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Volume 11, Issue 10, October 2020

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A STUDY ON THE EXPECTATIONS AND PERCEPTIONS OF CUSTOMERS TOWARDS CRM PRACTICES IN RETAIL BANKING IN KERALA

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International Journal of Advanced Research in Engineering and Technology

Scopus coverage years: from 2019 to 2020
(coverage discontinued in Scopus)

Publisher: IAEME Publication
ISSN: 0976-6480 E-ISSN: 0976-6499

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A STUDY ON THE EXPECTATIONS AND PERCEPTIONS OF CUSTOMERS TOWARDS CRM PRACTICES IN RETAIL BANKING IN KERALA

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ABSTRACT

The retail banking landscape is undergoing significant transformations. Customers in retail banking are far more dynamic than they were a decade ago. They want more personalized products and services. These developments place significant new demands on retail banks in order for them to remain competitive. The usage of technology is also assisting banks in maintaining customer relationships and improving the service quality that these customers anticipate. The study examines the benefits of customer relationship management expectations and perceptions in retail banking, as well as whether or not the objectives are met. The study's major goals were to assess consumers' perceptions of service quality and CRM, as well as their degree of satisfaction with various components of CRM in retail banking. During the first phase of research, it is an exploratory study. The study's main findings were that some firms regard customer relationship management simply as an additional expenditure, particularly in technology; whereas, others treat it more broadly and aggressively in order to establish comprehensive and satisfying connections with consumers. Banks must install current equipment and technology to enable customers to complete their banking transactions quickly. Finally, as a conclusion, this study provides banks with actionable data with which they can build and implement marketing programmes that cater to a variety of consumer needs.

Key words: CRM, Customers, Retail Banking, Expectations, Satisfactions, Service Quality

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Cite this Article: Noble Jacob and K. Kumar, A Study on the Expectations and Perceptions of Customers towards CRM Practices in Retail Banking in Kerala, *International Journal of Advanced Research in Engineering and Technology (IJARET)*, 11(10), 2020, pp. 1974-1981.
<https://iaeme.com/Home/issue/IJARET?Volume=11&Issue=10>

1. INTRODUCTION

Several obstacles are confronting India's expanding market. Economic uncertainty, a weakening rupee, a wide range of customer categories, and the emergence of several businesses are all shrinking the pie while attempting to operate cost-effectively. Aside from these slowing reasons, the market is also witnessing an increase in consumer infidelity and fickleness. Rapid technology advancements are forcing banks to become more competent at providing greater product solutions. Despite all of the aforementioned obstacles, India remains one of the world's most promising economic growth prospects. India is in an advantageous position among emerging markets, second only to China in terms of GDP share. This trend continues the following year, when India is listed as the world's third largest economy. The banking system has played a key part in the development of India's stable and thriving economy, with banks providing to the credit needs of all sectors of the populace and reaching out to the farthest reaches of the country.

There are also specific principles that banks follow in their day-to-day operations, such as liquidity, safety, profitability, secrecy, and service quality. The banks offered the aforementioned products and services through a single channel, namely bank branches. To promote faster and more cost-effective product delivery, banks developed and used non-branch channels such as ATMs (Automated Teller Machines), POS (Point of Sale) terminals, phone banking, internet banking, and mobile banking. Core banking solutions have once again enabled banks to take advantage of alternative channels, providing all customers with 24-hour access from a single location at a fraction of the cost of maintaining branches. Customers' convenience has also been improved by offering free home delivery and pickup of cash and checks to high-net-worth people and a modest fee for small businesses.

Opening an account establishes a relationship with the customer in banking. Prior to opening an account, the bank commits to provide banking services in accordance with the bank's policies, and the client agrees to use the services and operate the account in accordance with the bank's terms and conditions. A client is defined as "a person or entity who maintains an account and/or has a commercial relationship with the bank" under the Know Your Customer (KYC) requirement. The client can also be characterised as "the person on whose behalf the account is kept (the trust beneficiary)". Depending on the sort of service provided, the type of interaction with the consumer can vary.

