

Issues and Obstacles in Customer Relationship Management in the Banking Sector

JITENDRA SINGH CHAUHAN

School of Management Studies, Dehradun, Uttarakhand, India 248002. jitendra.geu@gmail.com

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Abstract

In a time when financial institutions were growing increasingly competitive, client relationship management rose to prominence. The main objective of CRM was to help banking organizations understand their customers' current issues, past behavior, additionally future arrangements for pursuing their own goals (Bansal & Sharma, 2008). The vast majority of banks in advanced nations such as India have adopted CRM programs and recognized their value; the current study's preliminary findings designate that few consumers consider CRM has injured their relations with consumers. Hence, the focal point of this research is to emphasize CRM-related problems and challenges in India's banking sector (Foss & Stone, 2002). Also, utilizing qualitative interviews with various bank staff and clients, several of the significant issues in the Indian banking system were discovered. The results are reported in this study.

I. Introduction

Today's modern banking organizations must contend with a number of difficulties, such as increased client demands, declining profitability, an international competition for loans and deposits, rising underwriting costs, and the requirement to stay current with new technology (SAP AG, 2002). Onut et al. (2006) claim that banking and other financial service providers are aware of the benefits of client relationship administration and how it may aid in attracting new clients, retaining current ones, and maximizing their lifetime value (Krishna, 2005).

In a time when banking institutions were becoming more and more aggressive, client relationship management (CRM) rose to prominence.

Several authors have provided various definitions of managing customer relationships. CRM is described as "the framework that allows the demarcation of and rise in consumer satisfaction, and the appropriate ways by which to persuade valued clients to stay faithful, to buy

repeatedly"(Gupta et al., 2004). Businesses like banking and other financial concerns including insurance firms, and other network operators are conscious of the advantages of CRM and how it may facilitate them magnetize fresh customers, stay hold of current ones, and amplify client overall value. Ibrahim, Hamid, Babiker, and Ali proposed that tight collaboration between information systems (IT) and marketing teams is necessary for long-term client retention. As a result, many businesses utilize a variety of tools, technology, and processes to promote customer relationships and increase sales(Mbizi & Muzividzi, 2013).

Many authors have expressed varied opinions about which technologies make up the best CRM factor. When it comes to CRM deployment, Dyché (2002) contends that there is no one best solution as much as business needs are the driving force. The author provided two distinct CRM solution methods, namely operating CRM or analytical CRM(Parasuraman et al., 1985). Customer delightfulness is important since satisfied consumers function as gratis endorsement for the industry. It is found that maintaining present customers is so easy than finding the new ones. Hence, business concerns are devising plans to remain consumers and re-training staff to spotlight more on offering exceptional consumer service(Kaur, 2016).

The purpose of the company nowadays is to not only satisfy the customers, rather to be competitive in order to get their goals. Client pleasure is characterized as the quantity of pleasure at which the prerequisites, longings, and aspirations of the consumer are achieved throughout the course of the products or services, resulting to repeat shopping and brand faithfulness.

The CRM System also facilitates and simplifies connecting with customers, but this does not automatically equate to service optimization. A customer of a banking does not necessarily prefer to conduct their transaction at the branch only because they check their balance online (Dyché, 2002). The different operating CRM levels are shown in Figure 1.

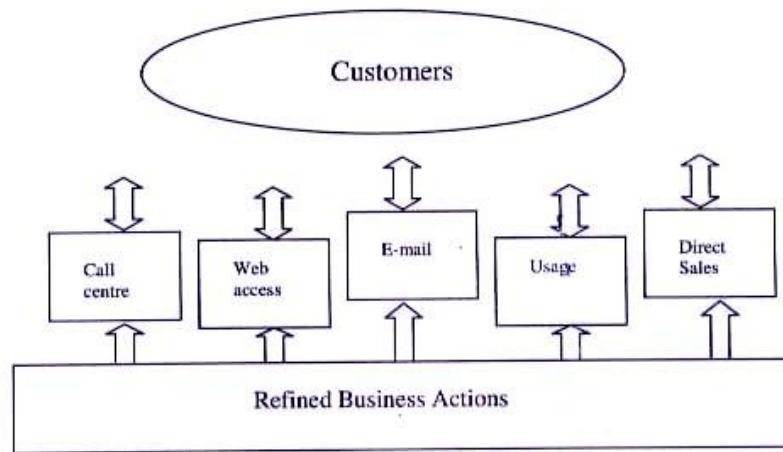


Figure 1: Operational CRM: Touching the Customer (Source: Dyche', 2002)

Figure 2 illustrates how information and methods job jointly to improve corporate operations. The sophisticated constituent of the jigsaw is the most challenging to implement, according to Dyche', (2002). Building a useful CRM picture becomes more challenging the more elements are missing. In other words, connectivity is the key if increased client devotion is the objective.

In contrast, Foss (2002) makes the case that the majority of banks worldwide are attempting to employ CRM strategies to fulfil a variety of goals. Increasing customer profitability, securing customer connections, establishing a culture and organization that is centered on the needs of the consumer, and motivating endeavor and possessions towards the majority important customer segments are among them.

