"CRM in banking Services with reference to Internet banking services in NCR Delhi"

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Abstract

In the recent years, CRM has emerged as one of the most widely prescribed solutions for diminishing market share and sluggish growth in banking and financial sector in particular. Technology- intensive delivery channels like Internet-banking, Tele-banking, Mobile Banking and Automated Teller Machines (ATMs), etc., have created a win-win situation by extending greater convenience and multiple options for customers while providing tremendous cost advantages to the banks (G Shainesh & Avijit Choudhary, 2004).

The positive impact of technology infusion is clearly visible now in almost all the areas of banking operations, especially in the retail and payment systems in the country.

Internet banking is now widely used by many people especially in metro cities. Since this concept of banking is internet based and the services are mainly being floated in major cities of India by various public and private banks. Internet banking is also considered an important CRM tool by the banks and used as a business strategy to create, retain and maintain long-term profitable customer relationship by satisfying customer's need.

In the above framework, this research, studies the theoretical aspects of CRM in general and adoption of particular CRM practices by the leading Indian banks such as State Bank of India, ICICI bank, HDFC Bank & Punjab National Bank in particular. The main aim of this research is to study the effectiveness of IT related CRM practices followed by these banks in Internet banking.

The study uses customer opinion survey (N=400) of two public sector banks and two private sector banks and 100 respondents for each bank are taken. ANOVA provides some insights in the internet banking provided by the banks in question. The four banks taken into consideration are assumed to represent the functioning of both the private and the public sector and their CRM practices. This is done to generalize the findings and to give our recommendations and suggestions to the banks in question.

Key words: CRM, Internet Banking, Private Sector Banks, Public Sector Banks.

1.Concept of Customer Relationship Management

The true business of every organization is to make and keep customers", to enhance trust and to increase their willingness to engage in a relationship with the firm. Overall, this enhanced relationship may result in maximization of customer repeat business and revenue. The relationship with the customer is termed as CRM and is emerging as a core marketing activity with firms spending six times more to acquire new customers than to keep them (Reichild 1996).

Customer Relationship Management is a business-s strategy to acquire and retain the most valuable customers relationship. (Adenbajo 2003; CRM Guru 2003; Croteau and Li 2003; Deck 2003; Destination CRM 2002; IT Director.com 2003; Kracklauer, Passenheim, and Seifert 2001; Tan, Yen, and Fang 2002; Verhoef and Donkers 2001).CRM requires a customer – centric business philosophy and culture to support effective marketing, sales and service processes. CRM applications can enable effective customer relationship management, provided that an enterprise has the right leadership, strategy and culture. It is a key business strategy focused on infrastructure and delivery of business processes to manage and deliver customer value across multiple channels.

CRM has also been defined as tracking customer behavior to develop programs and software systems to provide one-to-one contact between the marketing business and their customer. It is the core of any customer-focused business strategy that includes the people, processes, and technology associated with sales, marketing, and service.

Various scholars have defined CRM in different ways. Some selective definitions are:

"It is an integrated efforts to identify, maintain and build up a network with individual customers and to continuously strengthen the network for the mutual benefits of both sides, through interactive, individualize and value added contacts over a long period of time" (Shani and Chalasani , 1992)
" All marketing activities directed towards establishing, developing and maintaining successful relationships with the customers" (Morgan and Hunt, 1994).
CRM leads to desirable relationship outcomes because customers tend to naturally "gravitate" towards those providers that are able to consistently deliver "superior" interactions-vis-a -vis competitors over time (Reinartz, Kraft, and Hoyer 2003).
The term CRM was first put used in 1993 by Tom Siebel, hence it is closely connected to Siebel System - an IT company. Therefore, many executives are under the misconception that CRM is principally an IT implementation projectwhich if poorly done causes CRM failures. If technology is applied to a faulty business practices, the company is going to become more efficient at doing the wrong things. If the core business strategy isn't put right first, there will be failure. Organizations must get the business strategy right first, decide which customers or segments to target, develop sensible customer acquisition, retention and development plans. Sort out the channel strategy first (direct or indirect) then sort out which products, services and bundles of value to offer to the chosen customers. Once that's in position, then one may start looking for IT to support it but not until then.

