

A STUDY ON CUSTOMER RELATIONSHIP MANAGEMENT IN REGIONAL RURAL BANKS OF KERALA

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Abstract

Today, the banking sector is confronting tough challenges, specifically in the regional rural areas. Banks need to make efforts to sustain its growth and development within its focused industry market. Monitoring customer relationships is an imperative factor for the accomplishment of goals of the organization over the long term. Customer Relationship Management (CRM) is a technique that can assist banks in establishing potential relationships with their customers and increase their benefits through the viable customer relationship management system. This paper has focused on CRM practices are essential for enhancing customer satisfaction and retention within the regional rural banks of Kerala. This study has utilized 211 samples from selected regional rural banks from different parts of Kerala. Data was collected for the study by using questionnaire. The statistical tools such as Anova and SEM were applied to this study to analyze and reveal the effectiveness of Customer Relationship Management in selected regional rural banks of the study area.

Keywords: Banking sector, customer relationship, rural banks, CRM, customer satisfaction, customer retention

1. Introduction

Customer Relationship Management (CRM) is one of the rapidly developing business practices in the present environment. It is not quite the same as the regular marketing practice where the customer and the seller is taking mutual relationship to accomplish transient business goals. It empowers the business network to see their customer's prerequisites in a more customized manner. Marketers have begun to realize the significance of establishing long term and healthy relationship with customers which is the only way to sustain the business within the highly competitive industry.

CRM includes the activities that a business performs to recognize, obtain, develop and retain progressively steadfast customers by conveying the correct services or products, to the correct customer, through the perfect channel at the perfect time. For an effective operation of an organization, customers are the most notable individuals whose requirements and desires are to be appropriately dealt with these organisations. Numerous huge organisations are investing resources into dealing with relations through Customer Relationship Management. It encourages the organization to meet the customer prerequisites by applying suitable procedures and techniques. The key objective of Customer Relationship Management is to proficiently and successfully increase the gaining and retaining of customers by specifically establishing and maintaining a commonly satisfying relationship with them. The CRM practices have a direct effect on customer satisfaction evaluations and can prompt customer loyalty and retention.

CRM in banking industry is considered as one of the marketing techniques which helps in building relationship with customers. It was perceived that CRM is not a service or product but a general business methodology that empowers organizations to effectively handle relationships with their customers. CRM is fundamentally determined by the technological innovations, however unlike other innovations, CRM can help bankers rapidly and legitimately to enhance the satisfaction level of customers. CRM is an additional measurement to guarantee that what the customer expects is constant with what the bank is ready to deliver.

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2. Review of Literature

Kalaiarasi and Mugunthan (2019) mentioned that the banks play a significant function in the growth of socio-economic factors of the nation. In order to improve the living standards of the people, banks provide various facilities. In the present age, Customer Relationship Management is essential for the development and growth of banks. However, CRM has become one of the biggest challenges for the Indian banking industry as it requires a holistic approach to enhance the customer relationships.

Veni and Gayathri (2016) analyzed that the swift development of Indian banking system in the recent years is taking an initiation to reforms in financial sector. The different aspects of customer relationship management practices embraced by SBI in Virudhunagar have been dissected in this examination. The research design in this examination comprises of exploratory research whereby various angles concerning CRM in SBI have been extricated from existing investigations and tried on a sample of customers. This investigation uncovered that the Customer Relationship Management practices followed in SBI has increased satisfaction level of customers.

Joju et al (2015) determined that ECRM or Electronic CRM is a tool that accepts customer retention and loyalty to attract new customers. This technique is the latest trend in the banking business to compete with other banks. Customer segment is distinctive with customer experience in ECRM. It is critical for banks to maintain long term relationship with customers as they are becoming critical based on trust and loyalty.

Rajagopal and Sanchez (2005) suggested that the interaction between an organization and its customers is established with the strategic process of managing customer relations. This helps in maximizing the value of customers and also increases their satisfaction level. Various business units of a company are amalgamated and collaborated by using CRM. This enables the companies to have access to customer information so that they can provide better service to the customers.

