the initiation of financial sector reforms. The thrust of financial sector reforms was to improve efficiency, competitiveness and productivity of the financial system. The entry of new generation private sector banks which provided technology aided services like Internet banking, Mobile banking, Inter Branch network, etc., has electrified the banking environment in India and has added a new dimensions to automation in Indian banking.

Customer Relationship Management is a vital factor to improve the performance of the banks. (Sugnadhi: 2003)
Customer Relationship Management in banks can be defined as the ability to understand, anticipate and manage the needs of the customer, interaction and relationship resulting in an increased profitability through revenue and marginal growth and operational efficiencies. To serve more customers and to retain the existing customers, banks in India have changed from the old concept of accepting deposits and lending money to Any Time, Any Branch and Any Bank through Any Where Banking.

The Indian banking industry is one of the largest banking industries in the world. There has been a great surge in efficient customer services. A highly satisfied and delighted customer is a vital non-financial asset for the banks in the emerging IT era. Courtesy, accuracy and speed are the important factors in the efficient functioning of a bank. Once good service is extended to a customer, the loyal customer will work as an ambassador of the bank and the facilities growth of business. (Bhaskar: 2004)

The banks now need to find out what to sell, whom to sell, when to sell, how to sell and how to be different to increase profitability. Banks need to differentiate themselves by adding value-added service. Offerings and building long-term relationships with their customers through more customized products enhanced value offerings, personalized services and increased accessibility.

A customer is the core component in the banking industry. The business of banking can neither function without customers, nor is the business when has been done just by acquiring a certain number of transactions culminating in a long-term banker-customer relationship. Banking institutions thrive more on keeping old customers happy, rather than getting new customers. No banks can possibly meet all the needs of its customers nor the diversity of their wants. In such a situation, the secret key factor of the banks’ success is effective (CRM) (Ramachandra: 2002)

With the hot winds of competition, blowing across the Indian banking industry and developing a close symbolic relationship with customers has become more important ever before. Banks have to come out with innovative measures to satisfy the needs of the present
customers to acquire new customers and at the same time adopt procedure to win back and retain the lost customers with the development of information technology and internet. Banks can aim at meeting the expectations of customers by adopting a strategy that is commonly known as CRM.

CRM is neither a product nor a service but it is a business strategy designed to optimize profitability, revenue and customer satisfaction. CRM is a paradigm shift from ‘Product Centric’ and ‘Mass Marketing’ to ‘Customer Centric’ way of business. It is an integrated business strategy that places the customer at the centre of a business consciousness. It is a comprehensive strategy and a process of acquiring, retaining and partnering with the willing customers to create supervisor value for both the banker and the customer. CRM provides a holistic view of the customer across the whole organization, its products and channels.

Most of the banks in India are now turning to CRM as they are increasingly realizing that the cost of acquiring new customers is for higher than the cost of retaining existing customers. This quest has led to the implementation of CRM in banks. The concept of CRM is in the initial stage of implementation in banks, as getting the CRM philosophy work in a bank is quite complex as well as a challenging task for, its implementation is based on certain key principles, namely, (Murty: 2002)

- The banks must realize that all customers are not equal;
- Customer profitability varies from person to person;
- Not all customers are evenly desirable for the banks;
- The banks must differentiate their customers based on the ‘Value Criteria’;
- Value is the profit that the customer adds to the bank account; and
- A more profitable customer is a ‘High Value’ customer and a less profitable customer is a ‘Low Value’ customer.
1.6 CHANGING PERCEPTION OF CUSTOMER

The perception of a customer has drastically changed. Peter Drucker said twenty-five years ago, that the purpose of a business wads to attract and retain a customer. There has been a phenomenal change and paradigm shift towards customer focus during the past five decades in the Indian context, (Sudhir Sharma: 2008)

- 1961-1970 Servicing the Customer,
- 1971-1980 Satisfying the Customer,
- 1981-1990 Pleasing the Customer,
- 1991-2000 Delighting the Customer,
- 2001 and beyond Relating the Customer.

Today, the customer relationship between the banker and customer has come under the sharp focus both the customers’ ends.

