IJAER/July- August- 2021/Volume-10/Issue-1 ISSN: 2278-9677
International Journal of Arts & Education Research

PSYCHOANALYSIS OF CUSTOMER RELATIONSHIP MANAGEMENT IN INDIAN BANKING SECTORS

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ABSTRACT
Customer relationship management is one of the strategies to manage customer as it focuses on understanding customers as individuals instead of as part of a group. CRM manages the relationships between a firm and its customers. Today, many businesses such as banks, insurance companies, and other service providers realize the importance of Customer Relationship Management and its potential to help them acquire new customers retain existing ones and maximize their lifetime value. Banking sector is a customer- oriented service where the customer is the KEY focus. Research is needed in such sector to understand customers‟ need and attitude so as to build a long relationship with them. Customer CRM is a sound business strategy to identify the bank‟s most profitable customers and prospects, and devotes time and attention to expanding account relationships with those customers through individualized marketing, reprising, discretionary decision making, and customized service-all delivered through the various sales channels that the bank uses.
Key words : Customer Relationship Management

INTRODUCTION

Customer relationship management is one of the strategies to manage customer as it focuses on understanding customers as individuals instead of as part of a group. CRM manages the relationships between a firm and its customers. CRM and knowledge management are directed towards improving and continuously delivering good services to customers. To understand more in customer relationship management, we first need to understand three components which are customer, relationship and their management. Managing customer relationships is important and valuable to the business. Today, many businesses such as banks, insurance companies, and other service providers realize the importance of Customer Relationship Management and its potential to help them acquire new customers retain existing ones and maximize their lifetime value. Banking sector is a customer-oriented service where the customer is the KEY focus. Research is needed in such sector to understand customers' need and attitude so as to build a long relationship with them. Customer

CRM IN BANKING SECTOR

Over the last few decades, technical evolution has highly affected the banking industry. For more than 200 years, banks were using branch based operations. Since the 1980s, things have been really changing with the advent of multiple technologies and applications. Different organisations got affected from this revolution; the banking industry is one of it (Sherif, 2002). In this technology revolution, technology based remote access delivery channels and payment systems surfaced. ATM displaced cashier tellers, telephone represented by call centers replaced the bank branch, internet replaced the mail, credit cards and electronic cash replaced traditional cash transactions, and interactive television will replace face-to-face transactions (Sherif, 2002). In recent years, banks have moved towards marketing orientation and the adoption of relationship banking principles. The key motivators for embracing marketing principles were the competitive pressure that arose from the deregulation of the financial services market particularly in India. This essentially exposed clearing banks and the retail banking market to increased competition and led to a blurring of boundaries in many traditional product markets (Durkin, 2004). The bank would need a complete view of its customers across the various systems that contain their data. If the bank could track customer behaviour, executives can have a better understanding, a predicative future behaviour and customer preferences. The data and applications can help the bank to manage its customer relationship to continue to grow and evolve (Dyche, 2001).

CRM is developing into a major element of corporate strategy for many organisations (Rangarajan, 2010; Shibu, 2011). A greater focus on CRM is the only way the banking industry can protect its market share and boost growth. With intensifying competition, declining market share, deregulations, smarter and more demanding customers, there is competition between the banks to attain a competitive advantage over one another or for sustaining the survival in competition. In India, the banking sector has been operating in a very stable environment from last thirty - forty years.

In current scenario of banking sector, the falling of interest rates and tough competition between these players had made Indian bankers to realise that the purpose of their business is to create and retain a customer and to see that the entire business process is consistent with an integrated effort to discover, retain and satisfy customer needs. But the success of' CRM Strategy depends upon its ability to understand the needs of the customer and to integrate them with the organisation's strategy, people, technology and business process. Financial services are in a structural change whereby competition and customer demands are increasing.

REVIEW OF LITERATURE

CRM in financial service industry is a cyclical process which starts with definition of customer actions (Panda, 2003). CRM is fundamental to building a customer-centric organisation. CRM is a key element that allows a bank to develop its customer base and sales capacity. The goal of CRM is to manage all aspects of customer interactions in a manner that enables the organisation to maximise profitability from every customer. Panda (2003) described customer expectations are difficult to manage but are often the cause of dissonance which results in loss of existing customer base. So understanding of customer expectations with regard to service delivery levels and product quality is essential for establishing a long term symbolic value relationship. From the foregoing, it can be said that the purpose of CRM is to bring about Customer Focused Services (Khandwalla, 1995; Eisingerich and Bell, 2006), and increased net profit (Khandwalla, 1995; Page et al., 2006). The organisational performance is enhanced because marketing efficiency is achieved due to the cooperative and collaborative processes (Sheth and Sisodia, 1995) introduced by CRM which helps in reducing transaction costs and overall development costs for the company. These brings about two important processes of proactive customer business development and building partnering relationships with the most important customers (Chitanya, 2005) and eventually leads to superior mutual value creation between the organisation and the customer. Further, a clear vision of CRM along with appropriate strategies if applies in banking sectors found out that beneficial in maintaining the customer service quality, customer satisfaction and customer retention
which ultimately leads to the growth of the organisation and profitability (Bansal and Sharma, 2008).

