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# A Study On Customer Relationship Management Practices In Canara Bank Branches In Tamilnadu

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**Abstract-** The purpose of this study was to examine the various facets of customer relationship management practices adopted by Canara bank in Tamil Nadu. The research design in this study will consist of exploratory research whereby different aspects with regards to CRM in the Canara bank have been extracted from existing studies and tested on a sample of customers. This study examined demographic profile of customers, customer awareness on CRM policies, customer perception on CRM practices, factors influencing CRM practices and role of E-CRM measures of Canara bank in customer satisfaction. This study utilized 100 samples in various parts of Tamil Nadu. The data for the study have been collected through questionnaire. The statistical tools like simple percentage, chi-square, t-test, cronbach alpha, factor analysis and multiple regression analysis was used in this study. This study revealed that the customer relationship management practices followed in Canara bank is satisfactory to the customers.

**Key words used:** Customer perception, Customer relationship management, CRM Policies, CRM practices, Customer awareness, Canara bank.

## I INTRODUCTION

Indian banking system has witnessed rapid growth in recent past with the initiation of financial sector reforms. The thrust of financial sector reforms is to improve efficiency, competitiveness and productivity of the financial system. Building relationship with customers is now recognized as over-riding goal of marketing and especially emphasized in service based sectors. Customer Relationship Management (CRM) is a vital factor to improve the performance of the banks and to ensure customer satisfaction. Customer relationship management involves organising activities around the sole customer which can ensure differentiation at each point of service by creating a unique experience. In fact with augment competition in the retail banking sector has intensified the use of CRM as a means of securing competitive advantage.

### A Banking Sector in India

The banking system in India includes commercial and cooperative banks, of which the former accounts for more than 90 per cent of banking business. Moreover a few foreign and Indian private banks, the commercial banks largely comprised with nationalized banks. Nationalized banks, along with regional rural banks, represent the public sector banking system in India. The banking sector in India is extensively different from that of other countries because of the unique geographic, social, and economic characteristics. In India, banking system is monitored by Reserve Bank of India. Almost about 30 to 35 present of the population resides in metro and urban cities and the rest is spread in several semi-urban and rural areas. The banking system in India has had to serve the ambition of economic policies enunciated in consecutive five year development plans, predominantly concerning equitable income distribution, balanced regional economic growth, and the diminution and elimination of private sector monopolies in trade and industry. In order for the banking industry to serve as an instrument of government policy, it was subjected to various nationalization schemes in

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different phases. About 92 percent of the country's banking business is under public sector bank control while the balance comprises private sector and foreign banks. Business competition and ideology of customers towards safety features led to private and foreign banks to implement the importance of maintaining relationship with customers. At present there are 151 commercial banks operating with 1,09,811 branches in India.

## **B Banking Network in Tamil Nadu**

In the financial service sector Tamil Nadu is one of the leading states in India. The banking statistics relate quite closely with the RBI's expectation and pan India achievement thus highlighting that the Tamil Nadu is way ahead in its financial achievements. The number of branches is on the increase over the three year period and this increase is reflected in the rural, semi-urban and the urban areas in the state. Total number of bank branches in Tamil Nadu is 8140 and which consists of branches of nationalized banks 4347, branches of state bank group 1161, branches of other public sector banks 75, branches of private sector banks 2159, branches of regional rural banks 374, and branches of foreign banks 24 as of June 2013. Similarly, its distribution shows that 2467 branches located in rural areas, 2788 branches located in semi-urban areas, 1614 branches in urban areas, and rest 1271 located in metropolitan city of Chennai. From the total of 8140 branches, Canara bank has 561 branches, it occupies 6.89% share in commercial bank network in Tamil Nadu.