Banks’ CRM system must capture customers’ taste, preference, behaviour, living style, age, education, cultural background, physical and psychological characteristics, sensitivity etc, while differentiating customers by the value criteria into low and high value customers. Once the banks differentiate their customers, vis-à-vis the profitability and their other trait, it becomes easy for the banks to customize their service to maximize the overall value of their customers’ portfolio.

The concept of CRM needs to make its impact in the banking scenario, particularly in the nationalized banks, the state banks groups and the private sector banks which constitute the core of the banking system in India. The component of CRM already exists but needs to be put together like the pieces of a puzzle. The pieces to be properly aligned are people, processes, information technology and leadership. This connectivity has to be done by the management, which can be achieved by them by practice over a period of time.
Banks also need to identify customers and products that would be most profitable and target customers with products that are appropriate to their needs and service the customers with greater cost efficiency. Banks also need to find out the avenues for increased customer satisfaction, which leads to increased customer loyalty.

The present study is focused on the following two categories of banks viz,

- Public Sector Banks
- Private Sector Banks

1.7 NEED AND IMPORTANCE OF THE STUDY

The banks are facing lot of difficulties in acquiring new customers and in retaining the existing customers. As a result of the advancement of banking technology and computerization and networking of bank branches, the customers are becoming more and more dynamic and less loyal in their behaviour. The development of the Internet is further adding to this trend and the whole market becomes transparent and customers are in a position to move easily from one bank to another. In such a situation, customer satisfaction is the key to bank marketing, which aims at retention of the old customers and their bringing in new customers. Two strategies are identified for increasing an organisation’s market penetration: the offensive strategy, which focuses on generating new customers, and the defensive strategy which focuses on preserving the current customers. Although these strategies can be successful, all customers are not retained as a consequence and organisation’s need to identify those customers at risk of leaving in order to reduce defections. (Ellie and Malcolm: 2000)

Most of the banks are concentrating more on retaining the existing customers rather than going for new customers. Lot of research studies have been carried out about servicing existing customers and customer retention. The concept of acquiring new customers has not gained the required momentum. That area has been unexplored by many of the researchers. An attempt has been made in this study to examine the various initiatives which have been
taken by the banks in acquiring customers. Implementation of Customer Relationship Management poses a greater challenge to the banks after acquiring the customers. The various ways and means through which Customer Relationship Management is implemented by the banks determine the success or failure of the entire concept.

Many research articles have identified a number of approaches towards implementation of Customer Relationship Management. An attempt has been made through this research to comprehend all such approaches. The gamut of techniques adopted by the banks in implementing Customer Relationship Management has been thoroughly analyzed in the research. Any concept which is implemented would yield better results only when the same is maintained over a certain period of time. Customer Relationship Management is not an exception to this rule. Previous researchers have suggested a number of policies for proper maintenance of Customer Relationship Management.

The present research aims to suggest a modus operandi for upholding Customer Relationship Management in banks. Proper adoption of this modus operandi would further improve the relationship management. The banks cannot be assured of the fact that their customers would continue to transact with them once the relationship is established. With many financial institutions, now, offering multi-channel access, customer relationships are becoming more complex to handle. The challenge now, is how to deliver an equally high level service across all channels. The banks can face the challenge only through the adoption of strategic initiatives. The earlier investigations have pointed out similar proposals.

Customer Relationship Management is an information system that tracks customers' interactions with the firm and allows employees to instantly pull up information about the customers such as past sales, service records, outstanding records and unresolved problem calls. Customer Relationship Management stores all information about its customers in a database and uses this data to coordinate sales, marketing, and customer service departments so as to work together smoothly to best serve their customers' needs. Customer Relationship
Management, if used properly, would enhance a company's ability to achieve the ultimate goal of retaining customers and gain strategic advantage over its competitors. (ThuyUyen, Joseph and Michael: 2007).

The present study has made a conscious effort to group all such strategies together for the benefit of the customers and the banks. The success of the entire concept of Customer Relationship Management depends on its ability to generate customer satisfaction. A highly satisfied customer will continue to find ways to strengthen the relationship with the banks. Such satisfied customers would ever cherish their association with the bank. Many researchers have highlighted the importance of customer satisfaction in general through their exploratory studies.

