

## Impact of customer relationship management on the performance of banks: A study of selected public sector banks in India

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### Abstract

Customer is the key to unlock business opportunities. Banks survive and thrive only on the relationship with existing customers and induction of new customers in to banker's portfolio of customers. Bank's performance depends upon large number of factors from the quality of management of a bank to the national and international economic conditions. Banks adopt various quantitative and qualitative measures to improve the performance. CRM is one of the prominent factors that influences on the performance of the banks. CRM encompasses adoption of latest technology for standardization and simplified customer friendly process for delivery of service and connecting the customer through relationship management to the process to meet the customer needs. Hence, the banks have adopted latest technology and qualitative behavioral practices to maintain a good relationship with customers.

**Keywords:** customer relationship management, performance, public sector banks, business per employee, profit per employee

### Introduction

Indian Economy in the recent past has reported a phenomenal development, which has been observed from various facets each being major contributors to the reported growth and has acted as a catalysts for growth in its GDP (being the lead indicators of economic prosperity of any Country); be it agriculture, industry or service sector (being one of the key contributors to the GDP creating prospective employment opportunity for the major resource of Indian Economy i.e. Human Resources). The development of Indian agriculture, growth of industries, increase in service sector which create large number of employment opportunities wide market opportunities and these sectors to totally depend on financial sector. These factors supporting this growth would be the catalyst for the banking sector and demands more and more for establishment of banks. Hence, it resulted in the establishment and growth of public sector banks, private sector banks, multinational banks, and other indigenous banks in India. This will lead to increased flow of savings to the banking system and a demand for retail and personal banking services like housing loans, wealth management, insurance and other financial needs. There was a severe competition among the banks to attract new and potential customers and retain existing customers becomes challenge for the banking sector. The operational, functional and customer relationship practices of public sector banks are regulated and controlled by the Reserve banks of India. They are not independent but subject to regulations of RBI. The financial aspects of private sector banks are also regulated by the Reserve bank of India but they are independent in adoption of CRM practices. The CRM Practices of banks are not statutory obligations but functional strategy. This leads to adoption of CRM practices in the banking sector in India.

### An Overview of Customer Relationship Management

The biggest advantage for retail banking will be in India's demographic profile with a declining dependency ratio. Presently the Indian CRM market can be sized at Rs. 1000-1500 Crores, which can be segmented into the market for software and services. The services segment includes outsourced CRM services, integration, training, and consultancy. The market potential for CRM services is considerably larger than the market potential for CRM software. There has been a great deal of attention on CRM technology and practices in recent times, but, the market is in a very early stage of evolution. Most respondents felt that the Indian firms were either unaware, or unconvinced about the benefits and applicability of CRM. This Research Paper analyzes the CRM Practice in public sector banks in India. The best CRM practices lead to improvement in the performance of bank. The performance of banks, inter alia, depends on CRM practices. An attempt has been made to measure and examine the performance in quantitative term. All these technological and other CRM initiative taken by banks would facilitate improvement in organization performance. It is known fact that the performance of bank depends on a large number of factors. CRM practices are one of those factors. Hence, an attempt is made to examine the performance of bank in selected parameters.

The present study has selected only a few measures to assess the performance of a bank. They are: Number of branches and its growth; Number of employees and its growth; Business per employee and its growth; and profit per employee and its growth. Based on the these parameters, impact of CRM on the performance of bank, keeping the influence of other factors constant, is examined for each of the banks selected for the study

**Objectives of the Study**

1. To provide an overview of Customer Relationship Management
2. To study the impact of Customer Relationship Management on the performance of Banks