## **C Policy Guidelines**

According to the directions of RBI, banks are required to constitute a customer service committee of the board and include experts and representatives of customers as invitees. The role of the committee includes that formulation of deposit policy, issue addressing, product approval process, depositor satisfaction survey, audit, examining banking Ombudsman report. Banks are also required to launch Standing Committee to review the practice and procedures prevalent in the bank and take prevalent corrective action on an on-going basis. In addition to that banks are further required to set up Customer Service Committee at branch level to encourage a formal channel of communication between the banks and its customers at the branch level.

## **II CUSTOMER RELATIONSHIP MANAGEMENT**

### **A Significance**

CRM is a business policy focused on maximizing shareholder value through charming, growing, and keeping the right customers. It deals with two aspects, at first concentrating on the most important from company's perspective customers and second of all retaining long-term relationship with them (Urbanowicz, 2008). Anu (2013) customer relationship management practices are becoming fashionable across several industries and have emerged as prime business strategy in today's competitive environment. In this new epoch, businesses are forcing on managing customer relationships, particularly customer satisfaction with the intention of efficiently maximize revenues (Contentions, 2003). At present marketing is not immediately developing, delivering and selling, it is moving towards developing and mutually long-term relationships with customers (Buttle, 1996). In this era of established and intense competitive forces, it is crucial that banks maintain a loyal customer base. Increasing competition from both inside and outside the industry is leading to compression of profits and forcing banks to serve efficiently only with the available resources to satisfy customers. On positive fallout of competition is the greater choice available to customers, and the increased level of sophistication and technology in banks (Puja, 2010). This trend paves the way for the establishment of customer relationship management actively in banks.

### **B CRM in Indian Context**

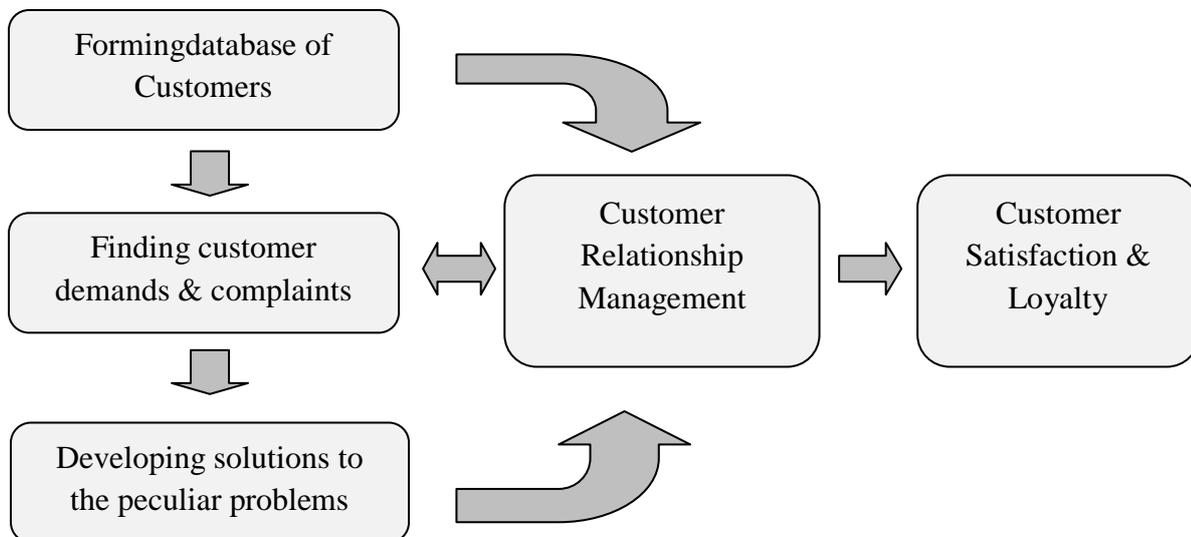
It is evident that there has been a phenomenal change and paradigm shift towards customer focus during the past five decades in India. Banking industry in India has five facets in the delivery of services to the customer. The progress of customer relationship management can be explained with the help of the figure-1. The CRM in Indian banking is evolved like service, satisfaction, pleased approach, delighting and maintaining relationship with the customers.