Customer satisfaction is the key to the profitability of retail banking and it implies the retention of customers for the long term, which is cheaper than attracting new customers. In the current scenario of retail banking particularly with banks becoming larger, the closure of branches and the advent of internet banking, the question arises whether the customers are satisfied or otherwise and what are the elements of retail banking which lead to the satisfaction or dissatisfaction of customers. The knowledge of current levels of satisfaction and, in particular, the key determinants of satisfaction benefit those in the industry allowing them to focus and build upon key areas that lead to highly satisfied customers. In-branch factors particularly staff; branch location and convenience are the most significant factors influencing customer satisfaction in retail banking. (Anita: 2004)

The present study in its endeavour to underline the magnitude of customer satisfaction as an outcome of Customer Relationship Management portrays the minutest details leading towards the utmost customer satisfaction. The pinnacle of success of Customer Relationship Management applications would have reached if the bank had been able to generate customer loyalty. Loyalty is considered to be the ultimatum as far as Customer Relationship Management is concerned. Customer loyalty would make the customers to approach their
bank for all their financial needs. This would lead to increased number of transactions. Customer loyalty as a concept has been accepted by many researchers as the vital outcome of Customer Relationship Management submissions.

Understanding and delivering Total Customer Experience (TCE) in order to sustain Lasting Customer Loyalty (LCL) is increasingly important and has been given the pressures of commoditization, globalization and market saturation in developed countries. TCE is captured in its three essential interactive elements: physical moments, emotional involvement moments, and its value chain moments (Oswald, Ram and Michael: 2006). The present research has resolved customer loyalty as an accomplishment of the entire process of Customer Relationship Management. The present study has also been made an earnest attempt to suggest valuable propositions to the banker in the proper execution of Customer Relationship Management practices.

1.8 STATEMENT OF THE PROBLEM

In a service industry like banking, the quality of customer service holds primal significance in the context of sustained business growth. Lack of customer service in public sector banks, has been the topic of vehement criticism during the post-nationalization phase. The appointment of the R.K. Talwar committee in 1975 and the Goiporia committee in 1990, which although were the steps taken in the right direction, have failed to bring about a perceptible improvement in the service quality. Zooming customer complaints at an alarming pace have made banks wary about containing the mounting tide of customer dissatisfaction.

Outdated and cumbersome system and procedures and undue apathy towards technology have taken their toll in the form of the poor quality of superior vehicle for growth. Lack of resources, absence of appropriate attitude, vision and planning, strong resistance from trade unions and indifferent attitudes of employees have made these banks slowly in adopting the new technology.
Banking has today become extremely competitive business. However, the essential strength of a bank lies in its good customer relationship. Banks in the pell-mell rush for achieving efficiency and gaining technology are facing the danger of forgetting this fundamental premise. For years, banks have been guilty of five interpersonal sins, that have caused tremendous irritation to customers: inability to cross sell, long queues, poor service attitude, lack of information and lack of humility, that prevent them from maintaining good customer relationship.

Banks are concentrating only on acquiring new customers. They seldom understand the importance and profitability of creating loyalty and retaining customers. For the last decade most banks have been so absorbed that their own internal issues, particularly merger-drives, cost-cutting and re-engineering, that customers and their relationship often received short shrift. Banks have to come out with innovative measures to satisfy the needs of both the present and the potential customers at the same time adopt procedures to win bank the lost customers.

In the light of this development, it seems pertinent to focus on the study of the quality of banking service, and the banker customer relationship. In this process, issues emerge in the banking sector are

1. What is the present dimension of growth in the banking sector?
2. What is the perception of customers about banking service?
3. Are the customers satisfied about their relationship with the bankers?
4. What is customer relationship as perceived by bankers?
5. Does the customer relationship vary in the different banking sector?
6. Which factor contributes more towards the dissimilarity in customer relationship among the various banking sector?
7. Which factor contributes the least to cause the dissimilarity?
8. Does the banker understand the importance of customer retention?

9. How can the banker customer relationship be strengthened?

1.9 OBJECTIVES OF THE STUDY

1. To identify various banking services offered by public and private sector bank to consolidate their CRM strategies.

2. To study the customers perception on factors influencing Customer Relationship Management in banking industry.

3. To classify the customers opinion on initial strategies, maintenance strategies, technology, service satisfaction and impact of CRM.

