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BANKING INDUSTRY AND CUSTOMER RELATIONSHIP MANAGEMENT AN APPROACH

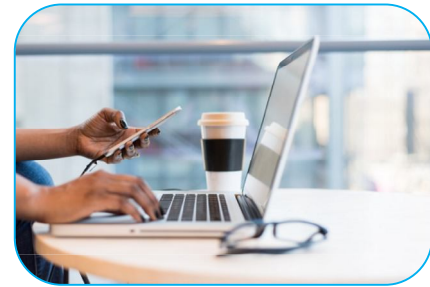
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ABSTRACT

Customer relationship management is a complete business strategy that enables an organization to maintain good relationships with customers. The customer is considered the king of the market. Customers and banks have a unique relationship. Some banks are still following traditional marketing because of many reasons like lack of training, risk of failure etc. and on the other hand; Some are adopting CRM to maintain profitable relationships with customers. In this competitive era customers have many options they are usually not loyal to any one organization, hence implementation of CRM in banking sector can lead to long term customer retention. CRM is concerned with creating, establishing and enhancing customer relationships to increase customer value. Implementation of CRM has changed the bank culture from task oriented to results oriented. But still organizations face some problems while implementing CRM such as assessing customer perception is not an easy task. This paper highlights the challenges facing the banking sector. The purpose of this research is to examine the relevance of CRM and the impact of CRM in the Indian banking sector.



KEYWORDS : Banking Industry, Customer Relation Management.

INTRODUCTION

Customer relationship management (CRM) is fundamental to building a customer-centric organization. A CRM system ties customer data together into a single and logical customer repository. In general, CRM for banks has two primary functions, acquiring customers and increasing sales to other existing customers. It is often justified by the phrase; Give the right offer to the right customer at the right time. It is believed that the successful adoption of IT-enabled CRM systems in the banking industry redefines the interaction of banks with their customers both nationally and internationally. The adoption of CRM in the banking industry largely depends on the adoption of IT culture in the country. Developed countries such as the UK today enjoy innovative technologies, built-in systems and high levels of IT maturity; Most IT projects in organizations are well managed. Customer relationship management has become indispensable for the growth and profitability of banks in the current scenario marked by increasing competition, technological advancements and empowered customers. CRM methods are adopted for product development, segmentation, proper targeting, campaign management and building a better understanding of the customer to maintain long-term profitable and mutually beneficial relationships with customers. Customer relationship management is still in its infancy in Indian banking. Its potential has been underutilized. In the current Indian banking scenario, two major phenomena are at the centre of emerging practices and policies. These are 'Technology' and

'Relationship Marketing'. The power of technology has revolutionized banking services and practices. 'Relationship marketing' is seen as the only differentiating factor that almost commoditizes banking services.

Customer Relationship Management in Bank:

The banking industry in India has accelerated the pace of reforms in the financial sector. Transformation of the financial sector is aimed at increasing the efficiency and competitiveness of the economic structure. The establishment and operation of a new generation of technology-based banks has given a new face to the Indian banking industry. CRM is an important factor in improving the performance of banks. To be better in their services, incumbent banks have shifted their focus to the dual task of accepting deposits and lending anytime and anywhere banking. Currently, customers are considered basic non-core financial assets by banks around the world. Courtesy, accuracy and speed are essential components of efficient performance of a bank. A highly satisfied customer will sell the bank and bring more new customers to increase the bank's business. Banks must adopt new policies and strategies to decide what to offer, whom to seek, when to approach, how to differentiate between product and service propositions and maximize their profitability. Banks need to differentiate themselves by offering generic products to meet the general demands of the customers and services customized to the specific needs of the customers.

Importance of Customer Relationship Management in Banking:

Banks have historically demonstrated a holistic approach to customer management and customer service. Banks today recognize that this will no longer be the case, as banks offer products and services that satisfy more than customer needs. They must be flexible, customizable and able to respond to individual customer needs for products accessible through multiple channels. In other words, it must be competitive in a competitive market. Historical trends have made banks reluctant to enter the banking CRM world that would enable frontline branch staff to manage customers through a comprehensive product package. At the initial stage of communication, the ability to understand customer needs, sell, and cross-sell a full range of financial products and services. Although the bank's senior decision makers fully understand the processes and requirements of the branches, they know nothing about their electronic customer base. It is this knowledge gap that in many cases leads to reluctance to install a CRM system. There are concerns about system-related costs, ease of access to the system by front-line staff, and sacrifice on the front line. Even more troubling for bankrupts is the abandonment of their own customers. An important point for physical retail banking is that changing peak periods to reclaim idle or unused branch resources during peak periods requires a positive impact on ROI. An integrated CRM system can help transform these resources with equal access to customer information.

