

Impact Of Customer Relationship Management On The Performance Of Banks- A Study Of Selected Private Sector Banks In India

Dr. K. Aswathanarayana

Assistant Professor, Government First Grade College,
Hoskote, Bangalore Rural District, India

Dr. Bheemanagouda

Associate Professor, Dept. of Post Graduate Studies and
Research Commerce, VSK University, Bellari

Abstract: One of the modern skills necessary for the present competitive world is winning new customers and retaining the existing customers. Thus, business strategists and practioners are giving greater importance to customer relationship management irrespective of nature of environment and size of business. The globalization of business increases the prerequisite for understanding ways in which banks may operate effectively. A major aspect of this understanding is based on CRM. Understanding of CRM emerged from research and practices in CRM. It recognizes the importance of customer in relation to financial and physical resources in the event of maximization of wealth of organization. However, Indian banking sector is facing larger challenges than ever before in executing its customer management strategies including private banks. Extreme competition, propagation of customer contact channels, mounting attacks on customer's information, rising customer expectations and capitalizing on innovative market opportunities are at the apex of every banks executive's agenda. This paper study the impact of CRM on the performance of private sector banks in India.

Keywords: Customer Relationship Management, Performance, Private Sector Banks, Business per employee, Profit per employee.

I. AN OVERVIEW OF CRM IN BANKING SECTOR

The Indian banking industry is one of the largest banking industries in the world with a highly satisfied and delighted customer base. Providing efficient customer services 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 the good service is extended to a customer, the loyal customer will work as an ambassador of the bank and it facilitates growth of business. Bank's performance depends upon large number of factors from the quality of management of a bank to the national and international economic conditions. Banks adopt various quantitative and qualitative measures to improve the performance. CRM is one of the prominent factors that influences on the performance of the banks. CRM encompasses adoption of latest technology for standardization

and simplified customer friendly process for delivery of service and connecting the customer through relationship management to the process to meet the customer needs. Many banks the world over have realized that the customer's needs and their problems have to be addressed at more seriously than ever before. The perceptions of the banks are based on the customer's varied experiences with the bank employees. It is proved that it overhead costs of attracting a new customer costs than that of retaining an existing customer. Customer Relationship Management in banking sector is a key component that allows a bank to extend its customer base and sales capacity. Retaining customers is a major apprehension for banking institution which shows the significance of CRM. Banks have to come out with innovative methods to satisfy the needs of both the present and potential customers through establishing an excellence in customer relationship. Further, the choices open to customer today are much more than the

previous. So that it is necessary to have better understanding with the customers and complete their expectation from the organization.

The biggest advantage for retail banking will be in India's demographic profile with a declining dependency ratio. Presently the Indian CRM market can be sized at Rs. 1500-2000 Crores, which can be segmented into the market for software and services. The services segment includes outsourced CRM services, integration, training, and consultancy. The market potential for CRM services is considerably larger than the market potential for CRM software. There has been a great deal of attention on CRM technology and practices in recent times, but, the market is in a very early stage of evolution. Most respondents felt that the Indian firms were either unaware, or unconvinced about the benefits and applicability of CRM. The best CRM practices lead to improvement in the performance of bank. The performance of banks, inter alia, depends on CRM practices. An attempt has been made to measure and examine the performance in quantitative term. All these technological and other CRM initiative taken by banks would facilitate improvement in organization performance. It is known fact that the performance of bank depends on a large number of factors. CRM practices are one of those factors. Hence, an attempt is made to examine the performance of bank in selected parameters.

The present study has selected only a few measures to assess the performance of a bank. They are: Number of branches and its growth; Number of employees and its growth; Business per employee and its growth; and profit per employee and its growth. Based on these parameters, impact of CRM on the performance of bank, keeping the influence of other factors constant, is examined for each of the banks selected for the study.

II. OBJECTIVE OF THE STUDY

- ✓ To study the overview of Customer Relationship Management
- ✓ To study the impact of CRM on the performance of private sector banks

III. REVIEW OF SELECTED LITERATURE

David (1999) observed that option of appropriate technological know-how and implementation are keys to successful customer relationship plans. The failure rate of CRM projects has been estimated to be high.

Ernst & Young (1999) observed that the enterprises investing on CRM solutions predominantly focus on technology. The challenge lies in combining people, processes and technologies while implementing CRM solutions.

David (1999) observed that option of appropriate technological know-how and implementation are keys to successful customer relationship plans. The failure rate of CRM projects has been estimated to be high.

