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## "CUSTOMER RELATIONSHIP MANAGEMENT: A SCALE FOR MEASURING PROFITABILITY AND PERFORMANCE OF REGIONAL RURAL BANKS"

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### ABSTRACT

*Banking sector have taken various measures to help the cause of customer relationship marketing and many a researches have been carried out to determine the best possible customer relationship management and importance in banking sectors. But there has been a countable number of works on the CRM in the banks and too less of that in the rural banks. Along with the technology evolution marketing of a service or product is also taking different versus. Now almost all the businesses are moving towards the relationship marketing so as to have the customer doing business with them for longer duration. Not just marketing but also the banking is taking a new dimension with the innovative services like "Mobile Banking", "Electronic Banking", "Banking Anywhere" etc. are common now a day's which are customer centric. Thus this study makes an effort to examine the effectiveness of the customer relationship marketing in the rural banking. This study deals with an independent variable effectiveness of CRM along with various intermediate variables such as Innovation, Accessibility, Reliability and Efficiency and the dependent variable Customer Loyalty towards Rural Banking. Further tools such as Descriptive Analysis, Factor Analysis, Regression analysis and Z test were used to determine the significant relationship or association amongst the variables. The results regarding the effectiveness of CRM in the rural banking are been listed on the basis of findings through analysis and things are concluded and suggested subsequently.*

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**KEYWORDS:** *CRM Effectiveness, Innovation, Accessibility, Reliability, Efficiency Customer Loyalty.*

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## INTRODUCTION

One of the recent days marketing is to build the relationship between the customers and the businesses, thus ensuring the relationship marketing in all the sectors and industries resulting in the up scaling of the customer base in market. Hence customer relation marketing is the strategy that is been used by the businesses to maintain the longer duration track of customers. Customer relationship management is completely customer oriented which concentrates on the customer's needs, satisfying their grieves and ensuring delighting the customer and making them happy so as to build a strong relationship by creating a sense of trust on the businesses in the customers mind. The trust which is been built through CRM practices plays a prominent role in creating customer loyalty.

Banking sector plays a major role in the economy of a nation as it is essential and basic in the world of finance. In the banking sector customer and the bank has a unique relationship amongst them. All these days bank had sort of relationship with the customers where in all the traditional marketing were used. Now evolution of new marketing concepts has put an urge for banks to think a new way of marketing where all the communication is being personalized to every individual customer rather making them feel one in the heard of customers, thus creating a better relationship with the customer is highly acknowledgeable for a bank.

Customer Relationship marketing helps the bank in determining the potential profitable customers by analysing the database of the customers. Effective analysis of the database of customers a helps the bank in investing time and devoting attention to increase the account relationships with the potential customers through the customized service, individualized and personalized marketing by making use of various marketing and sales channels of banks.

Banking sector utilizes the customer relationship marketing for customer acquisition and customer retention in today's era of competition. This has made the banks to install various customer relationship marketing initiatives and banks have started to work in customer centric thoughts. Customer relationship marketing in banks is way different from the regular activities of customer relationship marketing in the different sectors or businesses, as the bank involves financial related services and thus it is duty of banks to bring a sense of trust in customers towards the bank for prosperous and strong customer relationship and strong loyalty through the customer relationship activity.

Customer Relationship Marketing in banking requires customer support during off official hours, providing information of paying EMIs, maturity of interval deposit, issuing cards, account balance details, providing exposure of online banking, e banking, and m-banking, at regular intervals helps to managing the efficiency of the customer relationship strong which intact in building the stronger customer loyalty. Customer relationship marketing basically need to satisfy the customer and if possible delight them with the activities and services, track all the data of the customer and analyse the same for future plans, convert the leads obtained as customers to acquire newly and use all possible channels to increase the sales by retaining the existing customers as well acquiring the new ones. Thus the study helps us to figure out whether the effectiveness of CRM implemented in rural banks creates strong relationship and customer loyalty?

## LITERATURE REVIEW

Review of previously worked papers, theories and concepts, researches related to our subject or concept of research will help us to know what the previous works says about the concept and also helps us in deciding the independent and the intermediate variables to measure and fetch the relationship existing amongst those variables.

