

**IMPACT OF SOCIO-ECONOMIC CHARACTERISTICS OF
THE BANK CUSTOMERS ON CRM
(A study on selected Commercial Banks in Srikakulam District)**

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Abstract:

Customer relationship management (CRM) is a management strategy that unites information technology with marketing. It originated in the United States in the late 1990's, and, to date, has been accepted in a significant number of companies worldwide. On the other hand, some people have negative opinions of CRM; such views hold that it is difficult to implement successfully and that its cost-benefit performance is low, among others. This paper attempts to Impact of Socio-economic characteristics of the bank customers on CRM and to explore how it should be dealt with it in the future.

KEYWORDS:

CRM, Socio-economic, Public sector and Private sector.

INTRODUCTION

Nowadays, many businesses such as banks, insurance companies, and other service providers realize the importance of Customer Relationship Management (CRM) and its potential to help them acquire new customers retain existing ones and maximize their lifetime value. At this point, close relationship with customers will require a strong coordination between IT and marketing departments to provide a long-term retention of selected customers. This paper deals with the role of Customer Relationship Management in banking sector and the need for Customer Relationship Management to increase customer value by using some analytical methods in CRM applications. There are a number of reasons why CRM has become so important in the last 10 years. The competition in the global market has become highly competitive, and it has become easier for customers to switch companies if they are not happy with the service they receive. One of the primary goals of CRM is to maintain clients. When it is used effectively, a company will be able to build a relationship with their customers that can last a lifetime. Customer relationship management tools will generally come in the form of software. Each software program may vary in the way it approaches CRM. It is important to realize that CRM is more than just a technology.

CRM IN BANKING SECTOR:

CRM in banking industry entirely different from other sectors, because banking industry purely related to financial services, which needs to create the trust among the people. Establishing customer care support during on and off official hours, making timely information about interest payments, maturity of time deposit, issuing credit and debit cum ATM card, creating awareness regarding online and e-banking, adopting mobile request etc., are required to keep regular relationship with customers.

The present day CRM includes developing customer base. The bank has to pay adequate attention to increase customer base by all means, it is possible if the performance is at satisfactory level, the existing clients can recommend others to have banking connection with the bank he is operating. Hence asking reference from the existing customers can develop their client base. If the base increased, the profitability is also increase. Hence the bank has to implement lot of innovative CRM to capture and retain the customers.

Please cite this Article as : S.TARAKESWARA RAO ,IMPACT OF SOCIO-ECONOMIC CHARACTERISTICS OF
THE BANK CUSTOMERS ON CRM(A study on selected Commercial Banks in Srikakulam District) : Tactful Management Research
Journal (July ; 2013)

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SCOPE OF THE STUDY:

The banking sector is entering a new world and exciting developments are changing the face of banking. The globalization of banking operations, along with heightened competition, continuing deregulation and technological advancements, has significantly altered the face and scope of banking. The process of economic liberalization and financial sector reforms has brought the issue of 'Customer Focus' to the forefront. Change is inevitable in this world and no banks shall stand as an exception to this phrase. Customers need, wants, desires keep changing day by day. Therefore it is absolutely essential for any bank to adopt the changes in the market. To adopt those changes, the banks must first track the changes in the customer wants and then respond to them. This is possible only when the organisation has a close contact with its customers. Therefore there exists a strong need for maintaining CRM in the banks in order to survive in the market amongst the competitors.

Since customer is the "life blood" of any business organisation and the "customer creation cost" is costlier than sensitivity etc., while differentiating them by the criteria into low and high value customers. With increasing competition, the importance of attracting and maintaining customers in banking has gained paramount importance. To survive, banks have to redesign their strategy in delivering quality services to attract and maintain customers. The only strategy that is perceived to make sense in this emerging marketing environment requires marketers to learn and practise CRM. This study aims to identify the areas of research in CRM with special reference to banking industry.

STATEMENT OF THE PROBLEM:

Banks can turn customer relationship into a key competitive advantage through strategic developments across a broad spectrum. The purpose of the present study started with the observation that all over the world there is a growing concern towards attracting and maintaining long term relationships with customers as an important corporate strategy for success and survival. The forces of deregulation, globalization and advancing technology have increased the competitive pressures in the banking industry. Thus it has become imperative for banks to focus on customer centric approaches and develop long term relations with the customers to get through turbulent times. 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 in their own internal issues, particularly merger drives, cost-cutting and re-engineering, those customers and their relationship often received short shift. 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 back the lost customers. Building relationships is a challenge, especially when a firm has many ways (From e-mail to call centres and face to face interactions).