**Impact of CRM on the Performance of State Bank of India**

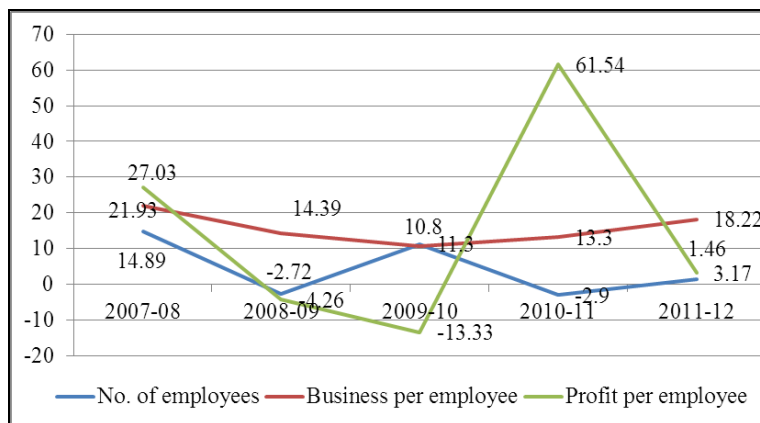
SBI is the largest Public Sector Bank in India. It has wide network of bank branches to meet the needs of customers in

different geographical areas. The bank is offering various services by adopting latest technology. This also facilitates connecting customers of bank effectively. Quality one to one behavioral practice when customer approaches a branch or through mail or phone would have a positive impact on the customers. Technology coupled with the attitude of bank in satisfying the customers influence on the performance of the bank. The data collected and compiled to examine the impact of CRM on the performance of SBI in terms of selected parameters.

**Table-1:** Performance of State Bank of India from 2007-08 to 2012-13

Factors	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
No. of branches	10683	12034	13094	14046	14316	15564
Growth rate (in %)	-	12.65	8.79	7.27	4.04	8.72
No. of employees	179205	205896	200299	222933	216481	228296
Growth rate (in %)	-	14.89	-2.72	11.30	-2.90	1.46
Business per employee	45.60	55.60	63.60	70.47	79.84	94.39
Growth rate (in %)	-	21.93	14.39	10.80	13.30	18.22
Profit per employee	0.37	0.47	0.45	0.39	0.63	0.65
Growth rate (in %)	-	27.03	-4.26	-13.33	61.54	3.17

Source: RBI Annual Report Amount: Rupees in Millions



**Fig 1:** Growth Rate of State Bank of India from 2007-08 to 2012-13

At the outset, it is evident from the data; the SBI has been successful in reporting growth from the perspectives. However, the rate of growth is not so constant. The following analysis is made to draw a conclusion:

- Though there is a financial recession, SBI was able to post 12.65 per cent growth rate in terms of opening up of new branches during the period 2008-09. Except the year 2011-12, from 2009-10 to 2012-13 there was a moderate growth in expansion of bank branches. During 2011-12, the bank has shown a very low rate of growth.
- Strength of human resources at the bank has increased by 14.89 per cent during 2008-09 compared to the preceding year. It is because of increase in number of branches. Recruitment drive has also taken place during 2010-11 registering a growth rate of 11.30 per cent. There was a meagre growth in employees’ strength during 2012-13 where there was slight decline to the tune of 2.72 percent and 2.90 per cent during years 2009-10 and 2011-12 respectively.
- It is interesting to note that the business per employee has registered a growth rate of almost 22 percent during the period 2008-09 which was a recessionary period. This growth was possible on account of increase in number of

branches, number of employees and customer relationship management. The impressive growth was also noticed during 2012-13 to the tune of 18.22 per cent. The growth rate during the period 2009-10 and 2011-12 cannot also be undermined. A moderate growth rate is also witnessed during 2010-11. The business per employee not only depends upon efficiency of employees but also depends upon the CRM practices adopted by the bank.

- There was a considerable growth in profit per employee during 2011-12 though the growth rate of business per employee was not so impressive. The growth rate in profit per employee during 2008-09 also very good at 27.03 per cent. It is alarming to note that the bank witnessed negative growth during 2009-10 and 2010-11 and very meagre growth is witnessed during 2012-13.