Figure – 1: CRM in Indian Banking Sector

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

The fact that banks have as much information as possible about the customers, constitute customer databases and promote them in the course of time form the source of customer relationship management. Recognizing the customer demands and complaints by keeping in contact with the customers and developing solutions peculiar to the customer are the next steps of customer relationship management. Ultimately well-planned CRM will result in customer satisfaction and loyalty. This can be explained in figure-2.

Figure – 2: CRM Practices



### C Statement of the problem

Banks are increasingly developing various marketing strategies so as to increase a competitive advantage that provides customers with greater value compared to competitive offerings. With the extreme competition among the banks and broad use of technology for service innovation and delivery, banks are attempting to satisfy and retain the customers. It is apparent that now there are progressively marketing oriented banks, using IT systems that are focussed on individual customers. In this line, banks develop customer relationships across a broad spectrum of touch points such as branches, kiosks, ATMs, internet, PDA, e-mails, electronic banking, smart cards, call centres' and phones. Commercial banks have understood that customer relationship is imperative for their continued existence in the banking sector. By preserving good relationship with existing customers, banks can enhance the profit in the long-run. Keeping this point, the study intends to test the CRM practices in Canara bank branches in Tamilnadu.

## III OBJECTIVES OF THE STUDY

This study is started with the following objectives:

1. To know the demographic profile of customers who are all using Canara bank services.
2. To study the customer awareness on customer relationship management policies of Canara bank.
3. To check the customer relationship management practices followed in branches of Canara bank in Tamilnadu.

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4. To study the factors influencing customer relationship management practices in Canara bank.
5. To study the role of E- CRM strategies in bringing customer satisfaction.

#### IV REVIEW OF LITERATURE

Organizations and research studies have exposed that retaining current customers is much less expensive than attracting new ones (Desatnick 1988, Stone et al. 1996). The best way to retain customers is to keep them satisfied, a number of studies have shown that customer satisfaction can lead to brand loyalty, repurchase intention and repeat sale, in short customer retention. Customer retention, in turn, seems to be related to profitability (Oliver, 1999). Singh (2006) focused on customer management in banks and aimed to target the customer with a view to gain customer insight and provide value added products and services. Arunkumaret al. (2012) considered customer relationship management scale development and validation in Indian banking sector. This study identified the organization structure and customer support service quality, trust, technology, personalisation and market orientation were critical factors of CRM. Even though marketing researcher have identified various factors for retaining customers, very important are customer satisfaction, trust, commitment (Morgan and Hunt, 1994) loyalty (Berry and Parasuraman, 1991) and service quality (Guo et al. 2008). Ndubisi (2007) identified relationship quality antecedents and identified that significant positive relationship between trust, commitment and conflict handling on relationship quality.

Rootman et al. (2008) examined the variables that influence the customer relationship management of bank from the employee perspectives. The study conclude that attitude of the employee and knowledgeable of bank employee have made significant impact on customer relationship management strategies of bank. Osarenkhone (2007) revealed that CRM strategy requires commitment from top management, systematic cross-functional communication, and customer loyalty training programmes for all employee. Chaturvedi et al. (2007) focussed on CRM provides interactive, personalized and relevant communication with customer to develop and maintain relationships. The banking sector has already been described (Parasuraman et al. 1985) as exhibiting modest market orientation and satisfying services with little regard to customer needs, as well as including branches disparate in efficiency (Berger et al. 1994). Long lines, limited time for customer servicing, transaction errors due to the bankhuman resources, and excessive bureaucracy have been said to be the most common troubles in using banking services (Sachdev et al. 2004).