4. To measure influence of demographic variable on elements of CRM in banking industry.

5. To ascertain the perception of bank executives on various aspects of CRM in their respective banks.

6. To construct and empirical model to ascertain the effectiveness of CRM in public and private sector banks.

1.10 SCOPE OF THE STUDY

The study will highlight the emerging trends in the growth of selecting banking services in the competitive scenario and the major problems faced by the customers as well as the banks. The study will also help enforcing the government and RBI in formulating and enforcing regulatory and legal reforms in this sector and thus achieve its aim of “Quality Service through dynamic Relationship Management”. In today’s changing demographic economic competitive factors mean that there are fewer new customers to go around. The costs of attracting new customers are rising. Thus, although finding new customers remains very important, the emphasis is shifting towards retaining profitable customers and building lasting relationships with them.
1.11 METHODOLOGY

1.11.1 Research Design

The research design is empirical in nature since the study is conducted by using both analytical and diagnostic type of research. The study is conducted in two stages format, with a preliminary pilot study followed by the main study. The major part of the study is based on primary data.

1.11.2 Study Area

The Salem district has been chosen for the purpose of study because of the following reasons

- The Salem district is one of the industrialist areas and most of the transactions through the banks.
- Salem district is the fourth place of the corporation in Tamilnadu
- Almost every bank of the state has multiple branches in the city.
- Foreign banks are also interested in establishing their branches in the city.
- The financial literacy of people of Salem is conducive for the purpose of study.
- The banking habits of the residents of the city are quite similar to that of the people placed in the rest of the country.

Hence, it is considered highly appropriate to conduct the study in the Salem district.

1.11.3 Sources of Data

Primary data has been collected from the Customers and the Employees of the

- Public Sector Banks
- Private Sector Banks
Secondary data is collected from various published and unpublished sources including Journals, Magazines, Publications, Reports, Books, Dailies, Periodicals, Articles, Research Papers, Websites, Bank Publications, Manuals, and Booklets etc.

1.11.4 Sampling Technique

Convenient Sampling Method is adopted to collect the primary data. The respondents for the purpose of the study are selected systematically.

1.11.5 Sample

The following criterion is adopted to collect responses from the customers and the bankers.

At the first instance, the total numbers of Public Sector Banks and Private Sector Banks in the Salem district have been taken into consideration to decide about the number of banks for the purpose of study in each category. The ratio has been determined as follows:

<table>
<thead>
<tr>
<th>Nature of Bank</th>
<th>Public Sector Banks</th>
<th>Private Sector Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of Banks in Salem District (Including SBI And associates) (As on March 2010)</td>
<td>22</td>
<td>16</td>
</tr>
<tr>
<td>Ratio</td>
<td>14</td>
<td>8</td>
</tr>
</tbody>
</table>

Secondly, the bank under each category has been chosen based on minimum number of two branches in the Salem District as on March 2010.
Table 1.2

Number of Bank Branches in Salem District

<table>
<thead>
<tr>
<th>Nature of the Bank</th>
<th>No. of Branches in Salem district</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public Sector Banks</strong></td>
<td></td>
</tr>
<tr>
<td>1. State Bank of India &amp; its Associates</td>
<td>27</td>
</tr>
<tr>
<td>2. Allahabad Bank</td>
<td>2</td>
</tr>
<tr>
<td>3. Andhra Bank</td>
<td>2</td>
</tr>
<tr>
<td>4. Bank of India</td>
<td>3</td>
</tr>
<tr>
<td>5. Canara Bank</td>
<td>14</td>
</tr>
<tr>
<td>6. Central bank of India</td>
<td>4</td>
</tr>
<tr>
<td>7. Corporation Bank</td>
<td>5</td>
</tr>
<tr>
<td>8. Indian Bank</td>
<td>33</td>
</tr>
<tr>
<td>9. Indian Overseas Bank</td>
<td>17</td>
</tr>
<tr>
<td>10. Punjab National Bank</td>
<td>4</td>
</tr>
<tr>
<td>11. Syndicate Bank</td>
<td>9</td>
</tr>
<tr>
<td>12. UCO Bank</td>
<td>2</td>
</tr>
<tr>
<td>13. Union Bank of India</td>
<td>4</td>
</tr>
<tr>
<td>14. Vijaya Bank</td>
<td>2</td>
</tr>
<tr>
<td><strong>Private Sector Banks</strong></td>
<td></td>
</tr>
<tr>
<td>1. Catholic Syrian Bank</td>
<td>3</td>
</tr>
<tr>
<td>2. Centurion bank of Punjab</td>
<td>2</td>
</tr>
<tr>
<td>3. ICICI Bank</td>
<td>5</td>
</tr>
<tr>
<td>4. Karnataka Bank</td>
<td>2</td>
</tr>
<tr>
<td>5. Karur Vysya Bank</td>
<td>8</td>
</tr>
<tr>
<td>6. Lakshmi Vilas Bank</td>
<td>13</td>
</tr>
<tr>
<td>7. South Indian Bank</td>
<td>2</td>
</tr>
<tr>
<td>8. Tamilnadu Mercantile Bank</td>
<td>3</td>
</tr>
</tbody>
</table>
1.11.6 Sample Size