According to research by Onut et al. (2006), integrating a CRM software into the financial sector enables companies to concentrate on the value of their clients while also gaining insight into consumer behavior. If indeed the CRM system fulfils its potential, the company can:

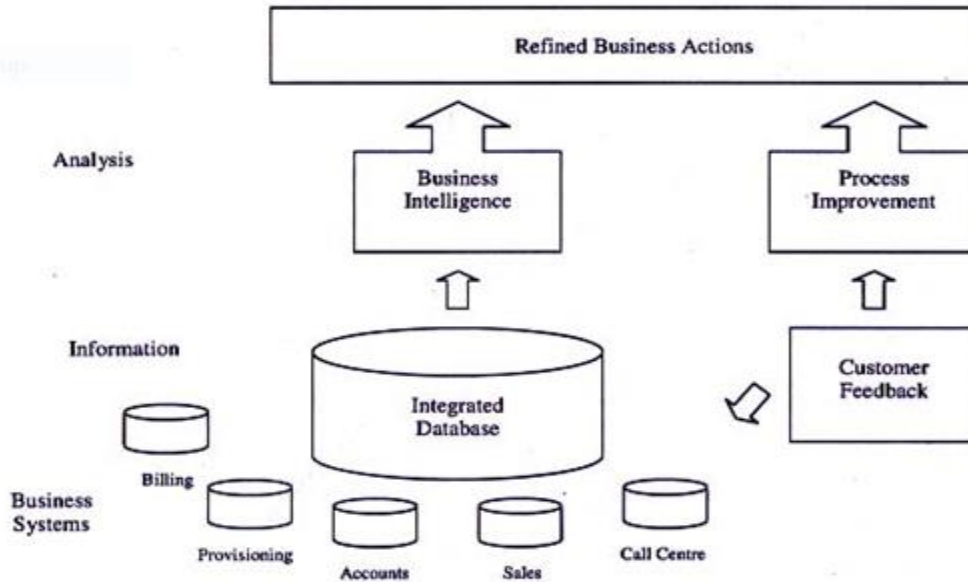


Figure 2: Analytical CRM: Understanding the Customer (Source: Dyche', 2002)

Improved consumer service,
Improved BPO effectiveness,
Bridge items,
Help salespeople in finalizing deals rapidly,
Rationalize the sales and marketing methods,
Find new customers etc.

Kinds of clients that banks serve

Clients in banks are typically divided into groups according to the variety of goods they utilise and the balances they have. Day (2000) distinguishes between two categories of bank consumers in his article. Customers who have few products and little bank balances are said to have "transaction - oriented exchange relationships" with their financial institutions. Banks priorities offering these consumers services that are economical. On the other hand, clients with a great deal of merchandise and possibly greater accounts might cooperate with banks in an "assessment" or "operative" capacity. The study goes on to state that the business exchanges relationship may be transformed into one that creates value when customers approve personnel

recommendations for additional items like investments or greater bank deposits, possibly with automatic money transfer to maximize return. The accounts are viewed as providing value from the perspective of the business as even more services and products are used by the customer and additional fees are received by the bank.

Those two customer types are generally dealt with by the majority of international banks. These clients frequently reach out to the bank through an office or call centre, commonly known as a "customer help desk."

Branches and call centre employees are accountable for managing this client relationship and have knowledge of both client and bank product details.

II. Success stories involving CRM in the financing sector

Several researches have shown that banking organizations that adopt a consumer-centered approach make more money (Formant, 2000; Melnick et al., 2000). Beginning with the early on facilities provided by ATMs, the banks further expanded to provide services such as phone banking, network banking, client care centres, etc., which steadily boosted speculation in the systems, that would be directly linked with the customers (Liu, 2007)

Many banking organizations in the US, Canada, and Europe, among others, are in front of the curve when it comes to answering client questions and offering superior services in-person, over the phone, and even through internet banking.

We highlight the CRM positive cases of banking organizations from industrialized nations like Canada and the United States and emerging nations like India. The top banks are renowned for offering outstanding consumer care and facilities.

The Canadian Royal Bank

One of North America's top diverse financial services firms, The Royal Bank—previously known as Royal Bank of Canada—is also Canada's biggest bank. It has offices in more than 30 nations and offers services to more than 12 million individuals, businesses, and government agencies globally.

So according to Khirallah's (2001) research, which described the Royal Bank of Canada's Critical success case study. The bank has vigorously utilized its consumer information to grasp its clients and generate useful sections and customer policies, as discussed in the author's discussion of the

bank's achievement with the CRM. Finally, the CEO and management team of the bank publicly and outwardly encourage the willingness to try out CRM and learn from its mistakes.

III. Methodology for Current Research

The sort of study that will be conducted has a significant impact on the approach that is chosen. Since the current research's nature is more qualitative and does not call for quantitative information like computations, exact outcomes, figures, or anything else that can be measured, On the reverse hand, social and cultural issues are the main focus of current research. Due to the nature of the current research, a case study method and its methods seem appropriate (Ibrahim et al.2015). As a result, the case study method of qualitative research forms the foundation of the current study.