OBJECTIVES OF THE STUDY:

1. To study the socio-economic characteristics of the bank customers and its influence on CRM in select Commercial Banks in Srikakulam District.
2. To study the relationship between the CRM practices and the attitude of the customers towards factors contributing to service quality.
3. To study the socio-economic characteristics and attitude of the employees towards CRM practices.
4. To offer suitable measures for improving the CRM practices in select Commercial Banks.

METHODOLOGY OF THE STUDY:

The methodology adopted for the study was as follows:

Data collection:

The primary objective of the study is to analyse the "Customer Relationship Management Practices of the selected commercial banks in Srikakulam District". Primary data have been collected through issue of questionnaire to the customers and by interview schedule to the employees. Personal observations and discussions with the customers and regular visits to the banks have also helped to understand the customers and employees perception about customer services, attitudinal environment prevailing in the banks and employees perception about CRM practices in the banks. The secondary data and information were collected from different sources like newspapers, magazines, journals, books, websites, and pamphlets and so on.

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SAMPLE SELECTION FOR THE STUDY:

The study is to examine the “Customer Relationship Management Practices of the selected commercial banks in Srikakulam District”. A study of this nature required the selection of a suitable place. To fulfil this, collection of primary data from the customers and employees of commercial banks become pertinent. For this purpose, a list of private and public banks operating within the Srikakulam District was prepared. To prepare this list, the unpublished records were referred, which were obtained from Canara Bank, the Lead Bank of Srikakulam District. There are totally 47 banks spread over Srikakulam District. Of these, 26 are public sector banks and 21 are private sector banks. Hence, the study has four public sector banks, namely State Bank of India, Indian Overseas Bank, Indian Bank, Canara Bank and three private sector banks, namely, The KarurVysya Bank Ltd, and The Lakshmi Vilas, ICICI Bank Ltd Bank Ltd. A sample of 25 branches in 7 banks (public and private) has been selected for the study by adopting the multistage sampling method is fairly representative. Based on fifteen per cent of the branches of each selected commercial bank samples were taken by the researcher for the study.

SAMPLING TECHNIQUES:

For the purpose of analysis, questionnaire is circulated among 30 customers of each branch and interview schedule has been collected from six employees of each branch. The total number of respondents comes to 750 customers and 150 employees from selected commercial banks in Srikakulam District. The above said samples have been selected on the basis of Multistage Sampling Method. The data have been tabulated and statistically interpreted whenever and wherever needed.

LIMITATIONS OF THE STUDY:

- 1.This study is not made for a specific bank. The study covers only a sample of 7 banks from the two banking sectors and does not include all the banks in Srikakulam District.
- 2.The survey was conducted only in Srikakulam District. 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.
- 3.The sample has been restricted to 750 customers and 150 employees from selected commercial banks in Srikakulam District. Time factor is also considered to be a constraint.

Impact of Socio-Economic Characteristics of the Bank Customers on CRM:

Gender of the respondents – Customers:

Gender normally plays a vital role as the new age marketers are providing more significance to gender segmentation in offering new products and services. Hence, it is inevitable to consider the role of gender in any research. For this purpose, gender has been classified into two groups, male and female. The following table reveals the gender distribution of the respondents of the study.

**Table .1
Gender of the Respondents – Customers**

Gender	Private sector	Public sector
	No. of Respondents	No. of Respondents
Male	78(52.00)	344(57.30)
Female	72(48.00)	256(42.70)
Total	150(100.00)	600(100.00)

(Figures in brackets are percentages)

In Private sector, out of 150 respondents 52.00 per cent are male and 48.00 per cent are female. In Public sector out of 600 respondents 57.30 per cent respondents are making and 42.70 per cent are female. It is evident that majority of respondents belong to male category. In this district, the female population has

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just now started taking up dual career for economic independence. So compared to the male, female respondents are less.

Age of the respondents – Customers:

The Age –wise classification of the respondents is exhibited in the table 2. Youngster are considered to be more modern, dynamic and energetic. Hence they will have interest in using the new growing concept of CRM practices in Commercial banks. The respondents are classified into four age groups namely up to 30 years, 31-40 years, 41-50 years and above 51 years.