3. Research Gap

On the basis of the previous researches, it can be noted that Customer Relationship Management is a common topic. Several studies have been carried out on CRM in various industries including banking industry however most of them are based on private sector banks, commercial banks or public sector banks. Findings of these studies have indicated that CRM (Customer Relationship Management) in public and private sector banks follow same level of strategies to improve retention and satisfaction level of customers. Nevertheless, little or no attention has been given to banks from regional rural areas in the context of CRM. They more focusing on marketing or HR practices within the banks. Therefore, the researcher has made an attempt to fill these gaps by investigating about the effectiveness of CRM in regional rural banks in Kerala.

4. Statement of the problem

With increasing number of banks, services and products and specifically with zero cost of switching, customers are effectively exchanging banks at whatever point they discover better services and products. The quality of service provided to customers plays a critical part in sustaining business development across all industries and banking sector has no exception in that. Today's customers know about their expectations and needs. Entry of several banks in India and their better service quality to customers has increased the expectations of customers with same level of quality from banks even in regional rural areas. Thus, it is the ideal opportunity for rural banks to improve new products and services and furthermore to refine the current services. Subsequently, the impact of implementing customer relationship management in regional rural banks is being undertaken. Especially, this study has focused on regional rural banks of Kerala as this is a major state in South west part of India with industrial and commercial significance.

5. Need for the study

Over the last few decades, banking sector has witnessed a paradigm shift of marketing operations from services to customers and has moved to Customer Relationship Management. Therefore, it has constrained many marketing activities to slow down and choose how the new challenges of CRM ought to be met adequately. The need for this study has stirred out of these challenges which are basically handled by top management of the organization. The study revolves around both employee and customer point of view of banks in light of the fact that to comprehend and improve the relevance of CRM. This study will help the CRM executives to comprehend and implement customer interface successfully, thereby facilitating high level of customer satisfaction and retention within the regional rural banks of Kerala.

6. Significance of the study

Kerala has had a conducive atmosphere for developing its banking sectors in the time of history. This study deals with CRM in regional rural banks in Kerala. It was observed that number of Kerala based banks were falling constantly and the state was unable to maintain the rich private banks due to ongoing reforms era and competitive pressures from commercial banks and other financial institutions. This was the case both in urban and rural areas of the state. Hence, there came the requirement for upgraded intensity for growth and survival of banking sector in rural district of Kerala. Thus, the regional rural banks began to move towards CRM or other customer-driven approaches.

7. Study Objectives

- To comprehend the significance of CRM (Customer Relationship Management) in banking sector of Kerala
- To study the various factors that enhance customer relationship within regional rural banks of Kerala
- To analyse the relationship between the selected study variables and retention of customers within the rural banks of Kerala.

8. Hypothesis Formulated

H₀₁: Education groups have no relation with Service Quality, Customer Interaction, Effective Marketing, Customer Satisfaction and Customer Retention.

H₀₂: Age groups have no relation with Service Quality, Customer Interaction, Effective Marketing, Customer Satisfaction and Customer Retention.

H₀₃ - Service Quality, Customer Interaction and Effective Marketing do not affect Customer Satisfaction

H₀₄ – Customer Satisfaction does not affect Customer Retention

9. Research Methodology

This section provides a brief detail about the research design, research instrument, data collection, target population, sampling method and statistical tools used for the study.

Research design: The present study has applied empirical method of research approach and has taken various factors into account for understanding the Customer Relationship Management in Regional Rural Banks of Kerala.

Research Instrument: Structured instrument was organized on the basis of study objectives. The questionnaire comprising questions/statements related to Customer Relationship Management in Regional Rural Banks were distributed to the respondents and were asked to rate the questions. The variables for the present study are Service Quality, Customer Interaction, Effective Marketing, Customer Satisfaction and Customer Retention. They were calculated on a five-point Likert scales ranging from SDA (strongly disagree) to SA (Strongly agree). Cronbach's Alpha was applied to evaluate the reliability of the questionnaires and measure the internal constancy of the variables. Cronbach's coefficient alpha was calculated for each dimension of variables to substantiate the internal reliability of all scales.

Collection of Data: This study has utilized both primary and secondary data sources to collect relevant information. Survey was carried out among the employees and customers of six selected Regional Rural Banks in various districts of Kerala to find out the service quality and customer satisfaction by using a self-constructed questionnaire prepared by the researcher. Secondary data was extracted from various journals, books, websites and government annual reports for the present study.