The retail banking landscape is undergoing significant transformations. Customers in retail banking are far more dynamic than they were a decade ago. They want more personalised products and services. These developments place significant new demands on retail banks in order for them to remain competitive.

Retail banking in India is now one of the early adopters of customer relationship management operations, alongside a variety of enterprises of various sizes and industries. They used these operations to collect large amounts of customer data, create customer profiles, and apply consumer knowledge to their categorised marketing efforts. The impact they've had on producing client happiness, on the other hand, is a clear indicator of how successful such customer relationship management adoption in retail banking has been.

2. OBJECTIVES OF THE STUDY

- To evaluate customer's perceptions based on service quality and customer relationship management.
- To determine the relationship between the perception of the customers on dimensions of service quality and customer relationship management
- To evaluate the level of customer satisfaction and assess the effect of demographic characteristics in retail banking.
- To determine the relationship between the level of customer satisfaction and their choice of category of their primary bank.

3. SCOPE OF THE STUDY

India has one of most advanced and sophisticated financial system in the emerging markets which calls for a detailed study. The results of an effective study can definitely contribute in improving and strengthening the relationship between the banks and the customers. Customers are the focal point of any business activity and banking institutions work keeping this concept in mind. An effective management of the relationship with these customers requires effective management activities and tactics. Banks run on the revenue obtained from customers and the ultimate objective of any customer relationship management activity is to satisfy the customer base. Technological adoption has effectively helped in maintaining the relationship and improving the service quality on par with customers.

Customers are continuously monitored and customer interaction is recorded through customer relationship management technology. This is of prime importance as the results are used to gain deeper knowledge into customer preferences. Also, the rising competition in the banking sector and hurdles such as employee attitude, organization culture, system capability, infrastructure, and targeted expectations of the customers etc., have slightly dampened the perceptions customers have regarding the service quality of the banks. Thus, the expected success have not been attained so far when compared with the level of confidence customers have on the banking solutions provider.

As Customer relationship management in banking sector is relatively new, several gaps were identified in research during the literature review, which calls for an empirical analysis and comprehensive study. The results of this study explains the effectiveness of customer relationship management of banks and the type of benefits banks intend to obtain by implementing these initiatives.

The study revolves around the advantages of the expectations and perceptions of customer relationship management in retail banking and observe whether the goals are thereby achieved or not. The work also highlights the customer's perceptions of the relationship building activities introduced by the bank and it's effectiveness. An attempt has also been made to equalise the customer requirements with the bank's customer relationship management. This will further help in critically scrutinizing the effectiveness of customer relationship management of private and public sector banks in Kozhikode District in Kerala.

4. SIGNIFICANCE OF THE STUDY

Of late, Banking institutions have come to understand the value of customers in their growth and these customers are considered the focal point of any business activity carried out. Effective management activities and tactics are required to withstand this customer base demands. The ultimate objective of any customer relationship management activity is to satisfy the customer as banks collect revenue from them. Technological adoption is also helping the banks to maintain the relationship and improve the service quality expected by these customers.

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Customers are tracked and customer interaction is captured through customer relationship management technology, which is needed for in depth research on customer preferences. Customer relationship management in banking being a fairly new term, there are loopholes identified in research during the literature review. This calls for a need for empirical analysis and comprehensive study, which further substantiates the effectiveness of customer relationship management of banks and the type of benefits foreseen by banks.

Methodology and Sampling Design

An exploratory study was undertaken as the first phase of research for this study. It was undertaken to deliver a fundamental acquaintance in the arena of relationship marketing and its practical application in the banking sector. Descriptive research aided in finding certain characteristics of the population, establishing relationships among variables and making predictions. The data for this study was collected from primary and secondary sources. Respondents were contacted and primary data was collected with the help of a pre-tested questionnaire. In addition to the survey, focus group discussion technique was also applied to collect primary data. Sample survey was conducted using the structured pre- tested questionnaire from bank customers residing in Kozhikode District in Kerala. Secondary data was collected from published works in various international and national journals and conference proceedings. The works thereby collected dealt with topics such as the strength of relationship marketing of banks, studies on customer satisfaction and Service quality perception of banking channels, theoretical frameworks pertaining to Customer Relationship Management activities, Service quality, to name a few. Information from various websites like the RBI, Pro-Quest Banking Information Source, Bank Net India and likewise were also put to effective use.