**Impact of CRM on the Performance of SBM**

SBM is one of the pioneer banking institutions in India. It has created a very good brand image in the banking industry. It has identified much earlier the significance of technology and CRM. A number of technological up gradation in banking process and quality behavioural practices to maintain good relationship have been adopted in this bank. As it is explained

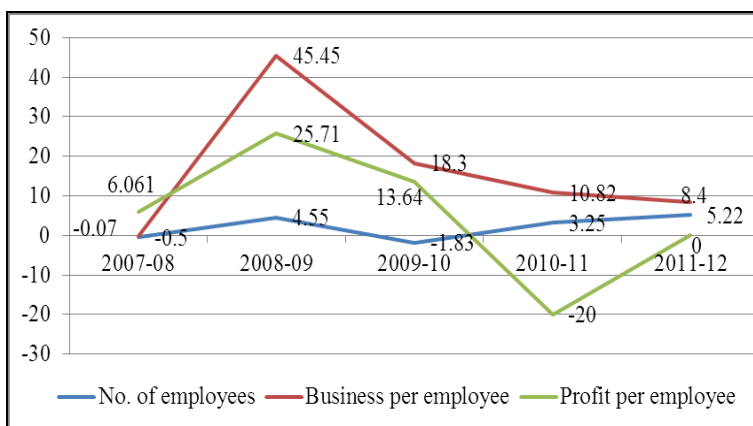
already CRM plays a major role in expansion, diversification and growth of a bank. With all these efforts, whether bank is able to improve its performance. To examine the impact of technology and other

related CRM initiatives on the performance of bank on selected parameters, an attempt has been made to examine the data compiled in the following table.

**Table 2:** Performance of State Bank of Mysore from 2007-08 to 2012-13

Factors	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
No. of branches	687	719	735	753	785	829
Growth rate (in %)	-	4.37	2.23	2.45	4.25	5.61
No. of employees	9720	9671	10111	9926	10249	10784
Growth rate (in %)	-	-0.50	4.55	-1.83	3.25	5.22
Business per employee	49.50	46.20	67.20	79.50	88.10	95.50
Growth rate (in %)	-	-0.07	45.45	18.30	10.82	8.40
Profit per employee	0.33	0.35	0.44	0.50	0.40	0.40
Growth rate (in %)	-	6.061	25.71	13.64	-20	0

Source: RBI Annual Report Amount: Rupees in Millions



**Fig 2:** Growth Rate of State Bank of Mysore from 2007-08 to 2012-13

The above table shows the performance of the bank in terms of selected parameters over a period of time.

- Over all branch network of this bank is not large. Even branch expansion growth rate during the assessment period is not so impressive. But considering the size of the bank, it can be said that the bank expansion is moderate. Even this expansion is possible because of CRM practices adopted by the bank and faith posed by the customers on this bank.
- Growth rate of employees is not so much commendable. During 2008-09 and 2010-11 a negative growth was observed. This may be due to retirement and exit of employees and focused automation in the banking operations.
- Business per employee in SBM in absolute values looks attractive. Because of lower growth rate of employee strength, employees are stressed and business per employee is strained. Banks need to improve employee's size. Negative growth rate of business per employee was noticed during 2008-09. It can be also be observed that the growth rate of business per employee has been dwindling since 2010-11. It is not a good sign in this era of survival of fittest. Though the technology improves customer relationships, the human touch is required to address the issues of customer and potential customers. Hence, technological and human approach is required to improve

customer relationship and banking business.

- Though the growth rate of business per employee was negative during the year 2008-09, and growth rate of profit per employee was positive to a little extent. It is natural to find very good growth rate per employee as a result of commendable growth rate of business per employee during 2009-10. The growth rate of profit per employee was come down during 2010-11. It is alarming to note that the profit per employee growth rate had come down drastically during 2011-12. During 2012-13 the negative growth rate was arrested but unable to tread the positive path. The bank has to focus on CRM to improve its performance. CRM is the antidote for ailing performance of banks.