Principles of Customer Relationship Management:

- **Customer Focus:** A customer is an individual or group of individuals who receive a product or service—the end product of a process or set of processes. The consumer is the ultimate arbiter of the quality, value and price of a product or service. A satisfied customer only values a service, on the contrary, a dissatisfied customer has no value for a product or service, even if the respective service or product has been created after a lot of effort, energy and thorough planning.
- **Leadership:** Persuasion, decision-making and decision-making abilities are the main characteristics of quality leadership. When there is a slight chance of getting business but the client is hesitant or indecisive or not in a position to make a proper decision, the relationship manager should follow up by listening to the patient, gently counselling and standing by him. To help a potential client clear his doubts and make him feel happy knowing that he is heading in the right direction and that he is right in choosing his needs.
- **Process Approach:** A process transforms inputs into desired outputs using resources, energy and time. There may be a single process or a group of interrelated processes producing the output. In

the case of inter-related processes, often the output from one process directly forms the input for another. For the effective functioning of an organization, it is necessary to identify and manage many interrelated activities with the help of various processes to achieve its objectives.

- **System Approach:** CRM represents the management of the entire system and not limited to one or the other sub-system or functional department. CRM is based on a systems approach to management. Its primary objective is to add value to customers by designing and improving organizational processes and systems on a continuous basis. Each subsystem may have its own objective to accomplish but the goals and objectives of all the subsystems must be integrated to achieve the overall objective.
- **Involvement of people:** The fundamentals of CRM bear the genes of customer relationship through the involvement of people, i.e., the work-force at the organization's disposal. The whole point of CRM is for the people, by the people and for the people. The success of a CRM program requires the involvement of people at all levels. Bank managers and employees should be in a position to fully utilize the concept of customer relations.
- **Mutually beneficial customer relationship:** The relationship with the customer should be based on a mutually beneficial relationship. A bank should not only focus on making profit, but should focus on creating or adding value to the customer's wealth with the motto of revenue through service. Costs are high in terms of time, effort, identifying individual needs and offering customized investment solutions. Customer retention and building long-lasting relationships are key criteria in this concept.

Implementation Challenges Faced by Bank:

- Difficulty getting a complete view of the customer.
- The need to move away from frustrated, separate and disjointed channels to provide an integrated, multichannel offering.
- Load legacy systems and various databases that store client financial data.
- The cost and complexity of meeting stringent government regulatory and consumer protection and privacy requirements.
- Potential pressures on margins and increased competition.
- Costs associated with customer retention and increasing customer loyalty. Although CRM can help banking organizations manage their customers efficiently, many banks have failed to realize this concept in the current work culture. But the high incidence of CRM failure has little to do with the CRM concept itself. Generally, banks tend to ignore customer data they already have. Many banks underestimate the intensity of CRM. They tend to treat it like any other application technology without realizing that CRM is a strategic initiative that touches all areas of the organization if done right.

Customer Benefits:

The following are some of the main benefits CRM helps banks in providing a lot of benefits to their customers. Provide lifelong service provision for corporate clients from the initial stage. Establish close, long-term relationships with profitable customers, optimize the use of bank resources, such as significant reduction and limitation of operational costs through alternative delivery systems, system automation and standardization.

- The use of modern administrative tools reduces maintenance and expansion costs that allow the bank
- Employee CRM allows businesses to gain customer retention and retrieve information from their databases to make system-wide changes.
- Cross-sell new products and services to existing customers, CRM implementation companies build better relationships with their customers, gain loyal customers and
- Higher profits, increased income and lower costs.

CONCLUSION:

There are many reasons why CRM has become so important in the last 10 years. Competition in the global market has become highly competitive, and it has become easier for customers to switch companies if they are not happy with the service they receive. One of the primary objectives of CRM is to maintain customers. When it is used effectively, a company will be able to build relationships with their customers that will last a lifetime. Customer relationship management tools will usually come in the form of software. Each software program may vary in the way it interacts with CRM. It is important to note that CRM is much more than technology. Customer relationship management can be better defined as a method, an approach that a company will use to achieve their goals. It should be directly linked to the philosophy of the company. It should guide all its strategies and be an important part of customer service and marketing. If this is not done, the CRM system will fail. An ideal CRM system should have several things in place. It should allow the company to find the elements that are of most interest to their customers. A company should realize that it is impossible for them to succeed if they do not satisfy the wants and needs of their customers. Customer relationship management is a powerful system that will allow them to do this.

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