Table .2
Age of the respondents – Customers

Age	Private sector	Public sector
	No. of Respondents	No. of Respondents
Up to 30 years	41(27.34)	169(28.20)
31-40 years	47(31.32)	182(30.30)
41-50 years	33(22.00)	131(21.80)
Above 51 years	29(19.34)	118(19.70)
Total	150(100.00)	600(100.00)

Table.2 indicates that in Private Sector banks out of 150 respondents, 31.32 per cent of respondents are in the age group of 31-40 years, followed by 27.34 per cent respondents in the age group of Up to 30 years. 22.00 per cent of the respondents in the age group of 41-50 years, 19.34 per cent in the age group of 51 years and above. In Public sector banks out of 600 respondents, 30.30 per cent in the age group of 31-40 years, 28.20 per cent of the respondents are in the age group of Up to 30 years, 21.8 per cent of the respondents are in the age group of 41-50 years, 19.7 per cent of the respondents are in the age group of 51 years and above. It is evident that majority of the respondents fall in the age group of 30-40 years but in Private and Public sector banks are in the productivity span of life, has gained more knowledge of Customer Relationship Management Practices.

Educational Status of the respondents – Customers:

Education plays an important role in improving knowledge, attitude, tendency and temperament of the customers. It is very important in the modern electronic world to adapt to modern principles and techniques of CRM practices. For this purpose the educational levels of the respondents are classified into four groups namely, Up to Secondary, ITI/Diploma, Graduate and Post-Graduate.

Table.3
Educational status of the respondents – Customers

Educational Status	Private sector	Public sector
	No. of Respondents	No. of Respondents
Up to secondary	31(20.67)	117(19.50)
ITI/Diploma	40(26.67)	157(26.20)
Graduate	50(33.33)	206(34.30)
Post-Graduate	29(19.33)	120(20.00)
Total	150(100.00)	600(100.00)

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Table.3 reveals the educational status of the respondents in both Private and Public sector banks. In Private Sector banks out of 150 respondents, highest percentages of 33.33 per cent respondents are Graduate, followed by 26.67 per cent respondents are ITI/Diploma holders and lowest percentage of 20.67 per cent of the respondents are in Up to secondary level and 19.33 per cent of the respondents are Post-Graduate. In Public sector banks, out of 600 respondents highest percentage of 35.33 per cent are Graduates, followed by 26.20 per cent are ITI/Diploma holders, and lowest percentage of 20 per cent are Post-graduates and 19.5 per cent are in Up to Secondary level. Hence it is concluded that majority of the sample respondents are graduates which is more than sufficient in using the services in banking more effectively. They can be a guiding factor to others.

OCCUPATIONAL STATUS OF THE RESPONDENTS – CUSTOMERS:

Occupation – wise distribution of sample respondents is classified to the employment position. Designation is a status of symbol in society. Hence the respondents are classified into groups namely employed, business, profession and others. The following table shows the occupational status of the respondents under study.

Table.4
Occupational Status of the Respondents – Customers

Occupational Status	Private sector	Public sector
	No. of Respondents	No. of Respondents
Employed	31(20.67)	157(26.10)
Business	40(26.67)	118(19.60)
Profession	50(33.33)	163(27.20)
Others	29(19.33)	162(27.00)
Total	150(100.00)	600(100.00)

The table.4 explains the occupational status of the respondents in Private and Public Sector banks. In Private Sector banks the highest percentage of 33.33 per cent are professionals, 26.67 per cent are doing business, 20.67 per cent employed and the lowest percentage of 19.33 per cent fall under other category. In Public sector banks the highest percentage of 27.2 per cent are doing business, 27 per cent fall under other category, 26.1 per cent are employed, 19.6 per cent are doing business. It is known from the study that majority of the respondents is professionals and they are well experienced customers who have adequate and rich knowledge about CRM practices.

Monthly income of the respondents – Customers:

Monthly income is important for all, because each and everything is based on income. It induces individuals to spend their hard earned money on different products and services. In this study, the income has been studied closely to see its relationship with commercial banks. The respondents income was studied under four different categories. For this purpose the monthly income level of the respondents are classified into four levels as Rs. 5000 and below, Rs. 5000 – 10000, Rs. 10001 – 15000 and above Rs.15000.

The table disclosed that in Private sector banks among 150 respondents the highest percentage of 32.67 per cent fall in Rs.10001-15000, 25.33 per cent fall in Rs.5000 and below, 24 per cent fall in 5001-10000, the lowest percentage of 18 per cent fall in above Rs.15000 of the total respondents. In Public sector banks among 600 respondents the highest percentage of 32.83 per cent fall in Rs.10001-15000, 26 per cent fall in Rs.5000 and below, 25.50 per cent of their income fall in 5001-10000, the lowest percentage of 15.67 per cent fall in above Rs.15000 of the total respondents. Thus, the study concluded that majority of the respondents monthly income is Rs.10001-15000 from Private sector as well as Public sector.