The existing literature also indicates that CRM technology plays a limited-if not insignificant-role in the relative success of CRM programs (Day and Van den Bulte 2002; Reinartz et al. 2004). Although it is possible for firms to successfully engage in CRM without the aid of technology, the value of technology in a CRM environment will only become evident when considered in light of its effects on interaction quality. Interaction quality mediates the impact of CRM technology on customer-provider relationship outcomes, and thus its contribution to CRM success has been obscured in past studies.

2. Objectives

The objective of this paper is to evaluate and analyze the effectiveness of CRM in Internet banking services by the respective banks. The study was conducted on the following parameters to evaluate the effectiveness of CRM through Internet banking.
Following Hypothesis were formulated to do our analysis and explain the result.
Ho_1: Availability of desired information on website by the banks do not differ significantly.
Ho_2: All the transactions are secure irrespective of the banks
Ho_3: There is no significant difference between the time taken by the banks to issue password & user id.
Ho_4: Customer using I banking finds user friendly website.
Ho_5: Utility bill payment facility does not differ significantly in these banks.
Ho_6: The banks in question are Prompt in responding to email query.

3.Scope of the Study

There is little research evidence to show how CRM practices are affecting banking practices. In this context, the present study attempts to find CRM practices adopted by the above-mentioned banks in NCR region. This study also tries to find the effectiveness of these practices by carrying out survey of 400 respondents who are holding accounts with these banks. The satisfaction level of the customers will indicate the effectiveness of Internet banking practices by these banks.

4.Data Analysis and Interpretation

This study examined the various practices/ technique adopted by these banks and response of the customers has been analyzed using SPSS 10.0 software program. The analysis of this data has been divided into following section:

(i) Respondents profile	(Table 1 to Table 3)
(ii) Reliability Analysis	(Table 4)
(iii) Internet banking Services Frequency Analysis	(Table 5 &6)
(iv) Internet banking Services Analysis (ANOVA)	(Table 7)

4.1 Reliability & Validity:

Table 4 reflects the result of reliability analysis- Cronbach's Alpha Value. This test measured the consistency between survey scales. A Cronbach's Alpha score of 1.0 indicate 100 percent reliability. Cronbach's Alpha score were all greater than the Nunn Ally's (1976) generally accepted score of 0.7. The score was 0.9692for Internet Banking service in the findings.

4.2 Frequency Analysis of Internet Banking:

(i). On an average 35% of respondent of ICICI bank do not use Internet banking. In case of HDFC bank 33% respondent. and in SBI and PNB 41% and 44% customers respectively do not use internet banking.

(ii). There is significant difference of 14.5% in favour of private banks in case of "availability of desired information on website.". It is significantly better than public sector banks. HDFC bank is leading in this factor with 52% satisfaction level followed by ICICI (44%), SBI (36%) and PNB (31%).

(iii) Private sector bank customers are satisfied with "the security of their transaction". The customer response is significantly in favour of private banks by 11%. In this case ICICI bank (44%) and HDFC (43%) are at similar level of customer satisfaction as compare to SBI (37%) and PNB (28%).

(iv) In case of "Time to get password and user id", which is main requirement for using Internet banking, the customer satisfaction is 11% in favour of private banks. In this case HDFC (42%), ICICI (38%), SBI (38%) and PNB (20%). It can be seen that in case of SBI the customer satisfaction level is similar to ICICI but PNB with 20% is lagging far behind.

(v). Private sector banks websites are more user friendly. Private sector banks are surging ahead of public sector banks by 11.5%. HDFC (43%) is leading in this factor, closely followed by ICICI (38%), SBI (33%).PNB (25%) is lagging behind them.