Chen and Ching (2004) illustrated CRM as a relationship of information technology that described customers from record to be more effectual in relationship. Maximizing customer satisfaction through the delivery of effective and quality service have been described as the ultimate weapon (Davidow&Uttal 1989). While the direction of the relationship has been a subject of debate in some studies (Bitner, 1990; Yavas et al., 1997), the widely accepted belief is that the delivery of high service quality is a must for attaining customer satisfaction, and a precondition for a number of desirable behavioural outcomes that lead to high performance in retail banking (Ting, 2004; Yavas et al., 2004). The cost of retaining an existing customer is lower than that of finding new customers (Bitran and Mondschein, 1997; Chattopadhyah, 2001; Massey et al. 2001). Customer relationship management are one of the tools for retaining customers (Debjain 2011).

#### V RESEARCH METHODOLOGY

The study is intended to investigate how customer relationship management practices followed in Canara bank branches in Tamilnadu. Population for this study is customers of Canara bank, target population is retail customers. Data have been collected from sample of 100 at different branches of Canara bank. Data is gathered through field survey. A well-structured questionnaire is developed to collect the data. This is a descriptive study using primary data collected through survey. The instrument is structured with 5-parts, part-1 is pertaining to the demographic profile of customers; part-2 focused specifically customer awareness on CRM policies of Canara bank; part-3 is concerned with customer perception on CRM practices; part-4 deals with factors influencing customer relationship management practices and part-5 focus on role of E-CRM strategies in customer satisfaction. The scale 1 to 5 have been developed, where 1 stands for strongly agree and 5 for strongly disagree. Prior to data collection, a pilot test was conducted to ensure comprehensiveness, clarity and reliability of the questionnaire. The pretesting was done among 10 customers randomly, resulting in minor modifications of the wordings of some questions in instrument. The following statistical tools are applied to get the reliable inferences, that is, simple percentage analysis, chi-square test, factor analysis, multiple linear regression test and t-test.

#### VI RESULTS & DISCUSSIONS

##### A Analysis of Demographic Profile

Demographic profile of customers and its frequency is listed in table-1. It shows the results of customer's profile, majority of the customers are male, aged between 41-55 years. 51% of the customer's monthly income falls between Rs.10,001 - 25,000, 35% of customers have PG qualifications. The outcome of the occupation shows that 29% are private sector and 27% are from the Government sector. From the aspect of using online banking, 66% of customers agreed that they are using online banking.

Table – 1: Analysis of Demographic Profile

Characteristics	Distribution	Frequency	Percentage
Gender	Male	78	78%
	Female	22	22%
Age	18 - 25 Years	23	23%
	26 - 40 Years	28	28%
	41 - 55 Years	36	36%
	56& Above	13	13%
Monthly Income	Less than 10,000	15	15%
	10,001 - 25,000	51	51%
	25,001 - 50,000	21	21%
	50,001 & above	13	13%
Educational Qualification	Up to HSC	34	34%
	UG	15	15%
	PG	35	35%
	Professional	16	16%
Occupation	Private Sector	29	29%
	Government Sector	27	27%
	Self-Employed	26	26%
	Student and others	18	18%
Online Banking Habit	Yes	66	66%
	No	34	34%

(Source: Primary Data)

To observe the relationship between customer awareness on CRM policies of Canara bank and demographic profile, chi-square test is computed. It is used to test whether there are any significant differences in awareness, since there are different factions involved in the study. The results of Chi-square test presented in table-2 shows that as an overall, there are no significant differences between customer awareness on CRM policies of Canara bank based on gender, age, education, occupation. It is evident that in all cases the calculated value is greater than the table value as shown in table-2. This implies that customer's awareness on CRM policies in Canara bank is similar, regardless of gender, age, education and occupation. Thus it is examined that when Canara bank want to recognize the awareness of customers on their CRM policies, demographic profiles did not persuade what customers perceived.