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Table.5
Monthly income of the respondents – Customers

Monthly Income (Rs.)	Private sector	Public sector
	No. of Respondents	No. of Respondents
5000 & below	38(25.33)	156(26.00)
5000 – 10000	36(24.00)	153(25.50)
10001 – 15000	49(31.67)	197(32.83)
Above 15000	27(18.00)	94(17.67)
Total	150(100.00)	600(100.00)

Bank to which customers belong to:

Bank –wise distribution of sample respondents are classified according to the bank to which they have accounted to. Hence the respondents are classified according to the select commercial banks chosen for study Private Sector banks KVB, LVB and ICICI and Public sector viz., SBI and Subsidiaries, Indian Overseas Bank, Indian Bank and Canara Bank.

Table .6
Bank to which customers belong to (Private & Public Sector)

	Name of the bank	No.of Respondents
Private Sector	KVB	60(8.00)
	LVB	60(8.00)
	ICICI	30(4.00)
Public Sector	SBI	240(32.00)
	IOB	150(20.00)
	Indian Bank	120(16.00)
	Canara Bank	90(12.00)
	Total	750(100.00)

The table .6 revealed that out of 3 banks in Private sector 8 per cent of the banks come under KVB and LVB, 4 per cent of the banks come under ICICI. In Public sector banks 32 per cent of the banks come under SBI, 20 per cent of the banks come under IOB, 16 per cent of the banks come under Indian bank and 12 per cent of the banks come under Canara bank.

FINDINGS AND SUGGESTIONS:

1. Improving the overall Quality: This study suggests among others that Banks should designs new products as well as improve on the existing service quality. They should make the packages more attractive and if possible unique. They should ensure that the 4Ps (products, place, promotion, Price) of Value –added service are customer – oriented.
2. Promoting Products: Advertising the products and explaining the products elaborately will help in attracting more and more people. They must be gradually shifted from the concept of Brick Banking to Click Banking. A system should be developed in such a way that a customer can use his ATM cards and

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ATM PIN for authentication in a transaction through net. The PIN issued to a person must be unique so that he is specifically identified by it and can do all transactions with it. The bankers have to comprehensive view of their delivery channels. Integrated Delivery channels could further enhance successful adoption of technology like e-mail, i-banking, ATMs etc. Advertising the products and explaining the products elaborately.

3. Customer Interaction Management Practices: The study suggests that bank officials no longer stay glued to their chairs waiting for customers, but engage in personal selling and aggressive advertising to woo and retain their customers. Vast opportunities as well as challenges for services are provided by banks in India. It is found that due to technological innovations and significant change in demographic profile of customers, there is huge market potential lying ahead.

4. Formulating Marketing Strategies: Marketing strategy must be formulated within the overall framework of corporate objective. Strategic marketing must begin with the effort to identify an attractive set of opportunities for the banks. The Banker must embark upon aggressive marketing of its products, particularly at the time of launching a new product, which will inform the prospective customers regarding the product and at the same time relieve staff at the branch level from explaining the product to all customers, communicating the Customer through on line addressing the queries immediately.

5. Greater Customer Orientation: In today's competitive environment, Banks will have to strive to attract and retain customers by introducing innovative products, enhancing the quality of customer service and marketing a variety of products through diverse channels targeted at specific customer groups and maintains the relationship. They have to meet the customer expectations on service and various values – added services provided.

6. Customer Service Strategies: ATMs, Debit cards and Credit Cards are the most common Value-added services utilized by the respondents. Efforts must be made to market the other services like e-banking, Demit accounts, on line tax filing, anywhere banking, etc., so that the customers as well as the banks are benefited.

7. Customers meet: 'Customer meet' is another way to strengthen customer relationship in banks. These meetings should focus on creating a sense of mutual belonging, understanding and for sharing the common problems and emotions. Customer meeting should act as a bridge between banks and their customers. In the regular customer meets, the attitude and the expectations would enhance the level of satisfaction and create loyalty which would obviously respond favorably towards customer relationship.

8. Creating Awareness among the Customers: Still more awareness can be created among the customers of the bank in carrying out the financial transactions through Internet/Online banking so as to reduce the customers waiting time and rush in office hours. Bankers can establish a net forum through which the customers can transact effectively and the bankers can make note of the number of transactions that take place every day through online.

CONCLUSION:

The service sector in India is fast growing and their contribution to economic development is really impressive due to advancement in Information Technology. Among various services in the service sector, banking service occupies a key role both in the development of individual customers in their business and social life. The study has academic and practical significance. Managing relations with customers has become an unquestionable issue in the wake of liberalization and globalization. The basic objective of this study is to improve the quality of relationship between the banker and the customer into a loyal customer, one of the important aspects is the quality of service offered by the bank, which acts as the foundation for the company to attract, maintain, and enhance customer relations.

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