IV. IMPACT OF CRM ON THE PERFORMANCE OF ICICI BANK

ICICI bank has market size of 13 million customers. The ICICI bank is one of the fastest growing private banks in the current scenario. The bank is able to meet the customer's requirement and expand its business. The bank undertakes exclusive research activities to identify the requirement of the customers and meet their expectations with the innovative banking practices. The bank offers a number of technology oriented services such as mobile banking, net banking, ATM, etc. The bank has adopted CRM software to keep up to date record of customers. The most important feature of the bank is speedy transactions without any errors. The bank offers services from 8 am to 8 pm. It also engaged itself in some social events for its customers. The research study has tried to identify the performance of the bank based on number of branches, number of employees, business per employee and profit per employee.

| Factors | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|-----------------------|---------|---------|---------|---------|---------|---------|
| No. of branches | 1271 | 1432 | 1719 | 2565 | 2788 | 3134 |
| Growth rate (in %) | - | 12.67 | 20.04 | 49.22 | 9.05 | 12.41 |
| No. of employees | 40686 | 51835 | 41068 | 56969 | 58276 | 62065 |
| Growth rate (in %) | - | 27.40 | -20.77 | 38.72 | 2.29 | 6.50 |
| Business per employee | 100.80 | 115.40 | 76.50 | 73.50 | 70.80 | 73.50 |
| Growth rate (in %) | - | 14.48 | -33.71 | -3.92 | -3.67 | 3.81 |
| Profit per employee | 1.00 | 1.10 | 0.90 | 1.00 | 1.10 | 1.40 |
| Growth rate (in %) | - | 10 | 18.18 | 11.11 | 10 | 27.27 |

Source: RBI Annual Report

Amount: Rupees in Millions

Table 1: Performance of ICICI Bank from 2007-08 to 2012-13

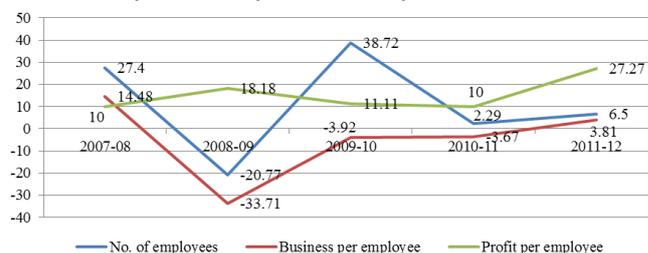


Chart 1: Growth Rate of ICICI Bank from 2007-08 to 2012-13

The above table give the clear indication performance of the bank over the years.

- ✓ The bank increased the number of branches in all the consecutive years under study. The branches initially were 12071 in 2007-08 it has reached to 31,134 in 2012-13 which is nearly 120 per cent rise. The bank is also able to grow without any major obstacle. The number of branches has grown largely in the year 2010-11 at 49.20 per cent. The growth phase shows that the bank wants to provide maximum service to customers without any delay and problems.
- ✓ It is evidenced that the number of employees increased during the recession period, there were 46686 employees in 2007-08 which increased to 51835 in 2008-09. In the

year 2009-10 the numbers of employees have reduced to 41068 which are nearly 20.77 per cent. The bank in the later phase was able to increase its employees drastically from 2010 to 2013. The bank has recruited large number of employees to make the service convenient to customer.

- ✓ The business per employee is the mixture of both the positive growth and negative growth during the study period. In the year 2007-08 and 2008-09 the growth rate in terms of amount of business per employee was good enough but in the later years the business per employee have gone to negative result. The bank has faced much loss in the year 2009-10 with -33.71 per cent. The bank was able to covert the negative figure into positive figure in the year 2012-13 because of its effort. In the last year the growth rate of business per employee shows 3.81 per cent which is a good sign of growth.
- ✓ When it comes to profit per employee, it is good to see that the growth rate is positive in the all the years except 2009-10. There is a need to improve its performance to earn more profit in the coming days.

V. IMPACT OF CRM ON THE PERFORMANCE OF HDFC BANK

HDFC Bank is making all possibilities to come true for its customers. The bank more focus on providing housing loans to the customers as well as meeting after requirements of the customers. HDFC bank is well known for its customer service from the past decade. The bank has adopted the new technology and made the usage of technology user friendly. The bank use unit based software to keep the customer safe. The bank uses different software for different banking activities. The bank has undertaken research activities to know about the requirement of customers and has adopted these things into its CRM practice. The bank has maintained a superior form of service quality at its location. The customers really feel happy to carry out the banking transaction with HDFC bank. The performance is evaluated on the basis of few parameters for a period of 2007-08 to 2012-13.