Parasuraman et al. (1985) also hold the view that high quality service gives credibility to the field sales force and advertising, stimulates favourable word-of-mouth communications, enhances customers' perception of value, and boosts the morale and loyalty of employees and customers alike. Puccinelli (1999) looks the financial services
industry as entering a new era where personal attention is decreasing because the institutions are using technology to replace human contact in many application areas. Over the last few decades, technical evolution has highly affected the banking industry (Sherif, 2002). In today's competitive banking industry, customers have to make a choice among various service providers by making a trade-off between relationships and economies, trust and products, or service and efficiency (Sachdev et al., 2004). Roger Hallowell (1996) conducted a research on customer satisfaction, loyalty, and profitability and found that as compared to public sector, private sector bank customers' level of satisfaction is comparatively higher. CRM is a key to create a superior customer experience. It manages the customer relationship by creating a clear understanding (Know), by developing services and products based on the added value for target groups (Target), then enabling the actual sale and delivery of services and products through the selected channels (Sell), and developing long term profitable relationships with customers after sales services (Service) (Hussain, et.al., 2009). Many researchers have been done in various industries especially in the banking sector that focussing on customer oriented services (Ndubisi et al., 2007; Rootman et al., 2008; and Dutta and Dutta, 2009). Lu and Shang (2007) explored the CRM perceptions in freight forwarder services from managerial perspectives. They had come out with six dimensions of CRM namely customer acquisition, customer response, customer knowledge, customer information system, customer

value evaluation, and customer information process.

CUSTOMER RELATIONSHIP MANAGEMENT IN SERVICE INDUSTRY CRM is recognized as the principal goal of marketing and the primary objective of any business. Particularly, in service industries, it is specifically stressed as the cost of maintaining an existing customer is much less than acquiring a new customer in a service transaction. It is a well-accepted fact that associations with the customers prosper when marketers take the extra effort to reach the customers and to satisfy their unsatisfied needs and expectations. Service industry has been the forerunners in implementing CRM practices.

INFORMATION TECHNOLOGY (IT) IN BANKING

In the five decades since independence, banking in India has evolved through four distinct phases. During Fourth phase, also called as Reform Phase, Recommendations of the Narasimham Committee (1991) paved the way for the reform phase in the banking. Important initiatives with regard to the reform of the banking system were taken in this phase, entry of new banks resulted in a shift in the ways of banking in India. The growing competition, growing expectations led to increased awareness amongst banks on the role and importance of technology in banking. With arrival of foreign and private banks with superior technology pushed Indian banks to fallow the latest technology to meet the growing competition and retain their customer base. Now Indian banking industry is in the mid of IT revolution.

The Software Packages for Banking Applications in India had their beginnings in the middle of 80s, when the Banks started computerizing the branches in a limited manner. The early 90s saw the plummeting hardware prices and advent of cheap and inexpensive but high-powered PCs and servers and banks went in for what was called Total Branch Automation (TBA) Packages. Information Technology has basically been used under two different avenues in Banking. One is Communication and Connectivity and other is Business Process Reengineering. Information technology enables sophisticated product development, better market infrastructure, implementation of reliable techniques for control of risks and helps the financial intermediaries to reach geographically distant and diversified markets. Internet Banking – A Global Way To Banks In India Today we are in the era of globalization. Multinational organizations worldwide have adopted globalization as their first strategic choice. Advancement in technology has facilitated globalization too. There has been a marked improvement particularly in the area of maintenance, storage, availability and transfer of data. The world has literally shrunk to become a “global village”.

EVOLUTION OF TECHNOLOGY IN INDIAN BANKING The computerization and subsequent development in history of Indian banks can be traced back to 1966 when Indian Bankers Association (IBA) along with exchange banks association signed first wage settlement with the unions, which accounted for the use of IBM or ICT accounting machines for inter-branch reconciliation etc. A committee on computerization and mechanizations was appointed by RBI in 1983 under chairmanship of Dr. C. Rangrajan recommended that computerization and installation of Advanced Ledger Posting Machines (ALPM) at branch, regional and head offices of banks will bring around a new era in banking. Narsimhan Committee in 1991 paved way for reform phase in banking. Saraf Committee was constituted by RBI in 1994 that recommended the use of Electronic Fund Transfer System (EFT), introduction of electronic clearing services and extension of Magnetic Ink Character Recognition (MICR) beyond metropolitan cities and branches.

IMPACT OF ON LINE BANKING

It has been observed that customers who adopt online banking are typically more profitable to the bank, stay with the bank longer and use more products strengthening the bank customer relationship. Information Technology and Internet banking has bridged

the information gap, which was interestingly because of human involvement. A Banks can make the information of products and services available on their site, which is, an advantageous proposition.

Prospective customer can gather all the information from the website and thus if he comes to the branch with queries it will be very specific and will take less time of employee. A Customer can visit these websites and can compare the services offered by a bank with that of another. A Customer can get all the information, by saving money and time. A The trend thus emerging out is that of virtual corporate system where the human role is minimized to maximum effect.

CONCLUSION

Customer relationship management is one of the great challenges for the banking sector, since the Customer satisfaction level in public sector is not satisfactory when compared with private banks. Research provides some ideas to banking sector how to retain their customer and also explained some of the benefits to customer which are maintained by banking sector. Hence now a day CRM with customer by banking sector used to get customer database, customer satisfaction level, customer loyalty, long time service, customer retention, to identify profitable customer for their bank, identify non profitable customer of bank and non performing assets.

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