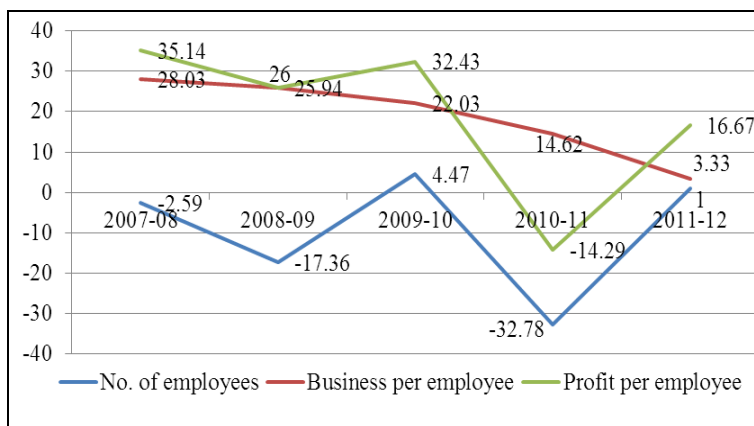
**Impact of CRM on the Performance of Canara Bank**

Canara bank is one of the leading public sector commercial banks. It offers a number of services to cater to the needs of customers and strives hard to feel the pulse of potential customers. Among the various factors that influence the growth of bank the CRM plays major role in the improvement of performance. Keeping all other factors constant, this study analyses the bank performance to examine the impact of CRM. The following table exhibits the data on performance of bank on a few selected parameters.

**Table 3:** Performance of Canara Bank from 2007-08 to 2012-13

Factors	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
No. of branches	2788	2841	3140	3347	3631	3837
Growth rate (in %)	-	1.90	10.52	6.59	8.49	5.67
No. of employees	45260	44090	43380	43397	42272	42693
Growth rate (in %)	-	-2.59	-17.36	4.47	-32.78	1.00
Business per employee	60.94	78.02	98.26	119.91	137.44	142.02
Growth rate (in %)	-	28.03	25.94	22.03	14.62	3.33
Profit per employee	0.37	0.50	0.74	0.98	0.84	0.70
Growth rate (in %)	-	35.14	26	32.43	-14.29	16.67

Source: RBI Annual Report Amount: Rupees in Millions



**Fig 3:** Growth Rate of Canara Bank from 2007-08 to 2012-13

The data in the above table reveals that the report card of Canara bank is not so impressive. The inconsistency in the performance can also be witnessed. The following analysis can be made from the data.

- The number of bank branches is increased from year to year. The growth rate of branches, it seems, is not adequate enough to exploit the business opportunities. The double digit growth rate was found only during the year 2009-10. The rate of growth of branches is miserably low in the year 2008-09.
- Canara bank is very stringent on the man power planning. There is a negative growth of employee size during the three years among the years under consideration. The bank could find and increase in size of employees during 2010-11 and 2012-13 but it is not sufficient. The bank should understand that the technology cannot replace the human resources but it supplements. The adequate quantity of quality man power generates optimum value from CRM practices.
- The amount of business per employee was increased year by year. The year on year growth rate of business per employee was impressive during first three years; it was moderate during penultimate year and it was substantially low during the last year among the years under the review. The huge decline in the employee size during 2011-12

may be the reason for the poor performance during last two years. The CRM initiatives do not generate/offer optimum values if man power is not sufficient.

- The amount of profit per employee was increased from year to year during the first three years where as it was declined during the last two years. The rate of growth of profit per employee had come down from year after year to post a high negative growth rate during the last year. It believed that the growth rate of banking business, being other factors unaltered, nowadays depends very much on the CRM practices. It can be concluded that the bank has failed in effective implementation of CRM initiatives as its impact can be seen on poor performance of bank.