| Factors | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|-----------------------|---------|---------|---------|---------|---------|---------|
| No. of offices | 745 | 1422 | 1729 | 1980 | 2186 | 3046 |
| Growth rate (in %) | - | 90.88 | 21.59 | 14.52 | 10.40 | 39.34 |
| No. of employees | 37386 | 52687 | 51888 | 55752 | 66076 | 69401 |
| Growth rate (in %) | - | 40.93 | -1.52 | 7.45 | 18.52 | 5.03 |
| Business per employee | 50.60 | 44.60 | 59.00 | 65.30 | 65.40 | 75.00 |
| Growth rate (in %) | - | -11.86 | 32.29 | 10.68 | 10.00 | 14.68 |
| Profit per employee | 0.50 | 0.42 | 0.60 | 0.74 | 0.81 | 1.00 |
| Growth rate (in %) | - | -16 | 36 | 23.33 | 9.46 | 23.46 |

Source: RBI Annual Report

Amount: Rupees in Millions

Table 2: Performance of HDFC Bank from 2007-08 to 2012-

13

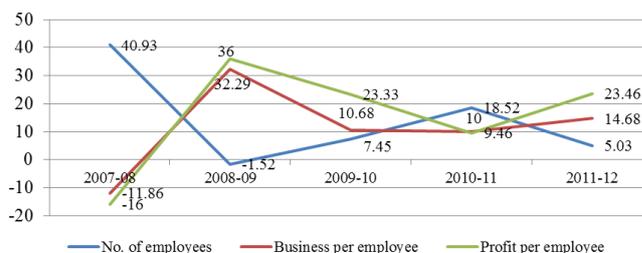


Chart 2: Growth Rate of HDFC Bank from 2007-08 to 2012-13

The above table shows the performance of bank over the years. The observation and interpretation are mentioned below.

- ✓ The bank has increased its branches on a regular basis. The bank has opened more number of branches in the year 2008-09, it was nearly 90.88 per cent (1422) compared to the immediate preceding year. The bank in the later years has increased its branches with good growth rate. The numbers have increased in all the years and it shows that the bank wants to target all types of customers and open new branches to reach the customers. The progress made by the HDFC bank will make them earn higher profit margin in the coming years and the bank will be able to attract lots of new customers towards it.
- ✓ In the case of number of employee, the bank has increased its employees in all the years considered for the study. Though few of other banks have reduced the number of employees during the recession at a greater margin, the HDFC bank has been able to provide job opportunities and increase its number of employees only. During 2009-10 the number of employees have been reduced slightly and has negative growth rate of -1.52 per cent. Again the bank was able to recruit more number of employees. Hence, the figures and facts show that the bank CRM adoption has made them to obtain more employees in order to provide maximum services to the customers.
- ✓ It is good to see that the business per employee has been positive from 2009-10 to 2012-13. The amount of business per employee was highest during the year 2009-10 registering a growth rate of 32.29 per cent. The bank is able to increase its amount of business per employee by executing the different forms of CRM initiatives. The bank has identified that in order to survive in the competitive market it needs to understand and meet the requirement of customers. The bank needs to make the customer loyal to earn more business per employee. For this purpose, the bank has to adopt new CRM practices.
- ✓ The last parameter that is profit per employee. The parameter in having a positive growth over the years. The profit per employee was in negative trend (-16) during 2008-09, but the bank was able to grow it towards the positive sign from 2009-10 to 2012-13. The bank has achieved higher profits per employee in 2012-13 by posting a growth rate of 23.46 per cent.

The overall comparison of the performance shows that the bank is able to practice its objective to some extent because of the CRM practices as we see in all the parameters, the bank is

able to make good growth rate. In order to improve its performance, the bank has to undertake unique CRM practices.

VI. IMPACT OF CRM ON THE PERFORMANCE OF AXIS BANK

Axis bank is the third largest private sector bank in India. The bank provides financial service to large Corporates, SME, agriculture, retail and individuals. The bank's core values are customer centricity, ethics, transparency, teamwork and ownership. The bank retail forex remittances, traveller cheques, foreign currency note, online portals, money transfer options etc. The bank also has separate core department of customer care centre which handles the queries, suggestions, feedback and complaints of the customers. The customer care centres are spread across the country and they provide 24X7 service. The bank provides toll free number for the loss of credit card, debit card etc. The bank provides services to the NRI customers who carry out banking transactions outside India. The bank provides customer care SMS service and customer mail services. The performance of the bank has been improving by the implementation of CRM practices. The CRM has become a vital factor with the growth of the business with the help of CRM, bank try to understand the customer more specifically about their requirements. This research tries to evaluate the performance of Axis bank based on few parameters.

