Barriers for implementing Customer Relationship Management Strategies in Indian Banks – A Study

Mr. Nataraj B
Research Scholar, Bharathiar University, Coimbatore.

&

Dr. Rajendran.R
Assistant Professor (Sl. Gr) Department of Business Administration, Annamalai University,
Annamalai Nagar, Chidambaram, Tamil Nadu

Abstract:
Customer relationship management in banks has become a catchy word to attract, treat and retain customers. Recently Indus Ind Bank opened video calling facility through smart phones to its customers for interacting with the bank staffs and even the branch heads. Customers are being empowered and convenience to the customers is being treated as unique selling proportion for the banks. In this scenario maintaining proper relationship with the customer will improve business of the banks and could be a competitive advantage for the banks. In spite of various benefits there is a huge resistance in implementation part of CRM activities in the banks. This article analyses the barriers for implementing customer relationship management strategies in bank. A descriptive research has been carried out and convenient sampling method has been followed. The sample respondents were employees of various public and private sector banks and the sample size is 37. The analytical tools used are weighted average, cause and effect analysis and simple percentage analysis. The key findings include the major barriers for implementing CRM in Banks is lack of guidance for the employees, resistance to change and non-accountability. The results and suggestions provided in the article could be used for identifying the major obstacles for implementing Customer Relationship Management strategies in Banks, ranking the barriers for implementation and concentrating on the most important factors; the research helps in enhancing the relationship of the bankers with the customers, the research helps in improving the retail bank’s performance, and also help to improve the net worth of the customers.

Introduction
Indian banking and financial sector is expanding rapidly. India is having a potential to become fifth largest banking industry in the world by 2020. The current worth of Indian Banking Industry is Rs 81 trillion(Shine, 2014) and it consist of 27 public sector banks and 30 private sector banks and over 40 foreign banks. In this mammoth like appearance and constant growth rate banking industry is in need of continuous improvement.

Customer relationship management (CRM) is a system for managing a company’s interactions with current and future customers. It often involves using technology to organize, automate and synchronize sales, marketing, customer service, and technical support(Shaw, 1991). Cost of retaining a customer is very less when compared to cost of acquiring a new customer and more over a happy customer will spread a positive word of mouth to his friends and relatives. Even though the customer relationship management activities in Indian Banks were initiated in the late 2000 there are certain obstacles in implementation and execution of CRM as a whole. This article attempts to analyses the factors that affect implementation of CRM in Banks.

Barriers for CRM
The major barriers for implementing CRM in Banks are,
<table>
<thead>
<tr>
<th>Barriers for Implementing CRM in Banks</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to Understand Business Benefits</td>
<td>The business benefits like increase in customer satisfaction, increase in operating revenue, increased cross selling of banking products were not understood by the bankers</td>
</tr>
<tr>
<td>Lack of Guidance</td>
<td>Employees were not given proper guidance for implementing CRM. The practical issues while implementing the CRM were not addressed.</td>
</tr>
<tr>
<td>Resistance to Change</td>
<td>The employees of the bank resist the change thinking that CRM is an added burden to their normal routine.</td>
</tr>
<tr>
<td>Functional Boundaries</td>
<td>The hierarchy levels in Banks being a major cause while implementing CRM.</td>
</tr>
<tr>
<td>In adequate investment</td>
<td>CRM being treated as a cost and not as an investment.</td>
</tr>
<tr>
<td>Non Accountability</td>
<td>CRM is a collective responsibility of the bank as a whole; at times non-accountability of the CRM activities becomes a barrier for implementation.</td>
</tr>
<tr>
<td>Lack of Top Management Commitment</td>
<td>Top management should have the commitment to implement CRM as a means to improve the experience of the customer’s; lack in this commitment can become a barrier for implementing CRM.</td>
</tr>
</tbody>
</table>

Review of Literatures
Sanjit Kumar Roy (2008) in the article titled “CRM implementation in Banks” states that Customer Relationship Management (CRM) was in India more than a decade but its penetration into the industry in general and financial services sector in particular has not been very impressive. He concluded his article that “CRM solution has given the bank a higher degree of effectiveness and performance, an increased level of service, and reduced the response time. In addition to the above-mentioned benefits, CRM has helped to raise the capital value of the bank by means of better coordination between the departments of marketing and operations and has helped the bank to project service level as a differentiator from competitors, and the emphasis has shifted from sales to the customers. In the words of a marketing manager, “The integration of different distribution channels has shifted the emphasis to customers... before the implementation of CRM emphasis was on mass marketing for different products and services. After the implementation of CRM, the marketing campaign of the bank has changed—it has become more focused and influential.” CRM in the 1990s has been used.