(vi). In case of utility bill payment facility, there is significant difference of 15.5% in favour of private sector banks. ICICI Bank (47%) is leading bank followed by HDFC (35%). The public sector banks SBI (28%) and PNB (23%) are way behind in these characteristics. It shows that public sector banks need to improve the services. They may tie up with more agencies to provide their bill payment through websites of these banks.

(vii) Private sector banks are prompt in replying to email query of their customers. There is significant difference of 12.5% responses in favour of private banks. ICICI bank with 40% customer satisfaction to their email query is followed by HDFC 34%, SBI 27% & PNB 22%. Satisfaction level of customer of PNB is almost half of customer satisfaction level of ICICI Bank.

(viii) ICICI Bank is the leading bank in three characteristics and HDFC bank leads in remaining three characteristics of Internet banking, whereas PNB lags behind other banks in all characteristics as per the available data. PNB and SBI may add more user-friendly feature to their website so that they can compete with private sector banks.

4.3 ANOVA Analysis:

(i) Occupation, age group and educational level of respondents are not significant factors to explain difference for any service characteristic of Internet banking. It shows that irrespective of occupation, age or education level, the respondents perceive the same services from different banks regarding Internet banking.

(ii) Availability of desired Information on website, security of transaction, time to get password, user id and prompt response to email query are significant factors in case of different banks and types of banks. It indicates that there is significant difference perceived in the Internet banking services provided by the private sector banks and public sector bank. Private sector banks with the use of latest technology are able to provide more user friendly feature on their website as compared to public sector banks. Therefore the Ho_1, Ho_2 , Ho_3 and Ho_6 are rejected with respect to individual banks and types of banks.

(iii) User friendly website and utility bill payment are not significant factors with respect to individual banks so Ho_4 and Ho_5 are accepted whereas when grouped as of types of banks (public and private), then it is significant, therefore Ho_4 and Ho_5 are rejected. This points to the fact that customer using a specific bank finds its website as user familier because of its continuous use. Probably consumer perceive that in private sector banks Internet banking is more user friendly as they provide lots of option for utility payment online as compare to public sector banks. Now even public sector banks are trying to catch up with private sector banks by adding more utility bills payment through Internet banking.

5. Conclusion

It is evident from the analysis of data that Internet banking with private sector banks are more desired as compared to the public sector banks in question. This is because of the facilities and other factors which private banks are able to provide to their customers. Individually, a few internet banking services are seen as preferred with the bank the customer has an account with and all banks enjoy almost similar level of customer satisfaction.

Since the use of Internet is expanding in India and there is no significant difference in customer perception with respect to occupation, age and educational level, there is large scope in converting the non-user customers to Internet banking. (33% to 44% respondents in these banks are non-users.) It is recommended that the banks should try to increase the awareness and convert these non-user customers to the user category. This survey does not account for the customers who are using services of multiple banks and hence can be an area for further reference and research. This can also be a small limitation of the data.

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Appendix A

Respondents' profile

On the On the basis of Occupation (Table-1)

Occupation of the respondents	Frequency	Percentage
Government service	90	22.5
Private service	143	35.8
Business	99	24.8
Student	68	17.0
Total	400	100.0

On the basis of Educational Qualification (Table-2)

Educational Qualification of the respondents	Frequency	Percentage
Post Graduation	142	35.5
Graduation	219	54.8
10+2	34	8.5
Matriculation	5	1.3
Total	400	100.0

On the basis of Age Group (Table-3)

Age Group of the respondents	Frequency	Percentage
20-25 yrs	92	23.0
26-30 yrs	51	12.8
31-35 yrs	60	15.0
36-40 yrs	66	16.5
41-50 yrs	100	25.0
51-60 yrs	23	5.8
61yrs &above	8	2.0
Total	400	100.0

Reliability Analysis - Scale (A L P H A) (Table- 4)