| Factors | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2011-12 |
|-----------------------|---------|---------|---------|---------|---------|---------|
| No. of branches | 651 | 831 | 1035 | 1460 | 1657 | 2019 |
| Growth rate (in %) | - | 27.65 | 24.55 | 41.06 | 13.49 | 21.85 |
| No. of employees | 14739 | 20622 | 21640 | 26341 | 31738 | 37901 |
| Growth rate (in %) | - | 33.91 | 4.94 | 21.72 | 20.49 | 19.42 |
| Business per employee | 111.70 | 106.00 | 111.10 | 136.60 | 127.60 | 121.50 |
| Growth rate (in %) | - | -5.10 | 4.81 | 25.65 | -6.59 | -4.78 |
| Profit per employee | 0.84 | 1.00 | 1.20 | 1.40 | 1.40 | 1.50 |
| Growth rate (in %) | - | 19.05 | 20 | 16.67 | 0 | 7.14 |

Source: RBI Annual Report

Amount: Rupees in Millions

Table 3: Performance of Axis Bank from 2007-08 to 2012-13

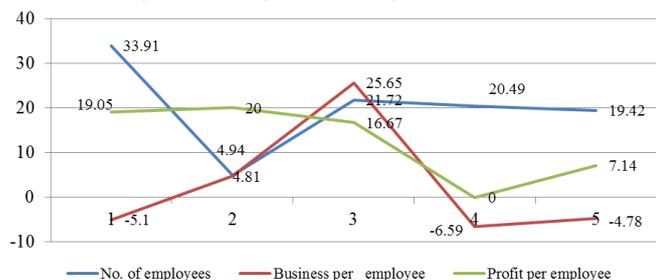


Chart 3: Growth Rate of Axis Bank from 2007-08 to 2012-13

The above table analysis shows the performance of the bank in terms of selected parameters over a period of time.

- ✓ The bank has improved in terms of number of new branches to be opened to serve the customers more effectively and efficiently. In the year 2007-08 there were 651 branches which have increased to 2019 in the year 2011-12. The growth rate of the bank is very good in the year 2010-11 as it is 41.06 per cent. The trend shows that the bank is opening up new branches in many areas to reach the customers. The bank has made a large progress in terms of number of branches. The segment target by the bank for expanding branches is easily met by the bank by increasing the number of branches.
- ✓ It has been observed that the number of bank employees have steadily increased over a period of time. The employees are considered the strength of the bank as they are the people who are going to implement the CRM initiatives of the bank and make the banking activities reach the customers. The bank employees were 14739 in the year 2007-08 which has reached to 37901 in the year 2011-12. In the year 2008-09 the growth rate is 33.91 per cent, 2009-10 the growth rate is 20.49 per cent and finally 2011-12 growth rates are 19.42 per cent. The trend shows that the bank performance is improving years by year and bank requires more employees to meet the requirements of the people for the initiatives taken by the bank in relation to CRM.
- ✓ Business per employee registered more ups and down in the past few years. The data shows that the bank growth rate in business per employee in 2009-10 and 2010-11 where the bank had a positive sign of 4.81 per cent and 25.65 per cent respectively but in the other years considered for the study the business per employee is not so significant. They are in negative terms. In the last two years, the growth rate was drastically reduced to negative numbers.
- ✓ The above table indicates that profit per employees has been 20 per cent in the year 2009-10, which is the highest level identified during the study period. In 2008-09 it is 19.05 per cent and during 2010-11 it is 16.67 per cent. The bank profit per employee in 2011-12 declined when compared to 2008-09 to 2011-12 it is just 7.14 per cent. The CRM activities need to be properly managed in order to increase the profit per employee.

VII. IMPACT OF CRM ON THE PERFORMANCE OF KARNATAKA BANK

Karnataka bank is one of the premier private banks in the state of Karnataka. The bank has developed a comprehensive range of products and services for different kind of customers. The bank has understood that all customers are unique and aspirations of the customers are varied. The bank has deployed modern technology to build a long term relationship. The bank provides products/services according to the choice of the customers. The bank has undertaken CRM initiatives to make the customer delighted. The performance of the bank has been assessed by selecting a few parameters.

