



A Comparative Study on Customer Relationship Management in Public and Private Sector Banks with Reference to Erode

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Abstract

Privatisation in banking sector has intensified the level of competition. Now a days banks are trying hard to increase their customer potential and to retain the existing customers. Customer Relationship Management is one such tool used to maintain and increase the customers. This study was conducted to compare the CRM practice of Public and Private Sector banks in Erode with the objective of studying the association of CRM dimensions with CRM practice of Private and Public sector banks and also to analyse the difference in services provided by Private and Public sector banks with respect to intensity of CRM practice. To justify the objectives, the researcher has taken two private sector and two public sector banks and the required data was collected from bank customers and also from bank employee. Collected primary data was analysed with chi-Square analysis. The results revealed that, the CRM dimensions such as customer acquisition, customer response, customer knowledge, customer information system and customer value have significant association with CRM practice of public and private sector banks. Similarly, there is a significant association between CRM practice and the service provided by the private and public sector banks. Hence it can be concluded that, CRM practice is effective and supportive for private and as well as public sector banks.

Keywords: CRM, CRM dimensions, customer, public and private sector banks

1. Introduction

Now a days Banking Industry is facing enormous challenges of attracting the new customers and retaining the existing ones. The common issues faced by the banks are maintaining the customer loyalty, difficulty in managing the demand and supply, handling the issues due to quality of human interaction, etc. These are need to be articulated and tackled by the bank people. The attraction, retention, and building strong customer relationships through quality services are at the heart of the modern marketing (Parasuraman, Zeithaml, & Berry, 1985) [5]. A sound marketing strategy is required to be adopted by the banker to build customer trust and retain them in the business and for competitive advantage across the industry (Ramaj, 2015) [7]. That marketing strategy should support on service quality rather than existing marketing mix (Dhananjayan, 2005) [1]. Customer Relationship Management (CRM) is an essential tool identified by the banking sector to manage customer relationships and improve customer satisfaction. CRM in banking can help banks to identify customer needs, preferences, and behaviour to provide personalized services and tailored solutions (Mishra, 2016) [9]. *Here are some ways CRM can be applied in the banking sector:*

1. Lead management: CRM can help banks to manage leads and track customer interactions, which can improve the conversion rate of leads to customers.
2. Customer profiling: CRM can help banks to create a comprehensive profile of each customer, including their contact information, account details, transaction history, and preferences. This information can be used to provide personalized services and targeted marketing campaigns.
3. Customer retention: CRM can help banks to identify at-risk customers and implement retention strategies, such as loyalty programs or special offers, to prevent them from leaving.
4. Cross-selling and up-selling: CRM can help banks to identify cross-selling and up-selling opportunities by analysing customer data and behaviour. This can help banks to offer relevant products and services to customers, increasing revenue and customer loyalty.
5. Complaint management: CRM can help banks to manage customer complaints efficiently, ensuring that each complaint is addressed promptly and satisfactorily.

Overall, CRM can help banks to improve customer relationships, increase revenue, and reduce costs by streamlining processes and optimizing resources.

1.1. CRM in the Public Sector and Private Sector Banks

CRM in the public sector and private sector banks can have similarities and differences due to the differences in their organizational structure, goals, and customer base (Kaptan *et al.*, 1995) [8]. Here are some comparisons:

1. Organizational structure: Public sector banks have a hierarchical structure with centralized decision-making, whereas private sector banks have a more decentralized structure with decision-making at the branch level. This affects the implementation of CRM strategies, as public sector banks may face more bureaucratic hurdles, while private sector banks may be more agile in implementing CRM initiatives.
2. Customer base: Public sector banks typically have a larger customer base, including low-income and rural customers. On the other hand, private sector banks usually target higher-income and urban customers. This affects the CRM strategies used, as public sector banks may need to focus on providing basic services and financial literacy, while private sector banks may prioritize personalized services and upscale offerings.
3. Goals: Public sector banks are often driven by social objectives, such as financial inclusion and poverty reduction, while private sector banks prioritize profitability and market share. This can influence the CRM strategies used, as public sector banks may need to focus on customer education and awareness, while private sector banks may prioritize cross-selling and upselling.
4. Technology: Private sector banks often have more advanced technology infrastructure and resources, which can enable them to implement more sophisticated CRM strategies, such as predictive analytics and artificial intelligence. Public sector banks may face more budget constraints and rely more on manual processes.

Overall, while the fundamental principles of CRM apply to both public and private sector banks, the implementation can vary significantly due to differences in their organizational structure, customer base, and goals.