**R. Ramachandran and Dr. S Sekar.** States that out of the various dimensions of CRM customer experience is one of the major factors. An effective CRM strategy has to be laid by banks in order to satisfy the customers of the bank so as to create a whelming customer experience. Implementation of the CRM strategy effectively results in enriching the customer experience thus fostering the stronger customer relationship and customer loyalty.

**Dr. P Anbouli and T R Thiruvenkatraj.** Provides a knowledge regarding the how CRM effectiveness can be achieved and how this effectiveness would help in creating the better customer awareness regarding the banks and very significant database of the customers. Every customer will be having the perceptions regarding the activities of the CRM and the outcome of the same, thus making the CRM activities implemented to be effective. Effective CRM activity leads to well managed and tracked data of the existing customers and the prospects.

**Alemu Muleta Kebede and Zewdu Lake Tegegne.** Has carried out a work on the effect of CRM on banks performance in which they have concluded that the effectiveness of the CRM is possible when the dimensions of CRM practices as in key customer focus, Knowledge Management, CRM organisation with the help of the technology for the financial sector. This helps the banks to analyse the customer base, what's their business for the banks, what they are looking for?, how can the bank work in making the new business with the customers. So that effectiveness of CRM depends on how we concert the prospects to customers.

**Ashtiani et al, 2017.** Says that Customer Relationship Marketing help in acquiring the customer, cross buying and up selling of the services, retaining the customer's existing by delivering the high quality service. Doing so will help the banks to retain the customers as well as acquire new customers thus boosting the sales and fostering the business by increasing the revenue generation.

**Khalegy - Baygyet et al, 2014.** Carried a research work on customer relationship management practices and its impact on the performance of the business. An organisation make profit by reducing the loss of existing customers and acquiring the new customer. A strong and long term relationship is to be maintained in order to bring more customers to business and to have a long term relationship it is important to have well structured and implemented customer relationship management practices.

**Lemon K.N. and Wangenheim F, 2009.** Believes that retention of an existing customer for the bank is much more effective than fetching a new customer for the bank. Loyalty of the customer is what the banks will be looking for and this is an intolerance towards the business. Thus in order to build a stronger relationship and loyalty from customers towards the banks, banks should have a rigorous practices of customer relationship management.

## OBJECTIVES:

1. To understand the effective CRM practices in Rural Banks.
2. To examine the implementation of CRM practices in Rural Banks.
3. To ascertain the perception of customers on profitability of Rural Banks

4. To analyse the relationship between effective CRM and key variables.
5. To analyse the relationship between effective CRM and Performance and Profitability.

### **RESEARCH DESIGN & METHODOLOGY:**

Research design and methodology of the work consists of following steps:

1. Data Gathering
2. Sampling Procedure
3. Conceptual Model
4. Hypothesis
5. Analysis & Results
6. Conclusions & Recommendations
7. References