Mustaq (2009) in his article titled “Customer Orientation of Service Employees and Organizational Performance: Empirical Evidence from Indian Banking” suggest that the penetration level of Customer Orientation of Service Employees (COSE) is very less in India when compared with the other countries. He identifies the skill requirements for the banker and specifies the linkage of COSE with the organizations performance. In the concluding note he gives a statement that ”In view of the findings that COSE positively affects employee service effort, job satisfaction, esprit de corps, commitment, and desired customer outcomes, service managers need to continuously monitor the three dimensions of COSE to facilitate their service oriented environment. More specifically, training inputs relevant to specific services offered by organizations should be identified by the managers and imparted to help service employee in dealing with the customer, e.g., interpersonal, communication, listening skills and skills required to understand as to what the customer expects during a service encounter. There is also scope for suggesting that behavioral dimensions need to be given due importance in employee performance appraisals and linking them with rewards, incentives, and promotions can go a long way to improve the customer’s experience. The technical skills can be easily imparted, but it is indeed difficult for managers to change the mindsets of the people and improve their attitude”(Mushtaq Siddiq, 2009)

Arun Kumar Agariya (2011) has developed a reliable and valid CRM (Customer Relationship Management) scale specifically catering to Indian banking sector and mentioned it in the
article titled “CRM Scale Development & Validation in Indian Banking Sector”. As a concluding note he said that Customers relay heavily upon the reputation of the bank. Some of the factors that the customer will consider for reliability are brand image, responsiveness, safety and security. These factors should be duly considered by the Indian banks in order to achieve a high degree of customer satisfaction and business performance which are the primary and compulsive goals for any business organization. The author states that “Managerially by implementing the proposed model by Indian banks can enhance their customer acquisition, customer retention and overall profitability. This will ultimately have a positive impact on Indian economy as the banking system serves as a backbone. Novelty of this work lies in the fact that considering the views of customers of different banks all across India and proposing a comprehensive model for better implementation of CRM in banking sector. The proposed CRM scale can serve as a diagnostic tool to identifying the problem areas as well as exploring new business opportunities in a much better way than even before.”

Importance of study
Recently in an article from news daily stated that “Centre invites suggestions from public to help improve banks’ performance. It was mentioned in the NEWS that there are total of 27 public sector banks, including five associate banks of State Bank of India. The apex regulating body of banks RBI has asked suggestions from the general public on issues of improving the performance of public sector banks. The statement from the news article is quoted “Suggestions from the general public as to how to improve performance of public sector banks on various parameters are invited by Department of Financial Services, Ministry of Finance, Government of India,” a Government statement said. Suggestions can be given on www.mygov.in. The NEWS daily added that to assist the general public in suggestion making the center has uploaded several comparative data of public and private sector banks. From this it can be observed that there is a huge scope for improvement of public sector banks in all parameters, especially efficiency parameters. Minister of State for Finance Jayant Sinha said it had been observed from the data that public sector banks lagged private ones on asset quality and profitability parameters(The Hindu Business Line, 2014). If a root cause analysis was done one of the maximum possible causes for this issue will be not maintaining proper relationship with the customer. This shows the seriousness of the issue and the penetration level of CRM activities is too low such that a government that too from ministry of finance is asking suggestions from general public to improve the performance of the Public Sector Banks.