Population: Employees and customers of six different Regional Rural Banks in different parts of Kerala were selected as the respondents. Both male and female population was considered for obtaining relevant responses.

Sample size and sampling method: A sample population of 211 respondents was chosen for obtaining responses to the questionnaire designed for the purpose of this study. The sampling technique espoused for the present study was simple random sampling method.

Statistical tools and data analysis: The responses gathered from the respondents were computed and scrutinized by using SPSS version 20 and AMOS version 20. Statistical tools such as Descriptives statistics, One-way Analysis of Variance and SEM were used to evaluate the primary information and test the hypothesis of the this study.

10. Data Analysis

Demographic Profile of the Respondents

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From the below table, the demographic profile of the respondents can be inferred. From the collected sample 60.2% of the respondents are male and 39.8% are female. 7.6% are between 21 - 30 yrs, 26.5% are between 31 - 40 yrs, 50.7% are between the age group of 41 - 50 yrs and 15.2% of them belong to above 51 yrs. 5.7% of the respondents' education category is higher secondary, 30.3% of them are UG, 45% of them belong to PG and 19% of the respondents are professionals.

Table – 1
Demographic Profile

Factors	Frequency	Percentage
Gender		
Male	127	60.2
Female	84	39.8
Age		
21 – 30 Years	16	7.6
31 – 40 Years	56	26.5
41 – 50 Years	107	50.7
Above 50 Years	32	15.2
Education		
Higher Secondary	12	5.7
Under Graduate	64	30.3
Post Graduate	95	45.0
Professionals	40	19.0
Total	211	100.0

Analysis of Variance (Education)

H₀₁: Education groups have no relation with Service Quality, Customer Interaction, Effective Marketing, Customer Satisfaction and Customer Retention.

Table - 2

Variance		Sum of squares	Degrees of freedom	Mean square	F	Sig
Service Quality	Between Groups	6.646	2	3.323	.296	0.744
	Within Groups	2334.653	208	11.224		
	Total	2341.299	210			
Customer Interaction	Between Groups	22.904	2	11.452	1.014	0.364
	Within Groups	2348.224	208	11.290		
	Total	2371.128	210			
Effective Marketing	Between Groups	70.302	2	35.151	2.975	0.013
	Within Groups	2457.452	208	11.815		
	Total	2527.754	210			
Customer Satisfaction	Between Groups	118.424	2	59.212	2.988	0.043
	Within Groups	4122.107	208	19.818		
	Total	4240.531	210			
Customer Retention	Between Groups	80.120	2	40.060	2.238	0.010
	Within Groups	3722.951	208	17.899		

	Total	3803.071	210			
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* Significant at the 5% level

Analysis:

The above table explains that the p values for Effective Marketing, Customer Satisfaction and Customer Retention are lesser than 0.05, which makes null hypotheses to get rejected. Accept the null hypothesis for other variables, as the p-value is not at 0.05 level.

Inference:

Thus, it is clear that education groups have no relation with Service Quality, Customer Interaction, Effective Marketing, Customer Satisfaction and Customer Retention.

Analysis of Variance (Age)

H₀₂: Age groups have no relation with Service Quality, Customer Interaction, Effective Marketing, Customer Satisfaction and Customer Retention.

Table - 3

Variance		Sum of squares	Degrees of freedom	Mean square	F	Sig
Service Quality	Between Groups	15.816	3	5.272	.469	0.704
	Within Groups	2325.483	207	11.234		
	Total	2341.299	210			
Customer Interaction	Between Groups	19.696	3	6.565	.578	0.630
	Within Groups	2351.432	207	11.360		
	Total	2371.128	210			
Effective Marketing	Between Groups	10.248	3	3.416	.281	0.839
	Within Groups	2517.505	207	12.162		
	Total	2527.754	210			
Customer Satisfaction	Between Groups	64.452	3	21.484	1.065	0.036
	Within Groups	4176.079	207	20.174		
	Total	4240.531	210			
Customer Retention	Between Groups	43.066	3	14.355	.790	0.001
	Within Groups	3760.005	207	18.164		
	Total	3803.071	210			

* Significant at the 5% level

Analysis:

The table mentioned above denotes the relationship between study variables and age group of the respondents. It was perceived that reject the null hypotheses for Customer Satisfaction and Customer Retention as the p values are lesser than 0.05 levels. Nevertheless, the null hypotheses are accepted for remaining variables as their p-value is not at 0.05.