5. PILOT STUDY

A pilot study conducted used framed questionnaire with a sample of 50 respondents. The collected data of these 50 respondents were analyzed in detail and the variances in their responses were considered. Reliability tests measured the extent to which the phenomena provided stable and consistent results. Reliability analysis using Cronbach alpha model was piloted on questions concerning service quality perceptions, perception of customer relationship management activities adopted by banks in order to acquire, maintain, retain them, and customers' satisfaction on those activities adopted. The final study resulted as 0.7 for all the scales of the test conducted.

6. ANALYSIS AND FINDINGS OF THE STUDY

The analysis has been made based on research tests used by the researcher and the findings are given below:

6.1. Findings based on Perception of CRM

- Customer relationship management is the practice of maintaining and managing relationships with diverse customer segments. Customers vary in their economic values and banks subsequently adapt their offerings and communications strategies based on this. When certain organizations consider customer relationship management primarily to be an additional investment especially in technology; others treat customer relationship management aggressively and with a wider perspective for developing comprehensive and rewarding relationships with customers.
- Demographic profiles excluding gender have any influence on the manner in which customers perceive the dimensions of customer relationship management. This leads to

the implication that, customers' perceptions on customer relationship management among banks are similar, regardless of age, marital and income status. It can be concluded that banks have to give attention on providing modern banking solutions to all customers considering these factors. However, gender has positive influence on the perceptions on customer relationship management.

6.2. Findings based on Customer's Satisfaction on the Customer Relationship Management

- Customer satisfaction is the primary component in any successful customer relationship management implementation, drawing in customer's loyalty towards the organization. The implicit significance of customer satisfaction is similar to free advertising that gets established. Hence, it has become indispensable to place the customer at the centre of any business conferring to its strategies. On the long run, it stays more profitable to retain existing customers than to discover new ones.
- The managerial implication is that if the primary bank is bridging the gap between the customer needs and requirements with the products and services, it heightens customer satisfaction. However, in order to keep the customers happy, retain them and for banks to protect their existing customer base, banks have to carefully invest in developing the dimensions of service quality and customer relationship management activities. If this is not practiced, the banks might fall vulnerable to the future competition invading the marketplace.
- Banks are compelled to emphasis more on customer acquisition dimension of customer relationship management by adopting different measures to meet customer's urgent requirements. and thereby find ways to attract new segments using existing customer's information to rope in new customers. By doing this, banks will be able to meet specific requirements of customers and also fulfil the service commitments of banks. This is in line with the above finding of the study which stated that the assurance dimension of service quality needs special concern in banks.
- Customer value evaluation as a dimension of customer relationship management activity involves characteristics pertaining to the trust a sense of fulfilment to customer senses while availing banking services. Since this factor is least valued by respondents in the study, banks are forced to offer superior services which attract customers to them.
- Customer information system as a dimension of customer relationship management activity includes researching and adopting newer technologies for effective communication with customers. This study reveals that banks have to recognize the need to simplify the business dealings for customers and also implement core banking services. Banks have to place modern equipment and technologies allowing customers to perform banking needs efficiently and with ease.
- The descriptive results calculated for the customer relationship management constructs of the study on the type of bank chosen as their primary bank, indicate that among the five dimensions, respondents perceived customer response and customer knowledge dimension, the highest among the other customer relationship management dimensions which is followed by customer acquisition and customer information system. Customer value evaluation dimension is valued the least by the respondents.