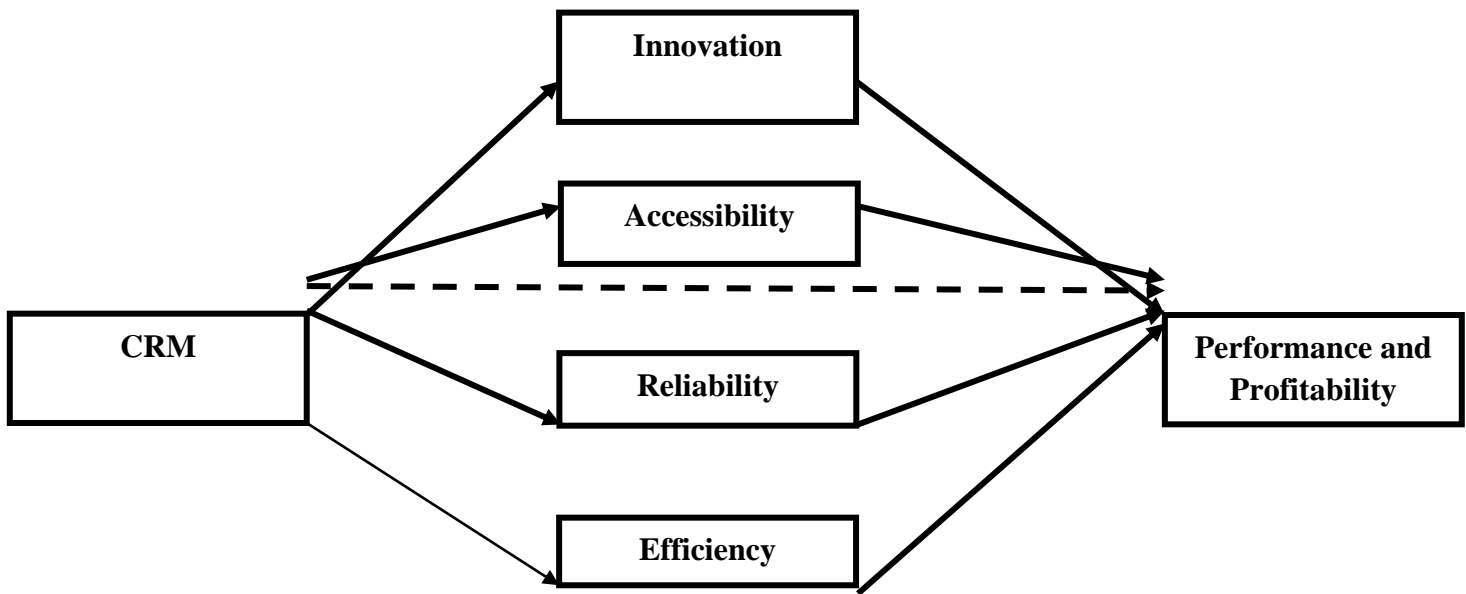
#### **1. DATA GATHERING:**

In this work, conclusive research design with quantitative and descriptive type of data analysis is opted. Data for the research is being gathered using the primary source and the secondary source for this research work. A survey is being designed to gather the primary source of data where a questionnaire is designed to take the responses from a selected number of sample. Survey questionnaire is being responded from the customers of the bank.

#### **2. SAMPLING PROCEDURE:**

In this work, researcher have employed the non probability sampling technique and in particular convenient sampling technique is being used to select the respondents, who are customers of the bank and necessary information is being gathered. An effort is made to choose a well structured sample so as to ensuring the quality of the primary data collected. A total of 120 respondents are chosen as sample and the size of sample is chosen using the standard sample size formula.

### 3. CONCEPTUAL MODEL:



**Conceptual Model of the Research work**

From the above conceptual model, Effective of CRM practices is the independent variable, Performance and Profitability of rural banks is the dependent variable that is dependent on Effective CRM practices and also on the intermediate variable Innovation, Accessibility, Reliability and Efficiency.

### 4. HYPOTHESIS:

**H<sub>0</sub>:** Effective CRM practices do not have significant relationship on Performance and Profitability.

**H<sub>1</sub>:** Effective CRM practices have significant relationship on Performance and Profitability.

**H<sub>0</sub>:** Variable Innovation do not have significant relationship with Effective CRM practices.

**H<sub>2</sub>:** Variable Innovation have significant relationship with Effective CRM practices.

**H<sub>0</sub>:** Variable Accessibility do not have significant relationship with Effective CRM practices

**H<sub>3</sub>:** Variable Accessibility have significant relationship with Effective CRM practices

**H<sub>0</sub>:** Variable Reliability do not have significant relationship with Effective CRM practices.

**H<sub>4</sub>:** Variable Reliability have significant relationship with Effective CRM practices.

**H<sub>0</sub>:** Variable Efficiency do not have significant relationship with Effective CRM practices.

**H<sub>5</sub>:** Variable Efficiency have significant relationship with Effective CRM practices.

**H<sub>0</sub>:** Variable Innovation do not have significant relationship with Performance and Profitability.

**H<sub>6</sub>:** Variable Innovation have significant relationship with Performance and Profitability.

**H<sub>0</sub>:** Variable Accessibility do not have significant relationship with Performance and Profitability.

**H<sub>7</sub>:** Variable Accessibility have significant relationship with Performance and Profitability.

**H<sub>0</sub>:** Variable Reliability do not have significant relationship with Performance and Profitability.

**H<sub>3</sub>:** Variable Reliability have significant relationship with Performance and Profitability.

**H<sub>0</sub>:** Variable Efficiency do not have significant relationship with Performance and Profitability.

**H<sub>9</sub>:** Variable Efficiency have significant relationship with Performance and Profitability.

## 5. ANALYSIS & FINDINGS:

Data that is been gathered through the survey questionnaire is analysed with the help of SPSS. A descriptive analysis is being done to check what the data is describing and to know whether the data collected is normalized or not.