Inference:

Age groups have no relation with Service Quality, Customer Interaction, Effective Marketing, Customer Satisfaction and Customer Retention.

SEM (Structural Equation Modelling)

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Independent Variables

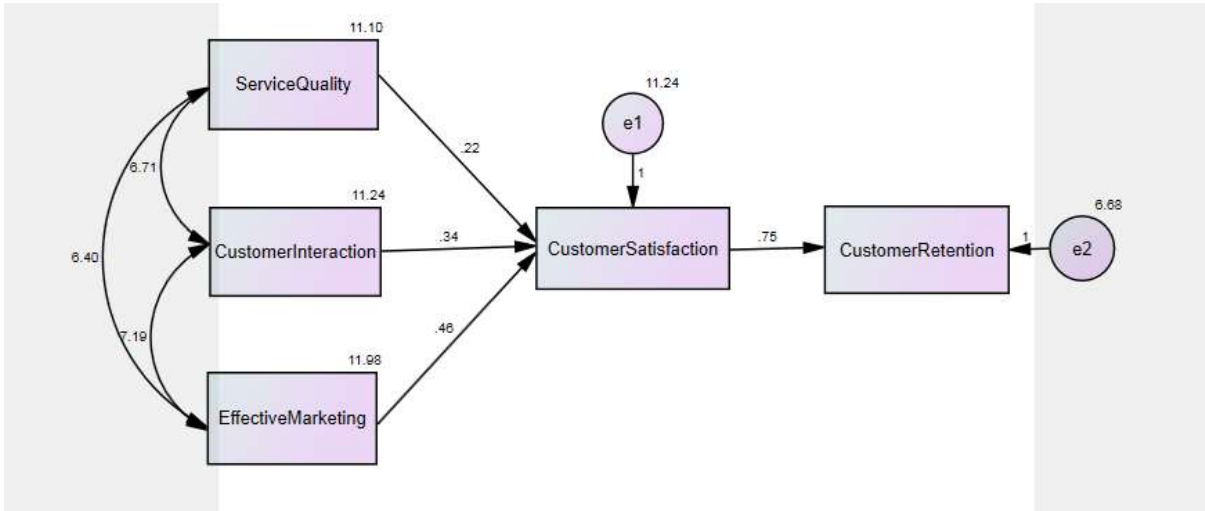
Customer Satisfaction, Customer Retention

Dependent Variables

Service Quality, Effective Marketing, Customer Interaction

Unobserved variables

e1 (Customer Satisfaction), e2 (Customer Retention)



Source: Primary Data

Table - 4

Results of Testing of Hypothesis

Variables Relationship	Estimation	SE	CR	P-Value
Customer Satisfaction <--- Service Quality	0.217	0.091	2.389	0.010
Customer Satisfaction <--- Customer Interaction	0.344	0.096	3.598	0.000
Customer Satisfaction <--- Effective Marketing	0.455	0.089	5.115	0.000
Customer Retention <--- Customer Satisfaction	0.751	0.040	18.88	0.000

Hypothesis Discussion:

H₀₃ - Service Quality, Customer Interaction and Effective Marketing do not affect Customer Satisfaction

The above given table shows that p-value (0.10) of Service Quality is lesser than the significant value (1%), thus null hypothesis is rejected. So, there exists a positive relation among the above said variables. Thus it can be concluded that Service Quality affects Customer Satisfaction.

The table also points out that p-value (0.000) of Customer Interaction is lesser than the significant value (0.01), thus null hypothesis is rejected. So, the influence of Customer Interaction on Customer Satisfaction is positive. Thus it is concluded that there is a positive relation among these variables.

At the same time, the p-value (0.000) of Effective Marketing is lesser than the significant value (0.01), thus null hypothesis is rejected. So, the influence of Effective Marketing is positive towards Customer Satisfaction. Thus it is concluded that there is a positive relation between these two variables.