By the above processes totally 22 banks were chosen for the purpose of study.

Table 1.3
Number of Sample Size in Customers and Bank Executives

<table>
<thead>
<tr>
<th>S.No</th>
<th>Name of the Bank</th>
<th>Customers</th>
<th>Bank Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>State Bank of India</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>Allahabad Bank</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>Andhra Bank</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>4</td>
<td>Bank of India</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>5</td>
<td>Canara Bank</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>6</td>
<td>Central bank of India</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>7</td>
<td>Corporation Bank</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>8</td>
<td>Indian Bank</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>9</td>
<td>Indian Overseas Bank</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>10</td>
<td>Punjab National Bank</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>11</td>
<td>Syndicate Bank</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>12</td>
<td>UCO Bank</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>13</td>
<td>Union Bank of India</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>14</td>
<td>Vijaya Bank</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>15</td>
<td>Catholic Syrian Bank</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>16</td>
<td>Centurion bank of Punjab</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>17</td>
<td>ICICI Bank</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>18</td>
<td>Karnataka Bank</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>19</td>
<td>Karur Vysya Bank</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>S.No</td>
<td>Name of the Bank</td>
<td>Customers</td>
<td>Bank Employees</td>
</tr>
<tr>
<td>------</td>
<td>--------------------------------</td>
<td>-----------</td>
<td>---------------</td>
</tr>
<tr>
<td>20</td>
<td>Lakshmi Vilas Bank</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>21</td>
<td>South Indian Bank</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td>22</td>
<td>Tamilnadu Mercantile Bank</td>
<td>25</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>550</strong></td>
<td><strong>220</strong></td>
</tr>
</tbody>
</table>

1.11.7 Period of Study

The primary data was collected from August 2009 to March 2010. The entire study was conducted for a period of three years from August 2007 to March 2010.

1.11.8 Interview Schedule

Two sets of Interview Schedules have been used for the purpose of the study which were collected from

1. Customers  
2. Bank Employees

1.11.8.1 Customers

The interview schedule which has been used to collect information from the customers has been divided into five parts as follows:

- The first part of the interview schedule focussed on the demographic information about the customers with nine questions
- The second part of the interview schedule contained fifteen questions testing the awareness level of the customers regarding the services and facilities offered by the various banks
- The third part contained fifty five interview schedule to get information about the banking habits of the people
• The fourth part of the interview schedule contained questions on the Likert’s Five-Point Scale containing fifty six statements on the whole covering
  
  ➢ Initiatives taken by the banks in
    ▪ Acquiring customers containing nine statements
  
  ➢ Process adopted by the banks in maintaining Customer Relationship Management through their
    ▪ General Policies with the help of sixteen statements
  
  ➢ Technology adopted by the banks
    ▪ Specific technology by using ten statements
  
  ➢ Measurement of the results of Customer Relationship Management in terms of
    ▪ Customer Satisfaction with the aid of fourteen statements
  
  ➢ Impact of Customer Relationship Management are
    ▪ Implementing Customer Relationship Management with seven statements

• The fifth part of the interview schedule had one descriptive question to collect information about unique services and the best practices followed by the banks and also to collect general suggestions from the customers.

