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Manoj A. Thomas
PhD Research Scholar
Dept. of Management Studies
PGP College of Arts and
Science, Periyar University,
Salem, Tamilnadu, India.

S. Susila
Assistant Professor and
Research Supervisor,
Department of Management
Studies, PGP College of Arts
and Science, Periyar
University, Salem, Tamilnadu,
India.

Correspondence:

Manoj A. Thomas
PhD Research Scholar
Dept. of Management Studies
PGP College of Arts and
Science, Periyar University,
Salem, Tamilnadu, India.

Review Paper on Importance of Customer Perception in Banking Industry with regard to CSB Bank Ltd

Manoj A. Thomas, S. Susila

Abstract

Customer Relationship Management (CRM) is now an area which is receiving immense attention of all organizations marketing on consumer relations, and the Banking industry is no exception to this. Banks have come to realize the importance of retaining their customers and ensuring their satisfaction. As the customers are becoming more rational and informed, and with the exponential growth in the service offerings of the banks, banks need to be on their feet to survive and outperform in the cut-throat competition. In light of such considerations, the present paper discusses the significance of CRM for retail banking, the challenges associated with its implementation and the satisfaction of the customers with the services offered by the Catholic Syrian Bank of Kerala so as to evaluate the effectiveness of its existing CRM framework. The present paper confirmed the wide applicability of CRM in retail banking where poor ease of use, troublesome user interfaces, and lack of intent and fragmented use of CRM frameworks were acknowledged to be the major challenges in its implementation. The Catholic Syrian Bank also fared well on most of the consumer satisfaction arrays except for user-friendliness of their ATMs and net banking interfaces.

Keywords: Customer satisfaction, customer retention, customer loyalty, retail banking, relationship banking, relationship marketing, customer relationship strategy, service quality

1. Introduction

In the progressing changing times, the most significant test that Indian banks need to deal with lies in the domain of the management of customer relations. Customers' satisfaction is increasingly turning to be a path of success for the banking industry in India. As the customers are becoming increasingly discerning, the banks are required to meet the expectations of the customers at all times to ensure their survival in the Banking and Finance Industry. With the exponential growth in the number of branches of the banks, the services being offered by them are also increasing at a breakneck pace. As a result of such service offerings being given by almost all the banks, the customers find it easier to switch between the banks as they can avail the required service at every bank. Additionally, switching costs have almost become zero. Thus, the acquisition, maintenance and retention of their customers is of supreme importance for every banking institution (William George and Manoj, 2013).

Banks, verifiably, had been adopting a non-holistic strategy to consumer management and client administration, offering items and administrations aimed at the satisfaction of the banks as opposed to the customers' needs. However, retail banks have now been able to perceive that a non-holistic approach to consumer satisfaction would not work now. They should almost certainly respond to the individual customers' necessities for adaptable, modified administrations and services that can be accessed through various channels. At the end of the day, banks need to be competitive in a competitive market (Munaiah and Krishnamohan, 2017). Other than such changes on the suppliers' side, significant changes showed up likewise on the customers' side. Customers have turned out to be all the more demanding, increasingly proficient, sophisticated, mindful of accessible choices, free, having authority to carry out specific exercises that were previously taken care of exclusively by banks, are in a situation to consult with competitor banks and similar institutions (Heinonen, 2014). Affected by such changes in customer conduct and their needs, and with the objective

to pick up and survive market competitiveness, banks contribute a great deal of financial, human, and technological resources in customer relationship management (CRM) (Jugovic et al., 2015). Relationships must be to such an extent that both banks and customers profit by it on a long haul (Dimitriadis, 2011).

Bank's focus on quality of service and nurturing long term relationship with our customers, Bank has developed a well-recognized and trusted brand in south India, particularly in the states of Kerala and Tamil Nadu... Bank has a long operating history as a traditional bank, currently focusing on implementing strategic changes in business model to function efficiently as a full-service new age private sector bank backed by our new globally reputed promoter - FIHM. To this end, re-aligning our organizational set-up for efficiently driving our operations and business strategy, wherein branches will be responsible only for deposits, cross-selling, and customer servicing, and all loan products will be driven by dedicated teams, with each business team operating as a profit centre. Rebranded to "CSB Bank Limited" to address region and community related perceptual issues associated with our previous brand name. Bank is engaged in lateral hiring along with hiring of new recruits by offering market-based compensation with a performance linked variable pay component, including employee stock option plans, which will align our employees' interest with the performance of our Bank. CSB Bank is expanding the products suite, services, and digital banking platform, with investments in technology aimed at improving our customers' experience, making it easier for them to interact with us, and offering them a range of products tailored to their financial needs. With Bank's background, it wouldn't be inappropriate to say that the CSB Bank Ltd is very much in the league when ruminating on banking competitiveness. However, as previously discussed, to stay in the league, all banks require to quickly understand the individual customers' necessities to retain and balance a healthy customer base. While there have been several isolated pieces of information concerning the significance of CRM in the field of retail banking and a few discussing the service quality dimension and economic performance of the CSB Bank, there is a lack of a unified study in the context of CSB Bank of Thrissur, Kerala. Hence, this review paper is aimed at bridging this research gap by studying and summarizing the limited literature that has discussed the importance of CRM in retail banking in terms of customer satisfaction, loyalty, retention, trust, and bank profitability. Also, the purpose of this paper is to give a birds-eye view of the recent transformations that have been observed in the banking industry owing to the rapid rise of technology and what is the role of CRM in making the customers accustomed to such changes. This paper will also lay down a foundation for the researchers who seek to conduct meaningful thought in the said area and shall be useful for the research scholars in understanding the role of CRM in retail banking in India, specifically, the CSB Bank Ltd.