H₀₄ –Customer Satisfaction does not affect Customer Retention

Also, the p-value (0.000) of Customer Satisfaction is lesser than the significant value (0.01), thus null hypothesis is rejected. So, there exists a positive relation between Customer Satisfaction and Customer Retention. Thus it is concluded that Customer Satisfaction is positively related to Customer Retention.

**Model Fit
Table – 5**

Constraints	GFI	AGFI	CFI	RMSEA	RMR
Suitable Values for Good Fit	>0.9	>0.9	>0.9	<0.06	<0.10
Values in the model	0.977	0.919	0.982	0.056	0.071

Interpretation:

The study measured the overall fit of the model to evaluate its appropriateness. The absolute Goodness of fit, GFI is found to be 0.919, Comparative fit indices CFI is observed to be 0.982 and adjusted goodness of fit is noted to be 0.919; On the other hand Root Mean Square Error of Approximation (RMSEA) is identified as 0.056 and RMR is equal to be 0.071. These SEM values do not hold any standard figures and therefore the study has taken multiple works of literature to obtain accurate results. Thus, the arrived values represents a good fit model.

11. Findings

It was inferred from the collected sample that majority (60.2%) of the respondents are male and rest (39.8%) are female. The majority (50.7%) of the respondents is between 41 - 50 years of age group and 15.2% of them belong to above 51 years. Maximum (45%) of them hold PG degree and utmost (19%) of the respondents are professionals. The relationship between age groups among Service Quality and Customer Interaction is average. The influence of education groups among Effective marketing, Customer Retention and Customer Satisfaction is moderate. There is no influence of age groups on Service Quality, Customer Interaction and Effective marketing. The created impact by age groups on Customer Satisfaction and Customer Retention is positive. The model proposed based on the study variables was analyzed by using SEM and it was found to be in good fit.

12. Suggestions

Following suggestions are provided based on the findings of the study for betterment of selected regional rural banks of Kerala in terms of providing improved service quality and customer satisfaction:

- Regional rural banks need to plan the marketing techniques and strategies for expanding the customer base for its rural branches.
- Banks in rural regions need to eliminate the lack of transparency in their activities which prompts inconsistent relationship among the employees of the bank and the customers. Banking staff ought to interface more with their customers to overcome this issue.
- Banks should open their branches in areas where customers are unable to avail the banking facilities.
- In this competitive world, Regional Rural Banks need to focus on swift, secured and qualitative banking services to attract potential customers and retain existing customers.
- Feedback of customers and employees are significant for measuring customer satisfaction level. Therefore, their feedbacks should be collected periodically.
- Banks must provide training to its employees in terms of customer approach, customer care, customer communication, body language and complaint management. This helps in maintaining a cordial relationship between the Customers and employees of the banks.

13. Limitations of the study

There are some limitations identified with this study:

- With the sample features obtained from simple random sampling method, a concrete conclusion cannot be presented as the data does not represent the entire population.
- The study observed only the factors such as Service Quality, Customer Interaction and Effective Marketing to attain customer satisfaction and retention levels in regional rural banks of Kerala. However, factors such as relationship quality, trust, customer experience etc. can also be studied.
- The survey was conducted only in the selected regions of Kerala. Future studies can be carried out in wider geographical area with large number of respondents.
- Due to time and resource constraints faced by the researcher, an attempt has been made to restrict the study with respect to method of study, choosing samples and measuring instruments.

14. Conclusion

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The level of customer satisfaction and retention in the regional rural banks of Kerala are influenced by the factors such as Customer Interaction, Service Quality, Effective Marketing, Customer Satisfaction and Customer Retention which are viewed as the Customer Relationship Management practices. The study implied that banks in regional rural areas need to adopt CRM as a strategy for managing customer relationships and as a philosophy to address the key concerns of the customers. It was also comprehended from the results of the analysis that it is customer centricity that reaches all aspects of banking and not merely the department of information and technology. Thus, banks in regional rural areas of Kerala need to be aware of the strategies and marketing techniques to attract more customers to improve their experience and intensify the relationship.

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