1.11.8.2 Bank Employees

The interview schedule which has been used to collect information from the bank employees has been divided into five parts as follows:

• The first part of the interview schedule focussed on the demographic information about the bankers with eight questions

• The second part of the interview schedule had seven questions on the employment details of the bank employee
• The third part of the interview schedule contained fifty five questions regarding the services and facilities offered by their banks.

• The fourth part of the interview schedule contained questions on the Likert’s Five-Point Scale containing fifty two statements on the whole covering
  - Initiatives taken by the banks in
    - Acquiring customers containing sixteen statements
  - Process adopted by the banks in maintaining Customer Relationship Management through their
    - General Policies with the help of thirteen statements
  - Technology adopted by the banks
    - Specific technology by using twelve statements
  - Impact of Customer Relationship Management are
    - Implementing Customer Relationship Management with twenty one statements

• The fifth part of the interview schedule had one descriptive question to collect information about unique Customer Relationship Management practices followed by the banks.

1.11.9 Pilot Study

A pilot study was conducted to validate the interview schedule and to confirm the reliability and feasibility of the study. A sample of 100 filled in interview schedule was collected as follows, Customers-70 interview schedule and Bank Employees-30 interview schedule.
Table 1.4
Pilot study result

<table>
<thead>
<tr>
<th>Particulars</th>
<th>No. of Respondents</th>
<th>Cronbach’s Alpha Criterion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>70</td>
<td>0.925</td>
</tr>
<tr>
<td>Bank Employees</td>
<td>30</td>
<td>0.872</td>
</tr>
</tbody>
</table>

The Cronbach’s Alpha Criterion was applied to test the reliability. The value was determined as 0.925 for the interview schedule collected from the customers and 0.872 for the interview schedule collected from the bank employees. This also explains that the statements in the interview schedule are understood by the customers at 92.5 percent level and by the bank employees at 87.2 percent level. The quality of the interview schedule was ascertained and the test showed high reliability. The variables considered for the analysis are satisfying the normal probability distribution. Based on the pilot study, the interview schedules were modified suitably to elicit response from the sample group.

1.11.10 Non-Response Bias Checks

The non-response bias was checked by both a field and data (Churchill Jr: 1983). There ought to be non-response in any study. The initial non-response, from the survey carried out by the researcher was deemed as acceptable as the calculated final response rate was high (94%). The main reason given for non-response was refusal to answer the survey and the lack of time for enumerators to obtain responses. It is worth noting that there is no statistical basis for accepting a response rate. What is important is that the sample is appropriate to the study.

During pilot survey a total of 11 interview schedule were found to contain item omissions. This was initially coded in as ‘0’ in the first coding in SPSS. There are three methods to deal with item omission. The first is to treat the missing data as a separate category, the second is to conduct a multiple regression to determine the missing values, and
the third is to calculate a figure based on the average for that item (Churchill Jr: 1987). The third option was chosen and carried out on all the missing items.

1.11.11 Reliability Evaluation

Reliability refers to the similarity of results provided by independent but comparable measures of the same object, trait, or construct (Churchill Jr: 1987). A similar definition, noting the amount of agreement between independent attempts to measure the same theoretical concept, was proposed by (Bagozzi: 1994). In essence, it is a method that describes the degree to which observations or measures are consistent or stable (Rosenthal and Rosnow: 1991) or accurate and precise (Thorndike, Cunningham, and Hagen: 1991).

The Cronbach Alpha reflects both the number of items and their average correlations. Thus, when a Cronbach Alpha value is small, the test is either too short or the items have very little in common and vice versa (Nunnally and Bernstein: 1994). This method has been recommended by (Churchill Jr: 1979, 1987) and (Nunnally and Bernstein: 1994), and used in numerous other studies (Crook and Booth: 1997).

Other factors that could not be assessed using Alpha were determined. It was determined through correlations that the higher the Cronbach Alpha value, the greater is the internal consistency, and therefore the greater is the reliability of the measure (Bagozzi: 1994).

1.11.12 Validity Evaluation

Validity is synonymous with the accuracy of the measuring instrument. It is defined as the degree to which what is observed or measured, is the same as what was purported to be measured (Rosenthal and Rosnow: 1991). External validity relates to the degree of generalizing ability, and internal validity which relates to the degree of validity of statements made about whether X causes Y (Rosenthal and Rosnow: 1991).
The method used in the thesis has its own inherent external validity issues related to the CRM practices followed by the banks in Salem district. Its external validity is limited as it is unlikely that customers will express their views based on their previous experience with the banks and the bank employees will try to defend their banks.