2. Research Aims and Objectives

This review is to study and identify the risk elements that may be connected with the evaluation of customer relationship management strategies to determine customer satisfaction within the CSB Bank Ltd. The objectives of the study are stated in the following:

- To evaluate the implementation of customer relationship strategy in creating customer satisfaction and loyalty in CSB Bank Ltd
- To investigate whether a customer relationship strategy helps build trust in banking services provided by CSB Bank Ltd
- To find whether customer relationship management influence the link between service quality and profitability of CSB Bank Ltd
- To analyze the role of CRM in transforming the CSB Bank Ltd from old generation banking to new generation banking

3.1 Importance of CRM Systems in Modern Retail Banking

CRM began in the developed nations, essentially in associations whose primary focus is on preserving the current customer base as a significant business section, particularly in an aggressive situation. CRM is a way of thinking, process, and ideas of improvement and management of customer relationships (Laketa et al., 2015). The notion of CRM depends on marketing techniques which consolidate inner procedures, capacities and outside systems to deliver value to customers, to accomplish benefit to be profitable in the long run (Buttle 2009). CRM can be divided into four categories which are: Strategic CRM, Operational CRM, Analytical CRM, and Collaborative CRM. Each of these subcategories holds different applications in the context of the Banking and Finance Industry (Kukoyi-Ajayi, 2015).

Any association actualizing Strategic CRM would be aiming at transforming their business into a customer-driven association with the objective of expanding customer profitability by utilizing CRM to convey better strategic data inter-departmentally (Iriana and Buttle, 2007). The business functions routinely carried on by banks come under the operational CRM. Every operational activity right from overseeing orders, making receipt/charges, sales and promotion of customer services, operational CRM helps banks or other financial institutions in playing each errand all the more productively. Operational CRM is inevitable to alleviate and eliminate the operational efficiency of banks by forming strategies pertaining to it (Kaur, 2016).

Likewise, the various benefits analyzing credit risk, targeting and marketing segmentation, and customization of new products based on consumer priorities and preferences. Similarly, the various advantages that Collaborative CRM can render include: ensuring productive customer communication over an assortment of channels, online services to diminish customer service expenses, and enabling access to customer information while connecting with customers. Moreover, one critical issue for physical retail banking is the changing peak timings bringing in the need to reallocate idle or undiscovered bank resources during peak periods, which will positively affect ROI. An incorporated CRM framework will enable in shifting these resources through equivalent access to customer data. The Banking CRM framework additionally coordinates the electronic customer identity into the association. Face-to-face interactions with clients are no longer required to pitch or up-sell banking products strategically.

3.2 Challenges Faced by Banks in Successful Implementation of CRM

Kumar and Rajesh (2009) uncovered that any bank that desires to either develop the size of its banking operation or improve its productivity must consider the difficulties influencing its customer relationship. A divided usage of the CRM framework will be a roadblock to the financial advantages from CRM frameworks as associations decide not to utilize all highlights. Instead, it is significant for the whole association to help its CRM framework and guarantee that its applications are appropriately adjusted to the requirements of the business (Khan et al., 2015). With a troublesome user interface for customers of the framework, its successful execution can be deterred or not achieved. The significance of ease of use in CRM frameworks has developed over time. These days, representatives are not patient to work through glitches. Indeed, they anticipate that the framework should be intuitive and straightforward to utilize. Poor ease of use can likewise prompt fragmented usage; this implies every division in the banking institution steps up and addresses its very own needs. In this way, an association that began with an isolated framework more often than not proceed in a similar manner (Khan and Alhusseini, 2015).

Renuga and Durga (2016) accentuated a few difficulties concerning the effective execution of CRM, for example, the trouble in getting the wholesome perspective on customers and the need to move away from disconnected, independent, and conflicting channels to render robust, multichannel services. Besides, the burden associated with detached legacy frameworks and unique databases that store customer financial information were observed. The expenses related to the adherence to the stringent government guidelines, customer security and protection prerequisites, maintenance of the existing customer base and improvement of customer loyalty were viewed as further difficulties. Besides, the researchers established that in spite of the fact that CRM can help the banking institutions in effectively dealing with their customers, yet numerous banks neglect to instill the idea into the overall banking work culture. In any case, the high rate of failure of CRM has next to nothing to do with the notion of CRM itself. Typically, it's an instance of the banks neglecting to focus on the customer data, which is under their possession. They will, in general, treat it merely like some other application innovation, without understanding that CRM, whenever done appropriately, is an important activity that is significant for all areas of its operation.