2. Review of Literature

Pandya Nayak & Ravi Kumar (2020) [3] have made a study titled "Customer Relationship Management Practices in Select Public and Private Sector Banks". They have attempted to measure the perception of customers of the select commercial banks namely such as SBI and Andhra bank from public sector banks whereas ICICI and HDFC from the category of private sector banks. 220 customers from each segment were taken for the study using convenience sampling technique. The result revealed that, the strategies for customer acquisition is better in public sector banks rather than private sector. Similarly, the feedback on customer friendliness is also stating that, employees of public sector banks are more friendly than, private sector bank employees. They concluded that, even though Private Banks seems to provide better facilities than the Public Sector Banks, they need to go a long way to become the customer's first preference.

Mishra *et al.* (2011) [4] have made a study to compare the CRM practice of private and public sector banks in India. The researchers have collected data from 337 bank customers of public and private sector banks in Odissa. Based on the analysis they have concluded that the number of visits by the customer to the bank has substantially gone down due to availability of ATMs. The overall scenario for banking behaviour of customers is almost similar for public and

private banks. Developing a product for the customers without knowing what customer expects is futile. As regards to the expectations and perceptions of the customers regarding service quality with respect to four different types of services, it is observed that customers of the public sector bank experiences more satisfaction compared to the private bank customers in the given sample.

Kumar *et al.* (2021) [2] have made a study titled "Customer relationship management (CRM) in the public and private sector banks in Bihar: A comparative study". The study was conducted among 250 bank employees of Bihar. The t-test results show that both the public and private sector banks differ significantly in the variables of customer contact by phone/e-mail, customer care, and innovation and quality. The ANOVA results showed that the four groups (public sector males, public sector females, private sector males, and private sector females) differed significantly in the eight variables (commitment; citizenship behaviour; customer contact by phone/e-mail; planning; improved retention & better targeting of new customers; top management support; innovation and quality; and technological readiness.

2.1. Objectives

- To study the association of CRM dimensions with CRM practice of Private and Public sector banks.
- To analyse the difference in services provided by Private and Public sector banks.

3. Research Methodology

This study is a comparative and analytical in nature which measures the perceptions of the customers of the select commercial banks namely: Indian Bank and State Bank of India from private sector. Likewise, ICICI and HDFC from the category of private sector banks. Both primary and secondary sources of data have been used. For collecting primary data, a structured questionnaire was designed and circulated among the 220 sample respondents which consist of each 100 are from public sector banks and private sector banks, 20 were bank employees.

4. Analysis

Table 1: Association of crm dimensions with crm practice of private and public sector banks.

Dimensions	CRM Practice in Private Sector Banks		CRM Practice in Public Sector Banks	
	F value	Significance	F value	Significance
Customer Acquisition	312.34	0.001	456.97	0.001
Customer Response	421.92	0.001	511.78	0.001
Customer Knowledge	378.23	0.001	491.11	0.001
Customer Information System	473.56	0.001	467.81	0.001
Customer Value Evaluation	412.56	0.001	398.22	0.001

Table 1 indicates the association of CRM dimensions with CRM practices in private sector and public sector banks. The dimensions such as customer acquisition, customer response, customer knowledge, customer information system and customer value evaluation has p value less than 0.01, hence

the null hypothesis assuming no relationship between dimensions and CRM practice in private and public sector banks has been rejected and strong significant association was found between dimensions and CRM practice in private and public sector banks

Table 2: Association between crm practice and service provided by private sector and public sector banks

Factor	Service provided by Private Sector Banks		Service provided by Public Sector Banks	
	F value	Significance	F value	Significance
CRM Practice	542.18	0.001	686.97	0.001

Table 2 explains the association between CRM practice and service provided by private and public sector banks. Since the p value is less than 0.01, the null hypothesis assuming no relationship between CRM practice and service provided by public sector and private sector banks was holds no good at it is rejected at 1 per cent level of significance. Therefore, notable relationship was found between CRM practice and service provided by public and private sector banks.

5. Findings

The CRM dimensions has strong association with CRM practice in public as well as private sector banks. Similarly, CRM is associated with the quality of service provided by the banks also. Therefore, the researcher suggested to implement all the five dimensions of CRM so that it would be helpful to attract new customers and to retain the existing one.

Conclusion

Customer Relationship Management (CRM) is crucial for both public and private sector banks. In the banking industry, customer service and satisfaction are essential for retaining customers and attracting new ones (Peppard, 2000) ^[10]. CRM helps banks to manage and track their interactions with customers, understand their needs and preferences, and develop long-term relationships with them. In conclusion, CRM is critical for both public and private sector banks as it can help them to improve customer service, increase customer loyalty, enhance profitability, streamline operations, and manage risk

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