Statement of the problem
The one line statement of the problem is that Relationship Marketing is not used extensively in banks. And there is a resistance for implementing CRM among bankers. Recently in a news article release RBI has insisted the banks to make mobile banking easily available to all the users. The news article quotes “The Reserve Bank of India asked banks to make the registration process for mobile banking services easy, and activate the services at the earliest to expand the reach of mobile banking. Releasing the operative guidelines for mobile banking transactions, the RBI said there is a slow pick-up of mobile banking services despite the high mobile density in the country. Banks should strive to provide options for easy registration for mobile banking services to their customers, it added.” “The time taken between registration of customers for mobile banking services and activation of the service should also be minimal” The news article also added that there is a lack of awareness among the customers of the bank about the mobile internet the RBI said in a notification. (The Hindu, 2014). Thus it is clear that most of the customers are unaware of mobile internet, had the relationship management between customers and bankers is in the right path, banking will be much easier than what it is now.

Objectives:
To analyze the barriers for implementing Customer Relationship Management strategies in Banks. To suggest various improvement measures for enhancing customer relationship and there by providing better service to customers in banks.
Research methodology
Descriptive research is being followed in this article. Depth interview was conducted with the bank employees and the answers were collected with the help of email and over phone calls. The sample respondents were employees of the bank and they were designated as assistant managers, managers and even as the branch heads of public and private sector banks.
Convenient sampling is being followed in this research and the sample size is 37. Both primary and secondary data are being used in this article. The depth interview serves as a source for primary source of data and research publications, magazines, articles and news daily served as sources of secondary data.

Results and discussion
After implementing CRM there are Business and Technological benefits for the bank.

![CRM Enhances Business Benefits](image_url)

71.4 percent of sample respondents of State Bank associated banks strongly agree that after implementing customer relationship management their banks have business and technological benefits. 30 percent of sample respondents of public sector banks, old private sector banks and new private sector bank strongly agree that after implementing customer relationship management their banks have business and technological benefits.
This shows that the employees of SBI and its associated banks are more aware of the business benefits and operational efficiency by implementing Customer Relationship Management strategies in the banks. The results also make a clear view that State bank and its associated banks are having the
business benefits and technological benefits after implementing CRM and employees are considering in their work space.

50 percent of the urban bank employees, 40 percent of the semi urban bank employees and 22.2 percent of the rural employees strongly agree that CRM enhances the business benefits. This shows that the urban bank employees are more aware and concerned about the CRM and its benefits when compared to the semi urban bank employees and rural bank employees. And the business and operational benefits are more visible to Urban employees when compare to the semi urban bank employees and rural bank employees.

Customer Base in Danger

<table>
<thead>
<tr>
<th>Bank Type</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Bank associated Public Sector Bank</td>
<td>57.14%</td>
<td>42.85%</td>
</tr>
<tr>
<td>Public Sector Bank</td>
<td>30%</td>
<td>70%</td>
</tr>
<tr>
<td>Old Private Sector Bank</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>New Private Sector Bank</td>
<td>10%</td>
<td>90%</td>
</tr>
</tbody>
</table>

From the above chart it is clear that 57 percent of the State Bank associated bank employees thinks that the customer base is in danger when the competitors adapt the CRM strategies and only 10 percent of New private sector banks feel the customer base is in danger when competitors adapts CRM. This shows that the CRM strategies could serve as bait for customers from the competitors as far as State Bank and its associates are concerned.

In case of new private sector banks they have unique CRM practices that can act as their core competencies and these bank employees feel that the CRM strategies cannot be adapted by their competitors very easily. That becomes the reason that 90 percent of the sample respondents from new private sector banks feels that customer base is not in danger even the competitors adapt CRM practices.

**Barriers to Implement CRM in Banks**

The barriers for implementing CRM in banks as identified by the researcher are

1. Failure to understand the business benefit
2. Lack of Guidance
3. Resistance to change
4. Inadequate investment
5. Non Accountability
6. Lack of Top Management Commitment
7. Functional boundaries

The cause and effect diagram or Fish Bone diagram for each factor is given in the picture below.