| Factors | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|-----------------------|---------|---------|---------|---------|---------|---------|
| No. of branches | 453 | 469 | 486 | 501 | 527 | 574 |
| Growth rate (in %) | - | 3.53 | 3.62 | 3.09 | 5.19 | 8.92 |
| No. of employees | 4677 | 4947 | 5244 | 5795 | 6087 | 6339 |
| Growth rate (in %) | - | 5.77 | 6.00 | 10.51 | 5.04 | 4.14 |
| Business per employee | 58.90 | 64.90 | 72.70 | 77.10 | 85.90 | 96.60 |
| Growth rate (in %) | - | 10.19 | 12.19 | 6.05 | 11.41 | 12.46 |
| Profit per employee | 0.50 | 0.50 | 0.30 | 0.40 | 0.40 | 0.50 |
| Growth rate (in %) | - | 0 | -40 | 33.33 | 0 | 25 |

Source: RBI Annual Report

Amount: Rupees in Millions

Table 4: Performance of Karnataka Bank from 2007-08 to 2012-13

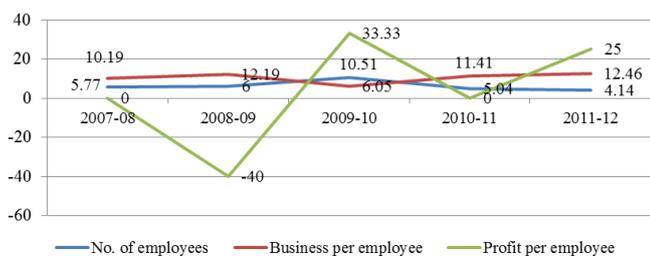


Chart 4: Growth Rate of Karnataka Bank from 2007-08 to 2012-13

On the basis of data compiled in the above table, the following analysis has been carried out:

- ✓ The Karnataka bank has steadily increased the number of branches from 2007-08 to 2012-13. The maximum growth rate of the bank in terms of number of branches is 8.92 per cent in the year 2012-13. The bank's lowest growth rate is 3.09 per cent in 2010-11. The data shows that the bank is using CRM as a strategy to increase its customer base by opening up new branches in remote and sub-urban areas.
- ✓ The number of employees of Karnataka bank has also increased constantly from 2007-08 to 2012-13. The bank has understood that the customer requirements are unique. In order to meet the expectation, there is a need to recruit more number of employees. The bank in the year 2010-11 has a growth rate in terms of number of employees is 10.51 per cent. The bank has increased number of employees to improvement CRM initiatives effectively and to maximize the wealth of the bank.
- ✓ The bank is able to generate positive business per employee from 2007-08 to 2012-13. In all the years selected for the research the bank has improved its business per employee. The employees of the bank have maintained a consistent growth rate in all the years except during the year 2010-11.

- ✓ In terms of profit per employee the bank is able to obtain positive growth only from 2010-11 periods with 33.33 per cent. Though in the next year itself there is zero growth rate in 2011-12. The bank with the implementation of effective CRM practices has increased the growth rate of profit per employee from zero to 25 per cent in 2012-13. The CRM is a very important fact for the earning profit per employee.

VIII. CONCLUSION

In India the commercial banks have started contributing good services, particularly after the initiations of reforms that took place after 1991. After the entry of private sector foreign banks, public sector banks and even private sector banks have become competitive in nature and efforts are made to improve their service delivery to its customers. The opening of new private and foreign banks which provided technology aided services like mobile banking, internet banking etc. have electrified the banking atmosphere in India, and private banks has added a new dimension to automation system in Indian banking sector.

REFERENCES

- [1] Amy Hawke and Troy Heffernan (2006), Interpersonal Liking in Lender-Customer Relationships in the Australian Banking Sector, International Journal of Bank Marketing, Vol. 24, No. 3, pp. 140-157.
- [2] Babin Pokharel (2006), Customer Relationship Management: Related Theories, Challenges and Application in Banking Sector, Banking Journal, Vol. 36, No. 1, pp. 19-28.
- [3] Boris Milovic (2012), Application of Customer Relationship Management Strategy in Different Business Areas, Series: Economic and Organization, Vol. 9 No. 3, pp. 341-354.
- [4] Reserve Bank of India Annual Reports
- [5] Tejinder pal Singh and Manpreet Kaur (2012), Internet Banking: Content Analysis of Selected Indian Public and Private Sector Banks' Online Portals, Journal of Internet Banking and Commerce, Vol. 17, Issue No. 1, pp. 1-10.
- [6] Yogita Narang, Atul Narang et al. (2011), Gaining the Competitive Edge Through CRM-A Study on Private Sector Banks, International Journal of Research in Finance & Marketing, July, pp. 12-30.
- [7] www.rbiannualreport.com