6.3. Service Quality-Customer Relationship-Satisfaction Model

When the model is tested using SEM tool it is found that a three stage process is followed ultimately resulting in customer satisfaction. The stage begins with service quality dimensions

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impacting customer relationship management dimensions, which occur in two phases of customer response, customer knowledge and customer value evaluation dimensions of customer relationship management, progressing to the second stage of customer acquisition and customer information system dimensions of customer relationship management. Finally, the model ends with the satisfied customer that found its influence from customer response, customer value evaluation, customer acquisition and customer information system dimension of customer relationship management. It emerges as follows:

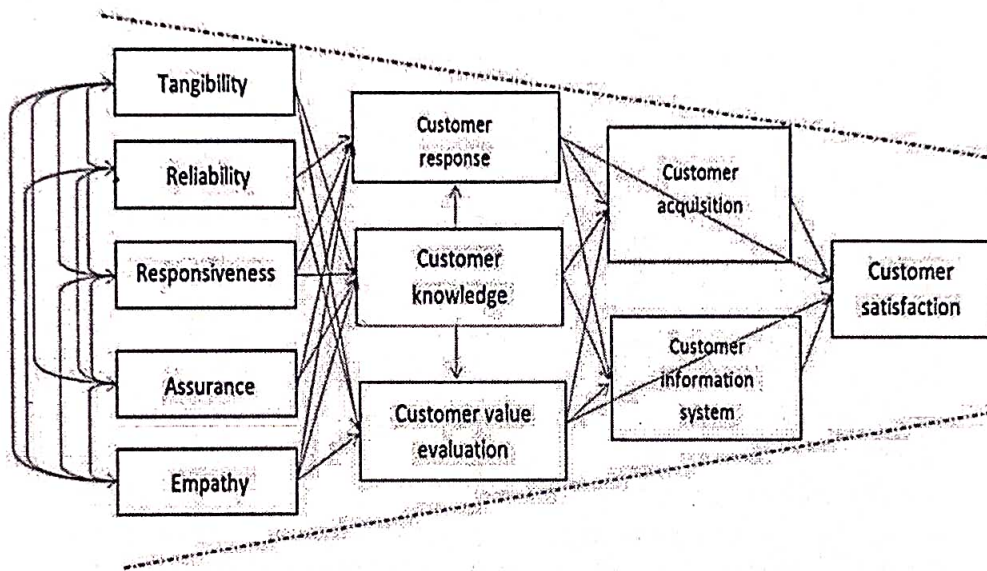


Figure 1 Integrated Service Quality - CRM – Satisfaction Model

The managerial implication of the model is such that, this would help banks to realign the customer relationship management and service quality for achieving its business objectives.

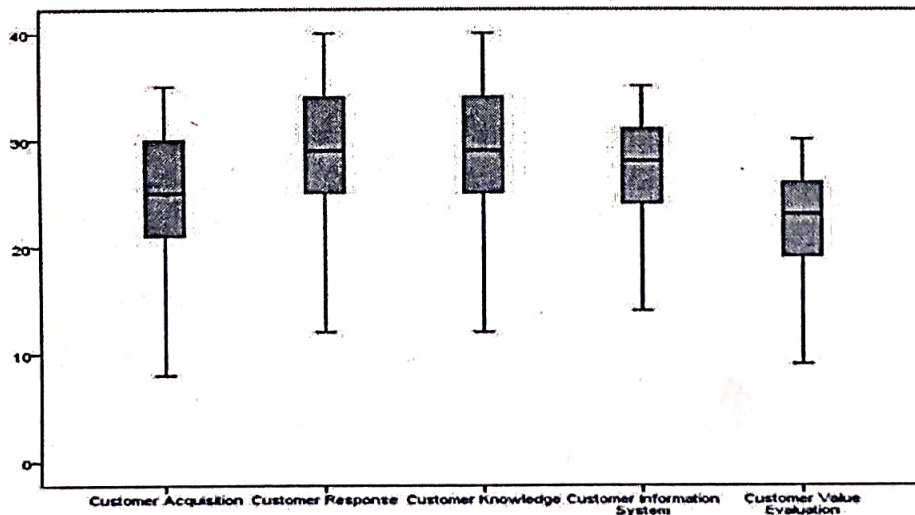


Figure 2 Q-Q Box Plot

From the above, graphical technique for figuring out whether two data sets originate from populations with a common distribution, uncover a highly stabilised plot. It can be seen in the

figure beneath that every one of the circles lie near the line demonstrating a near to normal distribution.