Determining validity is considered as the most important consideration in interview schedule evaluation and involves content-related validity, criterion-related validity and construct-related validity (American Psychological Association: 1985). Construct-related validity refers to the question of what the instrument is, in fact, measuring (Churchill Jr: 1983). It addresses the psychological qualities contributing to the relation between X and Y (Rosenthal and Rosnow: 1991). There is no direct measure of construct-validity, but it can be discovered via the emergence of meaningful factors through factor analysis. In the case of the scales used in this thesis, construct-validity is shown through exploratory or confirmatory factor analysis and the fact is that the scales have been validated in previous research contexts.

Constant-related validity focuses on the adequacy of the domain of the characteristics captured by the measure and is also known as face validity (Churchill Jr: 1983). It refers to whether the test adequately samples the relevant material it purports to cover (Rosenthal and Rosnow: 1991). One of the best ways to determine face validity is by the researcher defining what the variable is and what is not and then to take a large sample to be measured and refined.

Criterion-related validity refers to the degree to which the test correlates with one or more outcome criteria (Rosenthal and Rosnow: 1991). Criterion-related validity is characterized by prediction of an outside criterion and checking the instrument against some outcome. In the case of this thesis, this can be seen by the expected changes in respondents’ reactions depending on the CRM practices followed in the banks.
1.11.13 Scale Development

This thesis employs two different scales in its measurement of the perception of respondents about the HRM competencies, constraints and attrition. Each scale has its own range and options. The variety and number of scales are Likert's five point scale and bipolar scale (e.g. Yes / No type).

The interview schedule used comprises both optional type and statements in Likert’s five points scale. The responses of these sections are obtained from the customers and the employees of various banks in the Salem district in the five point scale, which ranges as follows: 5 – Strongly Agree, 4 - Agree, 3 – Neutral, 2 – Disagree, 1- Strongly Disagree.

This allowed for the standardization of results as well as making it easier for respondents to complete the interview schedule. The author and supervisor discussed the Likert’s five point scale and decided to assign the numerical value 3 for undecided or neutral. By referring to several approaches in statistics, it was decided to assign 3 to neutral. Undecided had a connotation that, the statements in the interview schedule do not have proximity to the respondents. But neutral implies that they are well acquainted with the statements in the interview schedule but they want to remain equidistant from the two extremities of agreement and disagreement. This would not affect the high Cronbach value.

1.11.14 Data Collection

The sample size was determined by following the three fold approach

1. The total number of Public Sector Banks, Private Sector Banks, in the Salem district has been taken into consideration to decide about the number of banks for the purpose of study in each category.

2. The banks under each category have been chosen based on minimum number of two branches in the Salem district as on March 2010.
3. By the above process totally 22 banks were chosen for the purpose of study. From each of the 22 banks 25 customers and 10 bank employees were selected as respondents.

The author visited 38 banks to get the interview schedule filled up from the customers and the employees. The branches situated in the North, South and Central part of the Salem district were covered for the purpose of study.

555 interview schedules were collected from the customers and 225 interview schedules were collected from the bank employees. Out of the above 550 interview schedules of customers and 220 interview schedules of the bank employees were taken into consideration for the purpose of the research.

1.11.15 Data Analysis

The primary data collected were analyzed using Statistical Package for Social Sciences (SPSS 12). The data were screened in order to study about the various Customer Relationship Management practices followed by the banks. The following statistical tools have been employed in the study to obtain torrent of results from the primary data analysis:

- Factor Analysis
- Cluster Analysis
- Discriminant Analysis
- T-Test
- One Way Analysis of Variance (ANOVA)
- Chi-square Analysis
- Karl Pearson’s Co-efficient of Correlation
- Percentage Analysis
1.11.16 Factor Analysis

Both Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA) were used in this thesis. Factor analysis is a branch of multivariate analysis that is concerned with the sharp internal relationship of a set of variables. The numerous variables used in a multi-item scale such as those utilized in the thesis, can be analyzed to note if those variables could be seen as approximately explaining a single factor (Degroot: 1982). EFA refers to the determination of the number of common factors necessary and sufficient to account for the inter correlations of a given set of variables (Degroot: 1982). It is traditionally used for to explore the possible underlying structure of a set of items without imposing any structure (Child: 1990).