### Descriptive Analysis:

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Age	120	2.9250	1.01387	.103	.221	-.947	.438
Gender	120	1.5333	.50098	-.135	.221	-2.016	.438
MS	120	1.8333	.37424	-1.812	.221	1.303	.438
Occupation	120	1.7500	.99790	.987	.221	-.369	.438
MI	120	1.9083	.51850	-.129	.221	.665	.438
BE	120	1.0750	.26450	3.268	.221	8.828	.438
NA	120	1.2333	.64474	2.419	.221	3.914	.438
RPB	120	1.8333	.55509	-.056	.221	.000	.438
I1	120	3.7250	.60755	.218	.221	-.567	.438
I2	120	4.2083	.64685	-.227	.221	-.664	.438
I3	120	4.0833	.83599	-.159	.221	-1.554	.438
A1	120	3.9917	.77238	.014	.221	-1.314	.438
A2	120	3.9583	.88304	-.663	.221	-.124	.438
A3	120	4.7917	.40782	-1.455	.221	.118	.438
R1	120	4.0750	.85172	-.145	.221	-1.612	.438
R2	120	4.4917	.63505	-.869	.221	-.273	.438
R3	120	4.3000	.66862	-.432	.221	-.758	.438
E1	120	4.1833	.59385	-.074	.221	-.324	.438
E2	120	3.7667	.87671	-.133	.221	-.773	.438
E3	120	4.3000	.65594	-.403	.221	-.720	.438
CRM1	120	4.2083	.56354	.014	.221	-.213	.438
CRM2	120	3.8833	.71224	.173	.221	-1.001	.438
CRM3	120	4.1333	.63422	-.115	.221	-.527	.438
CRM4	120	4.4667	.69733	-.938	.221	-.380	.438
PP1	120	4.2333	.81718	-.457	.221	-1.355	.438
PP2	120	4.0333	.87863	-.065	.221	-1.712	.438
PP3	120	4.2583	.78318	-.492	.221	-1.203	.438
Valid (listwise)	N 120						

**TABLE 5.1: DESCRIPTIVE STATISTICS OF THE DATA GATHERED**

From the table 5.1 the data describes mean value, standard deviation for each set of data, and the values of Skewness and Kurtosis is less than 3 and 11 respectively for almost all the set of data. Thus suggesting that the data gathered is normalized and valid to carry out the further analysis.

#### Data Adequacy Test:

Model	Kaiser-Meyer-Olkin Measured value
Dependent Variable	.786
Intermediate Variable	.889
Independent Variable	.620

**TABLE 5.2: KMO BARTLETT'S TEST**

Table 5.2 shows the value of KMO Bartlett's test run separately for the dependent, intermediate and independent variables. KMO Bartlett's test is carried out to verify whether the data is adequate enough to carry out the research further or not. For the data gathered from the responses of sample to be in good shape and appropriate to proceed further, value should be equal to or greater than .500. From the table it is evident that the data collected for the various variables in the research is suitable enough for more analysis.

#### Rotated Component Matrix:

Rotated Component Matrix is the exploratory analysis that is used reduce the dimensions by group the similar characteristics factors to extract a variable component with the help of Principal Component Analysis extraction method and Varimax rotation method.

	Component			
	A	R	E	I
R2	.776			
A1	.734			
A2	.723			
E1	.481			
R1		.869		
E3		.804		
E2			.776	
I1			.677	
A3			.648	
R3				.768
I2				.572
I3				.567

**Table5.3: Rotated Component Matrix**

**Extraction Method:** Principal Component Analysis.

**Rotation Method:** Varimax with Kaiser Normalization.

From Table 5.3 the factors under intermediate variables chosen for the data collection is being grouped into variable components to form 4 Variables namely, Innovation. Accessibility, Reliability and Efficiency.