Table 1 Age Category and Perceptions on CRM

	Descriptive (Age Category)				F value	Sig.	Means plot
	Age	N	Mean	Std. Deviation			
Customer Acquisition	< 40	583	25.2590	5.49099	1.302	p > 0.05 Not Significant	
	40 to 60	229	24.8210	5.99988			
	Senior Citizen	34	26.3824	5.15819			
Customer Response	< 40	583	29.0395	6.06382	1.123	p > 0.05 Not Significant	
	40 to 60	229	28.3100	6.72811			
	Senior Citizen	34	28.8529	5.83683			
Customer Knowledge	< 40	583	29.1149	5.87371	1.133	p > 0.05 Not Significant	
	40 to 60	229	28.4192	6.22381			
	Senior Citizen	34	28.7647	5.46093			
Customer Information System	< 40	583	27.2864	4.70854	1.881	p > 0.05 Not Significant	
	40 to 60	229	26.5852	5.34412			
	Senior Citizen	34	26.5588	4.80651			
Customer Value Evaluation	< 40	583	22.7136	4.46505	1.718	p > 0.05 Not Significant	
	40 to 60	229	22.0524	4.85824			
	Senior Citizen	34	22.6176	4.65810			

Source: Survey Data

- On observing the values, it can be concluded that customer acquisition is perceived more by bank customers who are senior citizen (mean = 26.38, std. dev. = 5.15) followed by respondents age less than 40 (mean = 25.25, std. dev. = 5.49) and respondents between age 40 and 60 (mean = 24.82, std.dev. = 5.99).
- Customer response whereas is exhibited to be perceived more by respondents age less than 40 (mean = 29.03, std. dev. = 6.06) followed by respondents who are senior citizens (mean = 28.85, std. dev. = 5.83) and respondents aged between 40 and 60 (mean = 28.31, std. dev. = 6.72).
- Customer knowledge is perceived more by respondents less than age 40 (mean = 29.11, std. dev. = 5.87) in comparison with senior citizen respondents (mean = 28.76, std. dev. = 5.46) and respondents age between 40 and 60 (mean = 28.41, std. dev. = 6.22).
- Customer information system is perceived more by the respondents age less than 40 (mean = 27.28, std. dev. = 4.70) compared with respondents age between 40 and 60 (mean = 26.58, std. dev. = 5.34) and senior citizen respondents (mean = 26.55, std. dev. = 4.80).
- Customer value evaluation is perceived more by respondents age less than 40 (mean = 22.71, std. dev. = 4.46) over senior citizen respondents (mean = 22.61, std. dev. = 4.65) and respondents age between 40 and 60 (mean = 22.05, std. dev. = 4.85).

Hence, it is confirmed that, age is not a significant demographic factor influencing the perception of the customers towards the customer relationship management dimensions in banking.

7. CONCLUSION

This critical study of customer relationship management in retail banking in the state of Kerala provides an in depth understanding of the quality of service, expectations and perceptions and

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different customer relationship management activities adopted by retail banks in the state. The factors influencing the quality of service and various customer relationship management activities leading to a satisfied customer are scrutinized in this study.

Perceptions and expectations of the consumers on CRM in retail banking dimensions impacts the dimensions of customer relationship management partly with customer response, customer knowledge and customer value evaluation which in turn influence the remaining two dimensions of customer relationship management activity (customer acquisition and customer information system). Banks are provided with actionable information from this study which they can design and implement marketing programmes catering to the diverse requirements of the customers.

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