CFA, on the other hand, is where the number of factors is assumed to be known and the main issue is to fit a postulated pattern of zero and non-zero loading to a given correlation matrix (Degroot: 1982). CFA is more of a theory testing, rather than a theory rating method, as it is based on strong theoretical and empirical foundations (Hair: 1998). Data obtained were investigated by an exploratory factor analysis to determine the number of latent constructs underlying the variables. This was then used in the CFA carried out by utilizing the first or second order CFA for the various scales used in the tests.

1.11.17 Cluster Analysis

This procedure attempts to identify relatively homogeneous groups of cases based on selected characteristics using an algorithm that can handle large number of cases (Cox: 1980). However, the algorithm has to specify the number of clusters. It allows the researcher to analyse the existence of different perceptions of the respondents. The number of clusters may be derived by trial and error method or by computing the large scale differences among co-efficient obtained from hierarchal clusters. This technique is considered appropriate, whenever the research is concerned with a comparison of mean scores, especially in the case of experimental study, involving manipulations such as in the case of this thesis (Bray and Maxwell 1985, Tonnend: 2002). The basic assumptions of
cluster analysis are that the variables should be quantitative at the interval or ratio level. The distances are computed using simple Euclidean distance among the appropriate variables. In the case of this thesis, clusters are formed with respect to the factors obtained though factor analysis.

1.11.18 T-Test

T-test is used in situations where the research wants to compare two statistics. The basic utility of a t-test is that it produces a straight forward easy to interpret results of significance. In the case of this thesis, two failed t-tests were used after all other analysis was completed only to note the differences of assumed mean and computed mean directly.

1.11.19 Analysis of Variance (ANOVA)

ANOVA allows for the study of a single factor or several factors, but will only measure one variable (Bray and Monwall 1985, Towncend: 2002). An ANOVA works by measuring the variance of the population in two different ways; the first is by noting the spread of values within the sample; the second is by the spread out of the sample means. If the samples are from identical populations, these methods will give identical results. The basic assumptions for ANOVA are random sampling independent measurements, normal distribution and equal variance (Towncend: 2002).

1.12 LIMITATIONS OF THE STUDY

The study suffers from the following limitations

1. The market survey was conducted only in Salem district of Tamilnadu. Hence, the results arrived from the study may or may not be applied to other areas further the survey method which was adopted for collecting the data in this study has its own limitations.
2. Out of the total population, only 750 respondents were selected for eliciting first-hand information. In view of time and monetary constraints it was not possible to contact more than the selected number of respondents.

3. Certain respondents had given information about their economic backgrounds like annual income, wealth, and the like, from their memory as they had no account of them.

4. However, the findings of the study are hoped to be of considerable interest, considering that the taken samples represent a cosmopolitan interaction of executives and customers with different banking industry.

5. The study is based on the perceptions of customers and the views of the bankers based on the current scenario, which might change in the future.

6. Hence, it is generalization of the findings of the study to these limitations.

1.13 CHAPTERISATION

The study is presented in the form of following six chapters.

Chapter-I

Presents brief information about CRM, CRM in service industry, CRM in banking industry, need and importance of the study, statement of the problem, objectives of the study, Research methodology, limitations of the study and chapter arrangement.

Chapter-II

Review of literature, Highlights, studies pertaining to CRM

Chapter-III

An overview of CRM in banking industry and explained CRM techniques in these banking industries.
Chapter-IV

Analyses of the Primary Data regarding Customers in Public and Private Sector Banking Industry.

Chapter-V

Deals with Analysis of Primary Data regarding Executives in Public and Private Sector Banking Industry.

Chapter-VI

Presents the Summarized Findings, Suggestions and Conclusions.

The interview schedule designed for this study is appended to this thesis Report.
References:

- Anita Chakrabarty (2004), “Barking Up the Wrong Tree – Factors Influencing Customer Satisfaction in Retail Banking in the UK”, International Journal of Applied Marketing, University of Nottingham, Malaysia campus, Volume 1, Issue1, pp. 1 to 7