**Reliability Analysis:**

Models	Cronbach's Alpha value	No. of items
Customer Relationship Management	.898	3
Customer Experience	.798	3
Accessibility	.872	4
Reliability	.957	2
Efficiency	.897	3
Innovation	.811	3

**TABLE 5.4: RELIABILITY STATISTICS**

Reliability analysis is performed to show how much the variable is reliable on the data collected. For the data to be reliable, value of Cronbach's alpha is to be more than 0.7. Table 5.4 shows the reliability on data for the independent, intermediate, and dependent variable with respect to the grouping of factors.

**Regression Analysis:**

Base variable	Models	Standard coefficient (Beta)	Significance
Customer Relationship Management	Performance and Profitability	0.789	0.000

**TABLE 5.5: RELATION BETWEEN BASE & DEPENDENT VARIABLE**

Table 5.5 describes the regression co-efficient that states the relation between the dependent and independent variables. Since the significance value is 0.000 the Hypothesis  $H_1$  Effectiveness of CRM have significant relationship with Customer loyalty is not rejected.

Base variable	Models	Standard coefficient (Beta)	Significance
Customer Relationship Management	Innovation	.783	0.000
	Accessibility	.489	0.024
	Reliability	.644	0.006
	Efficiency	.712	0.004

**TABLE 5.6: RELATION BETWEEN BASE & INDEPENDENT VARIABLE**

Table 5.6 describes the regression co-efficient which states the relation between the Base variable and Independent variables. Table below shows the results of hypothesis stated to find the relation between the Base and Independent variables,

Base Variable	Independent Variable	Null Hypothesis
Customer Relationship Management	Innovation	<b>Rejected</b>
	Accessibility	<b>Rejected</b>
	Reliability	<b>Rejected</b>
	Efficiency	<b>Rejected</b>

**TABLE 5.6(A): HYPOTHESIS RESULTS**



<b>Dependent Variable</b>	<b>Models</b>	<b>Standard coefficient (Beta)</b>	<b>Significance</b>
Customer Loyalty	Innovation	.488	0.004
	Accessibility	.435	0.001
	Reliability	.566	0.000
	Efficiency	.411	0.009

**TABLE 5.7: RELATION BETWEEN INDEPENDENT & DEPENDENT VARIABLE**

Table 5.7 describes the regression co-efficient which states the relation between the Intermediate variable and Dependent variables. Table below shows the results of hypothesis stated to find the relation between the Independent variable and Dependent variables,

<b>Independent Variable</b>	<b>Dependent Variable</b>	<b>Null Hypothesis</b>
Innovation	Customer Loyalty	<b>Rejected</b>
Accessibility		<b>Rejected</b>
Reliability		<b>Rejected</b>
Efficiency		<b>Rejected</b>

**TABLE 5.7(A): HYPOTHESIS RESULTS**

**6. CONCLUSION:**

In order to achieve the increase in the sales by creating personalization, an effective Customer Relationship Marketing Strategy is mandatory. Each customer have different perceptions, attitude and behaviour which relates to or impacts on the individual customer experience towards the services provided by the banks and the customer relation activities. To optimally manage the customer relationship, businesses should be having track of the customers like as how long they are with us? What are the services they have availed? What is the business or revenue generated and profit from them? With the help of the data they possess, banks can make an effort to bring in the new prospects for the business and also to retain the existing ones in the business. Achieving these through an effective CRM will helps in building a stronger relationship make the customer to trust the banks so as to increase the Customer Loyalty. Each banks will have a different methodology followed to achieve the higher profits but the key parameter for all of them is to attain the stronger customer relationship and loyalty. Thus this study ensure to make an effort in showing what would help the banks to maintain the customer loyalty. Study is evident that having an effective CRM activities and strategies will help the banks to ensuring the greater customer experience, well managed and tracked customer data, conversion of the prospects into customer and retaining existing customer for the services of bank, and Customer relationship management helps in boosting the sales. With achieving above, banks can ensure to have attain the customer loyalty that would help the banks to build a stronger relation with the customers of the bank.

**7. REFERENCES & ACKNOWLEDGEMENT:**

It's our responsibility to acknowledge and disclose the references that we have gone through in order to carry out this study.

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