Table-2: Descriptive Statistics on CRM Polices and Demographic Factors (Pearson One-way ANOVA)

CRM Policies	Gender		Age		Education		Occupation	
	$\chi^2$	Sig.	$\chi^2$	Sig.	$\chi^2$	Sig.	$\chi^2$	Sig.
Customer recognition	3.14	0.76	13.22	0.25	17.23	0.24	6.44	0.64
Quick response	3.90	0.62	11.53	0.37	9.42	0.61	12.34	0.56
Retention strategy	2.93	0.78	8.24	0.89	17.34	0.01*	13.87	0.75
Technology based service	4.53	0.64	11.58	0.43	13.28	0.72	7.47	0.76
Personnel assistance	5.22	0.28	10.52	0.63	16.97	0.53	24.56	0.37
Transparency in cost	3.75	0.45	6.26	0.76	11.35	0.42	15.29	0.83
Grievance redressal	4.47	0.84	12.58	0.74	6.85	0.54	7.25	0.21
May I help you service	7.43	0.15	14.59	0.55	11.23	0.68	12.57	0.54
Information on new service	1.54	0.56	9.84	0.63	15.24	0.37	13.65	0.65
ATM Service	7.35	0.54	15.47	0.48	14.26	0.56	8.28	0.58
Online banking service	5.06	0.27	11.41	0.62	12.35	0.36	15.69	0.69

(Source: Primary Data) \*significant at 5% level

## B Customer Relationship Management Practices

The true banking business is to keep and satisfy customers, CRM has caught the attention of practicing commercial banks. This research provides the essential insight into the relationship management practices of this revolutionary concept. This study provides 12 variables of CRM practices followed in Canara bank, such as, courtesy of employees, ambience of bank, environment of bank, facilities in the bank, customer friendly products, promptness in services, ability to help customers, knowledge of customer redressal, familiarity of the customer, ATM locations, working hours and execution of service. The application of t-test is to evaluate the computed mean value based on the perception of customers. In this t-test the computed mean value of the customers is compared with hypothesized mean value 3 to get the significance or insignificance value. The results are depicted in the following table-3.

**Table-3: Customers Perception on CRM Practices**

(N = 100)

Variables	Mean	Std. Deviation	Std. Error Mean	t-value	Sig (2 tailed)
CRMP1	3.7935	1.1357	0.3674	13.679	.000
CRMP2	4.5623	0.6465	0.4257	36.794	.000
CRMP3	4.4675	0.6873	0.2675	23.588	.000
CRMP4	3.6426	1.1531	0.5278	12.689	.000
CRMP5	4.8153	1.2648	0.3426	-10.099	.000
CRMP6	2.7383	1.0676	0.3899	22.098	.000
CRMP7	2.0653	1.0354	0.4973	-12.985	.000
CRMP8	4.2558	0.9742	0.5296	-19.591	.000
CRMP9	3.7479	1.0222	0.5824	22.565	.000
CRMP10	3.6156	0.5637	0.2367	16.295	.000
CRMP11	2.7615	1.2135	0.3795	17.934	.000
CRMP12	2.8695	1.2641	0.3966	14.462	.000

(Source: Primary Data)

It is found in the above table that the mean value of the CRM practice variable range from 2.0653 to 4.8153. In particular, it is identified that the variable number from CRMP1 to CRMP4, and from CRMP8 to CRMP10 the mean values are strictly greater than 3. It is found that the bank customers are strongly agreed the t-values are greater than '3' that is, 13.679, 36.794, 23.588, 12.689, 22.098, 22.565, 16.295, 17.934 and 14.462 which are statistically significant at 5% level. The customers are disagreed that the t-values are 10.099, 12.985, and 19.591. Therefore it could be concluded that the CRM practices followed in Canara bank is agreed by the customers.

## C Factors Influencing CRM Practices

The internal consistency of the instrument is tested with reliability analysis. The reliability test is to run to find out how sturdily the variables are related to each other (Hair et al. 2003). The reliability estimate of Cronbach's alpha for the factors are as follows, physical services (0.812), reliability in service (0.784), openness in service (0.758), service delivery (0.704), need understanding (0.723) and personal welfare (0.751), suggesting a high degree of reliability. To explain the factors influencing CRM practices, the factor analysis is performed. The data validity for factor analysis is tested with the help of Kaiser-Mayer-Olkin (KMO) measures of sampling adequacy and Bartlett's test of Sphericity. The KMO measures of sampling adequacy (0.871) and Zero percent level of significance of Chi-square satisfy the conditions of validity of data for factor analysis. The factors and its variables are exhibited in table-4.