IV. Data Collection

Yin (2003) makes the case that it can be challenging and complex to prepare for data gathering while doing a study of cases. If they are not managed properly, the entire case study inquiry and all prior effort may be in jeopardy. The author goes on to examine the six kinds of proof that are most frequently employed when doing case studies: conversations, documentary analysis, personal observation. The next section outlines the method of data collecting employed for the current study.

V. Case study qualitative research interviews

Interview is the first and most crucial phase of carrying out a case study research project from the list of qualitative data collecting techniques that are accessible since it outlines the precise criteria and serves as the basis for developing the case study methodology. Yin (2003) asserts that now the interviewer has two responsibilities during an interview: I to follow your line of enquiry, as demonstrated by your case study methodology, and (ii) to ask your real (conversational) questions in an objective manner that also fulfils the needs of your line of enquiry. Two distinct questionnaires were first created to conduct interviews with bank customers and personnel regarding the use of CRM across different banks in India (Raj,1997).

For each question, at least 10 volunteers were requested. The following are the key inquiries used in these interviews:

VI. Client interview questions

The primary goal of the interviews with various bank customers in India was to determine the issues people are having when using the services provided by their bank. the bank-related interview questions. The following broad category is used to inform the customer interview questions.

Customer-used goods and services,

Call centres,

Inquiry response times,

Transaction processing speeds,

and Security concerns with internet banking, shopping, etc.

VII. Results of the Interviews

In India, e-Business is still in its infancy but is expanding, with the banking industry taking the lead, according to Kundli et al. (2009). Yet, the pace is slow as a consequence of many unfavorable governmental, organizational, and technological.

Despite the fact that the majority of Indian banks have invested in obtaining and installing the most recent CRM software. Yet, these banks continue to face numerous issues, particularly in India's rural areas. These issues were discovered through discussions with various bank clients and workers. As in the case of the discussion with the branch manager at the bank in the Indian countryside.

Few consumers are aware of the existence of automated teller machines (ATMs) and internet banking, according to the manager, while others are unaware of these services. Banks should understand that they must disclose all the details of their offerings in order to retain their current clients and draw in new ones.

If not, it would be challenging for them to remain in the cutthroat industry. Another significant issue is that the IT team is undertrained in terms of technology, particularly CRM.

The following are some more speculative conclusions drawn from the interviews to date:

- At the moment, each branch takes care of its individual customers; there is no centralized customer service or automated telephone services. Customer information cannot be tracked as a result, making the idea of customer client relations nearly impossible (Long et al. 2013)

Why Each time a customer interacts with their bank, they must re-state their information because staff employees are uninformed of earlier interactions and lack quick access to data.

- Some banks' IT staff members lack the necessary training to manage CRM and other client information packages.
- The websites are crammed with graphic information but aren't clear, succinct, or educational (Anton, 1996).
- The majority of banks don't have current websites that can inform customers about their newest goods and services (Orlikowski & Baroudi, 1991).
- Some institutions do not send out letters or information packets by email or even "slow snail mail" to information useful for their clients in the event that any changes to the company account occur, such as rate modifications, etc.
- In more rural banks, major bank services like internet banking and phone banking are not available.
- The majority of banks only offer a cash card, which allows users to only withdraw money from specific ATMs. Online shopping is difficult for people without credit and debit cards.
- Call centres operate only during certain hours and are less effective.

VIII. Conclusion

India was chosen for the research project since the banking industry's present CRM approach isn't producing the anticipated results. We conducted multiple interviews with various bank customers and staff members of some well-known banks in India in order to highlight some of the significant issues. The results of these interviews are presented in this paper, but in order to enhance the current CRM strategy, we must conduct a comparison between banks in India (a developing nation) and the United Kingdom (a developed nation). U.K. banks were chosen because they have sophisticated Execution, and the United Kingdom is regarded as one of the top developed nations. Some of the targets to be utilized in future development are listed here (Dowling, 2002).

- To conduct a few interviews with various bank employees, including those from a few well-known banks in the U.K.'s IT department, investment bankers, accountants, and cashiers (Javalgi & Moberg, 1997).

- To undertake interviews with various British bank clients.
- To "light out" the flaws and shortcomings of the CRM system in India's financial sector.
- Using the findings of the interviews, compare the banking industries of India with the United Kingdom in terms of CRM deployment.
- To develop and make recommendations for a perfect CRM strategy that addresses the shortcomings and satisfies the needs of CRM in the Indian banking industry (Han-Yuh, 2007).

Before recommending the best CRM strategy for India's banking industry, the following challenges must be resolved:

- Which are the ideological and cultural barriers to CRM adoption in India's banking industry?
- How would a CRM system be defined and put into practice in a developing nation?
- What impact would CRM have on India's overall banking business strategy?
- How can various "client touch points" inside the banking industry be integrated?

What constitutes an effective CRM system within the framework of Indian banking?

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