3.3 Service quality in Catholic Syrian Bank Ltd (CSB Bank Ltd)

In the absence of the availability of studies directly referring to customer relationship management in the context of the CSB Bank Ltd, this paper reviewed a few studies undertaken concerning the CSB Bank Ltd concerning the service quality and satisfaction that it offers to its customers. As service quality and consumer satisfaction is a sub-domain of CRM, such studies are relevant to this review. In this respect, Thomas and Prakash (2015) studied the impact of changing the economic environment on customer satisfaction with particular reference to CSB Ltd., Thrissur. The study tried to identify the advantages for both banks and customers with respect to the new economic background. The study made use of

Primary data, which was collected through questionnaires and interviews. The researchers analyzed changes in deposits, the number of customers of a bank, investments, as well as customer satisfaction, owing to the implementation of new policies. The study researcher concluded that overall, the customers were satisfied with the services offered by CSB.

Further, Kuriakose et al., (2011) conducted a study on Gap analysis of service quality in banks using the SERVQUAL model, particularly in the context of the CSB Bank Ltd of Kerala. The study measured service quality by gathering objective feedback of the existing customers about the services offered by CSB LTD concerning what they expected and how were the services that were actually provided. The scale developed by Parasuraman et al. having five dimensions, namely tangibility, responsiveness, assurance, reliability, and empathy, was used for this study. The results of the survey reported that CSB scored well on most of the dimensions such as customer responsiveness and security of transactions; however, there existed a gap in the service expectations as compared to the services delivered which reflected in the core areas of CSB. The study offered multiple suggestions in service offerings of the CSB Bank Ltd, such as aesthetically appealing user interface, user-friendliness and up-gradation of the variety of service offerings.

4. Findings and Discussion

The aim of the present study had been to review the importance of CRM in retail banking in terms of customer satisfaction, loyalty, retention, trust, and bank profitability. It also attempted to identify the risk factors that may be associated with the implementation of CRM strategies to determine customer satisfaction within the CSB Bank Ltd. In this respect, numerous inferences have been drawn. First, after reviewing the prevailing scenario of the CRM activities in the banks, concerning the importance of CRM in retail banking, it was identified that all four categories of CRM, i.e. the strategic, operational, analytical, and collaborative CRM have their applicability in augmenting the efficiency of different banking operations. Majorly, CRM assists by enhancing communication with the consumers, enabling fraud detection, customer retention, achieving operational cost reductions, optimization of marketing efforts, effective resource allocation, analyzing credit risk, targeting and marketing segmentation, and customized services. Any banking institution achieving efficiency in all of these service domains is likely to experience leveraged customer satisfaction, loyalty and trust.

Second, despite numerous benefits of CRM for retail banking, its practical implementation is a far cry. The present review identified various challenges linked to successful implementation of CRM, fragmented use of CRM for different operations rather than its comprehensive use across all activities. Also, poor ease of use and a troublesome user interface were identified to be certain other challenges associated with the successful execution of CRM. The expenses related to the adherence to the stringent government guidelines, customer security and protection prerequisites, maintenance of the existing customer base and improvement of customer loyalty were viewed as further difficulties. Also, more often than not, the banks underutilize their current customer database and fail

to instill the overall idea of CRM in their work culture. Third, ruminating on the service offerings and quality Service in Catholic Syrian Bank, the latest review recognized that CSB scores well in service dimensions, particularly, customer responsiveness and security of transactions. However, the existing literature accentuated to focus upon the development of a more aesthetically appealing user interface and more user-friendly online banking interface. The requirement of up-gradation of the variety of service offerings was also identified. Despite the customers being overall Enlightened in Quality Service in CSB.

5. Conclusion

Management of customer relations has turned into a major concern in Banking Industry. With remarkable advancement in the banking establishments in India, banks are progressively keen on preserving their existing customer base while focusing on new customers. As a contribution to such considerations, the latest review attempted to showcase the importance of CRM in retail banking, the challenges associated with its implementation and the satisfaction of the customers with the services offered by the CSB Bank Ltd of Kerala so as to evaluate the effectiveness of its existing CRM framework. The study recognized that CRM and its sub-domains are critically important in Banking Industry and can lead to the enhancement of customer satisfaction, loyalty, retention, trust, and bank profitability by enhancing the effectiveness of virtually all of the major banking operations. Moreover, factors such as fragmented use of CRM, poor ease of use, troublesome user interfaces, and lack of intent were observed to be the major roadblocks in the successful implementation of CRM in banks. Concerning the Catholic Syrian Bank, it came to surface that while the customers were overall satisfied with its services. Such findings also hint towards the need for the development of aesthetically appealing and more user-friendly online banking and ATM interfaces for improvement of customer satisfaction. Thus, the policymakers of the CSB can draw from such considerations to formulate effective CRM strategies which will act as an opportunity for enhancing the bank's business-related outcomes.

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