**Table – 4: Factor Analysis**

Factors (Factorial Mean)	Components	Factor Loadings	Eigen Value	% of Variance
Physical Services (2.93)	ATMs spread and network	0.846	9.75	21.45
	Service options in ATM	0.788		
	Adequate Cheque drop boxes	0.779		
	Issue/Renewal of credit/ATM cards	0.811		
	Issue of monthly statements	0.736		
	Responsiveness in counter service	0.727		
	Proper safety on internet banking	0.801		
	Face-to-face interaction on demand	0.785		

Reliability in service (2.77)	Safety and Security in ATMs etc.	0.821	7.63	16.43
	Transparency in service charges	0.852		
	Accuracy in account maintenance	0.778		
	Wide acceptability of cards	0.782		
	Privacy in account transactions	0.799		
	Dedication of employees	0.762		
	Timely service on customer request	0.820		
	Openness in service (2.74)	Willingness to help customers		
Good relationship with customers	Response to customer doubts	0.736		
	Prompt service	0.747		
	Kindness in help desk service	0.801		
	Customer centric actions	0.769		
		0.778		
Service Delivery (2.64)	Knowledge in service delivery	0.814	4.12	8.51
	Ability to inspire and help	0.811		
	Safety on transactions	0.769		
	Confidence building	0.758		
	Interest in updation of services	0.781		
Need understanding (2.48)	Caring on customer needs	0.778	3.64	5.65
	Personal attention of customer need	0.781		
	Interest on customer affairs	0.780		
	Delivery of services as per need	0.774		
Personal welfare (2.29)	Minimum waiting time	0.773	2.61	3.28
	Parking and other amenities	0.776		
	Mail on safety alerts/birthdays etc.	0.675		

(Source: Primary Data)

The narrated five antecedents of factors influencing CRM practices explained the variables to the extent of 67.64 percent. The most important factor is physical services since its respective Eigen value is 9.75. It consists of eight variables with the reliability coefficient of 0.812. Since the second and third important factors are reliability in service and openness in service since their Eigen values are 7.63 and 5.21 respectively. The variables explained by these factors are 16.43 and 12.32 percent respectively. Similarly, service delivery and need understanding have Eigen values 4.12 and 3.64 with variance of 8.51 and 5.65 percent respectively. The next important factor influencing CRM practice is personal welfare since its respective Eigen value is 2.61, it consists of three variables with the reliability coefficient of 0.751. It is understood that the factors are largely influenced CRM practices of Canara bank in Tamil Nadu.

In order to test the influence of six factors presented in factor analysis, multiple linear regression analysis has been performed to analyze the factors influencing CRM practices of Canara bank. Since six underlying factors are considered as independent variable and the CRM practice is assumed as dependent variable, which are depicted in table-5.

Table – 5: Multiple Linear Regression Analysis

Independent Variables	Dependent Variable	Un-standardized coefficients		Beta coefficients	t value	Sign.
		Beta	Std. Error			
Constant	CRM Practices in Canara Bank	-0.821	0.620		-1.466	0.002
Physical Service		0.414	0.061	0.456	6.933 <sup>@</sup>	0.001
Reliability in Service		0.213	0.074	0.161	1.724 <sup>s</sup>	0.003
Openness in Service		0.219	0.081	0.143	1.676 <sup>s</sup>	0.003
Service Delivery		0.178	0.043	0.088	0.834 <sup>s</sup>	0.014
Need Understanding		0.156	0.061	0.113	1.226 <sup>s</sup>	0.007
Personal Welfare		0.112	0.034	0.118	1.252 <sup>s</sup>	0.025

R	0.800
R <sup>2</sup>	0.640
Adjusted R <sup>2</sup>	0.56
F Value	29.554 <sup>@</sup>

Note: @ significant at 1%, and \$ significant at 5%.