Reliability Coefficients

CRM Practices /Services	Number of Cases	Number of Items	Alpha Value
Internet banking	400	06	0.9692

Frequency & Comparative Analysis (Table 5)

Characteristic	ICICI Bank						HDFC Bank						SBI						PNB					
	Ex	**G**	**St**	P	W	*N*	**EX**	**G**	**St**	P	W	N	**Ex**	**gd**	**St**	P	W	N	**EX**	**gd**	**St**	P	W	N
Availability of desired information on website	20	24	**22**	0	0	34	16	**36**	19	5	0	24	17	19	**23**	2	0	39	10	21	**17**	8	3	41
Security of transaction	13	**31**	19	3		34	14	29	**31**	0	0	26	6	**31**	20	3	0	40	05	**23**	21	6	1	44
Time to get password & user id	10	**28**	22	1	2	37	14	28	**28**	3	0	27	13	**15**	30	2	0	40	09	11	**27**	6	2	42
User friendly website	15	23	**24**	2	1	35	10	**33**	22	5	1	29	11	**22**	24	3	0	40	09	16	**23**	6	1	45
Utility bill payment facility	12	**35**	12	4	1	36	11	**24**	29	1	0	35	10	18	**29**	2	0	41	06	17	**22**	9	1	45
Prompt response to email query	14	**26**	22	2	0	36	11	**23**	28	2	0	36	06	**21**	20	9	0	44	04	18	**22**	8	1	47

Abbreviations Used :

EX: Excellent, Gd – Good, Sat- Satisfactory, Pr- Poor , W- Worst ,N –not used, All figures are in Percentage

Comparative Analysis of Public sector banks (SBI & PNB) with private sector banks (ICICI& HDFC) (Table-6) All figures in percentage)

Characteristic	ICICI Bank (1)	HDFC Bank (2)	SBI (3)	PNB (4)	Pvt Sector Banks (1+2) (ICICI+ HDFC) (5)	Pub. Sector Banks (3+4) (SBI+ PNB) (6)	Comparison (Pvt-Public) (5-6) (7)
	Excellent +Good	**Excellent +Good**	**Excellent +Good**	**Excellent +Good**	**Excellent +Good**	**Excellent +Good**	**Excellent +Good**
Availability of desired information on website	44	**52**	36	31	**48**	**33.5**	***14.5***
Security of transaction	**44**	43	37	28	**43.5**	**32.5**	***11.0***
Time to get password & user id	38	**42**	38	20	**40**	**29**	***11.0***
User friendly website	38	**43**	33	25	**40.5**	**29**	***11.5***
Utility bill payment facility	**47**	35	28	23	**41**	**25.5**	***15.5***
Prompt response to email query	**40**	34	27	22	**37**	**24.5**	***12.5***

ANOVA (Table-7)

Characteristics	Occupation		Age Group		Education Level		Different Banks (SBI/PNB/ICICI/HDHC)		Type of Bank (Public/Private Sector)	
	F Value	Sig.	F Value	Sig.	F Value	Sig.	F Value	Sig.	F Value	Sig.
Availability of desired information on website	1.185	0.315	1.714	0.116	1.750	0.156	3.750	**0.011**	8.899	**0.003**
Security of transaction	0.411	0.745	1.619	0.140	0.681	0.564	4.050	**0.007**	10.044	**0.002**
Time to get password & user id	0.619	0.603	1.525	0.169	1.494	0.216	3.399	**0.018**	7.312	**0.007**
User friendly website	0.190	0.903	1.582	0.151	1.562	0.198	2.458	0.062	5.806	**0.016**
Utility bill payment facility	0.453	0.716	1.565	0.156	1.441	0.230	2.290	0.078	5.579	**0.019**
Prompt response to email query	0.924	0.429	1.867	0.085	1.045	0.373	3.192	**0.024**	9.075	**0.003**

The mean difference is significant at the 0.05 levels.