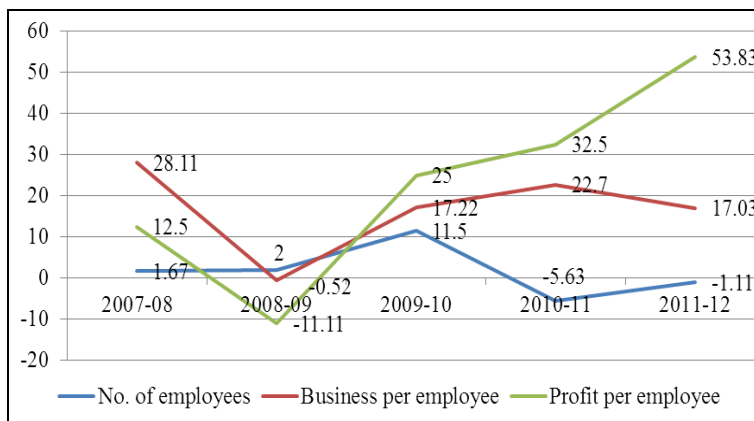
**Impact of CRM on the Performance of Syndicate Bank**

Syndicate bank is one of the fastest growing banks in both rural and urban areas. The bank has offered various forms of schemes on regular basis in order to retain existing customers and attract the new customers from the competitors. The bank has identified the value of customer for its growth and has introduced customer relationship initiatives such as online trading, SMS banking, temporary overdraft, global debit cards, mobile banking, free fund transfer etc. The bank performance has been evaluated by considering few important parameters which are analysed below.

**Table 4:** Performance of Syndicate bank from 2007-08 to 2012-13

Factors	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
No. of branches	2282	2343	2429	2620	2707	3041
Growth rate (in %)	-	2.67	3.67	7.86	3.32	12.34
No. of employees	24656	25068	25569	28509	26904	26606
Growth rate (in %)	-	1.67	2.00	11.50	-5.63	-1.11
Business per employee	58.60	75.07	74.68	87.54	107.41	125.70
Growth rate (in %)	-	28.11	-0.52	17.22	22.70	17.03
Profit per employee	0.32	0.36	0.32	0.40	0.53	0.81
Growth rate (in %)	-	12.5	-11.11	25	32.5	53.83

Source: RBI Annual Report Amount: Rupees in Millions



**Fig 4:** Growth Rate of Syndicate Bank from 2007-08 to 2012-13

From the above table the following has been observed:

- The number of branches have increased over the years. In the year 2007-08, there were only 2282 branches which have increased to 3041 in the year 2012-13. The bank has opened new branches at a constant rate in all the years between 2007-12, but during the year 2012-13 the bank increased their branches by a greater margin compared to other years under the study. This shows that the bank is able to attract more customers towards it and it is developing at a greater pace.
- In terms of number of employees the bank has 24656 employees in 2007-08 and 26,606 employees in 2012-13. The above data shows that there are some ups and downs in number of employees. The number of bank employees is increased to 28,509 in the year 2010-11 which is 11.50 per cent. The number of employees has come down to 26,909 in 2011-12 and 26,606 in 2012-13. There was downward movement from the past three years. The bank should try to improve the number of employees because it is increasing the number of branches.
- The business per employee is showing the positive sign. It is observed that the amount of business per employee is constantly improving in all the years except in 2009-10. There was a negative growth rate (-0.52%) business per employee, but in the rest of the years considered for the research, the bank has registered a good amount of business per employee. The highest business per employee was reported in the year 2011-12. It was 22.7 per cent.
- The growth in terms of profit per employee is consistent over the years. In 2009-10 there was negative profit of -11.11 per cent which was converted into positive profit in the next year itself. After 2009-10, the PPE growth rate changed drastically in all the years. The bank was able to

earn good profit and in the 2012-13 it earned highest profit per employee of 53.83 per cent. These figures shows that they were able meet the expectations of the customers and enlarged their market share and profit.

**Conclusion**

Most of the banks in India are now turning to adopt and practice new concept in Customer Relationship Management. As banks have realized that the cost of acquiring new customers is for more than the cost of retaining existing customers. This quest has led to the implementation of Customer Relationship Management in many banks. The concept of CRM is in the initial stage of implementation in banks. As it is a behavioral approach adopting the CRM philosophy in a bank is quite complex and challenging task in India. The successful in reporting growth from all the perspectives, the growth rate over the evaluation period the purpose of observing the performing efficiency of banks create more business per employee in implementation of CRM practices which create and deliver values for the customers.

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