Multiple linear regression analysis shows that all six independent variable are positively related with the CRM practice of Canara bank. Table 5 reveals the value of R<sup>2</sup> and adjusted R<sup>2</sup> as 0.640 and 0.56 respectively, which indicates that 64% of variation on CRM practice, explained by six underlying factors. Physical service in bank having highest beta coefficient 0.414 and t value 6.933 is statistically significant at 1% level. It indicates that the strong influence on customer relationship management practices of Canara bank. Reliability in service, openness in service, service delivery, need understanding and personal welfare are statistically significant at 5% of level. From this analysis, it is found that there is significant influence on CRM practices in Canara bank.

**D Role of E-CRM Strategies**

E-CRM strategies play a significant role in customer satisfaction. The role of following factors such as, internet banking, data warehousing & mining, ATMs, mobile banking, E-mails, smart cards, fund transfer and e-cheque has been presented among the customers. The customers are asked to rate their satisfaction level to the variables on the basis of five point scale. The components are identified in the pre-test and customers are asked to rate the most appropriate strategies to enhance CRM in electronic way. One sample t-test is applied on the above variables in E-CRM strategies; it is performed with assigning test value 3 to the identified variables.

**Table – 6: One-Sample T-Test**

Variables	Test Value = 3					
	T	df	Sig.	Mean difference	95% Confidence Interval of the difference	
					Lower	Upper
Internet banking	21.856	99	.000	.943	.887	1.074
Data warehousing	16.267	99	.000	.901	.799	1.112
ATMs	22.527	99	.000	.847	.826	1.153
Mobile banking	19.854	99	.000	.773	.646	.816
E-mails	20.357	99	.000	.728	.613	.799
Smart cards	21.267	99	.000	.847	.775	.986
Fund transfer	18.169	99	.000	.816	.724	.916
e-cheques	17.745	99	.000	.763	.711	.824

(Source: Primary Data)

It is clear from the above table that t-test values are extensively greater than the test value 3 at 5% level of significance. It acknowledges that E-CRM factors mostly rely with the beginning of many strategies in electronic mode. The customers overwhelmingly believe that the internet banking, ATMs, E-mails, smart cards, here the t-values are greater than 20. Furthermore data warehousing & mining, mobile banking, fund transfer and e-cheque has moderate impact on the bringing satisfaction to them. E-banking leads to maintain good rapport with the customers by providing speedy services. This test proves that E-CRM strategies have significant impact on the customer satisfaction.

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## VII FINDINGS & CONCLUSION

In this modern technology era, when the customer is having access to a variety of products and services it is fetching very difficult for banks to endure. In this circumstances, when customer inquiries are not met easily or transactions are convoluted, the customer will asks for new levels services, and only choose those banks who are making a real effort to provide a high level of quality, fast and efficient service through the bank touch points, ATMs, and other e-banking services. Hence the commercial banks are considering this fact with the maintenance of good relationship. The findings of the study show that the influence of demographic factors on customers' awareness towards CRM policies in Canara bank was examined. Analysis of variance and chi-square were executed to test whether the means of the customers' awareness differ by gender, age, education and occupation. The results indicate that there was no significant difference in means between customers' awareness on CRM policies among banks based on these demographic factors. This would imply that customers' awareness on CRM policies in Canara bank was similar regardless of demographic variables. The customer perception on customer relationship management practices adopted by the Canara bank is agreed about nine practices. In factor analysis, this research identified six key dimensions of various antecedents of CRM; they are physical service, reliability in service, openness in service, service delivery, need understanding and personal welfare. In order to assess the impact of different antecedents of customer relationship management, multiple regressions is also used. The results clearly revealed that there is a significant impact exists among the variables. E-CRM has significant attention on the maintaining relationship with the customers. It is seen that banks are applying customer oriented relationship management and attempting for the establishment of long-term relationships.

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