### Barriers for Implementing CRM

<table>
<thead>
<tr>
<th>Factors</th>
<th>Causes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to Understand Business Benefits</td>
<td>• Concentrating Too much on technology without knowing the business coherence&lt;br&gt;• In general bankers have a perception that the CRM is more technology oriented and less relevant for business integration and cross selling and the part of bankers involvement is very minimal</td>
</tr>
<tr>
<td>Lack of Guidance</td>
<td>• Proper guidance and guidance for employees relevant to CRM is not meeting the expectations in banks</td>
</tr>
</tbody>
</table>
• Bankers are obsessed with their routine job and were left with little or no time to build relationship with the customers.

Resistance to Change
• Bankers were paid poorly in India as compared to their counterparts elsewhere in the world. (Arundhati Bhattacharya, SBI Chief, 2014)
• Benefits were not adequate
• Relationship Building with the customers’ needs extra effort that affects the routine job of the employees.

Functional Boundaries
• The functional boundaries in banks that include the hierarchy and at times it could act as implementation barriers

Inadequate investment
• CRM is treated as a cost not as an investment for bankers

Non Accountability
• Each and Every activity of bank has to be accountable. Since CRM is at initial stage of implementation the accountability issue is there in the banks

Lack of Top Management Commitment
• Some banks do not have a holistic view that is the bird’s eye view of the problem and the long term benefits of the CRM, the result is the commitment towards CRM is missing in the banks.

Ranking of Factors

<table>
<thead>
<tr>
<th>Factors/Rank</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>Overall Score</th>
<th>Weighted average</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of guidance</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>5</td>
<td>6</td>
<td>0</td>
<td>2</td>
<td>3</td>
<td>192</td>
<td>6.9</td>
</tr>
<tr>
<td>Resistance to Change</td>
<td>7</td>
<td>5</td>
<td>3</td>
<td>9</td>
<td>3</td>
<td>8</td>
<td>2</td>
<td>157</td>
<td>5.6</td>
<td>2</td>
</tr>
<tr>
<td>Non accountability</td>
<td>2</td>
<td>7</td>
<td>1</td>
<td>2</td>
<td>5</td>
<td>4</td>
<td>6</td>
<td>148</td>
<td>5.3</td>
<td>3</td>
</tr>
<tr>
<td>Lack of top management involvement</td>
<td>9</td>
<td>3</td>
<td>1</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>14</td>
<td>133</td>
<td>4.8</td>
</tr>
<tr>
<td>Inadequate investment</td>
<td>4</td>
<td>3</td>
<td>5</td>
<td>4</td>
<td>8</td>
<td>7</td>
<td>6</td>
<td>131</td>
<td>4.7</td>
<td>5</td>
</tr>
<tr>
<td>Failure to understand the business benefits</td>
<td>5</td>
<td>0</td>
<td>2</td>
<td>7</td>
<td>1</td>
<td>8</td>
<td>4</td>
<td>126</td>
<td>4.5</td>
<td>6</td>
</tr>
<tr>
<td>Functional boundaries</td>
<td>1</td>
<td>5</td>
<td>7</td>
<td>2</td>
<td>6</td>
<td>7</td>
<td>9</td>
<td>121</td>
<td>4.3</td>
<td>7</td>
</tr>
</tbody>
</table>
The barriers to implement CRM was identified from various research articles and the sample respondents were asked to rate the factors from one to seven, with the assumption that one being the most important factor and seven being the least important factor. A weighted average score was given to each factor.

Weighted Average = \( \frac{w_1\times x_1 + w_2\times x_2 + w_3\times x_3 + \ldots + w_7\times x_7}{w_1 + w_2 + w_3 + w_4 + w_5 + w_6 + w_7} \)

From the weighted average score the factors were arranged in a proper order and it was identified that lack of guidance, resistance to change and accountability are the three major barriers for implementing Customer Relationship Management.

The other factors include failure to understand business benefits, functional benefits and inadequate investments that act as an obstacle for implementing Customer Relationship Management in banks.

**Findings**

The major objective of this article is to identify the obstacles for implementing CRM in Banks. The obstacles identified based on the responses from sample are

1. Lack of Guidance for the employees
2. Resistance to Change
3. Non Accountability

### Lack of Guidance to the employees:

**Causes:** The employees were not guided properly for implementing CRM in banks, the sample respondents reply that the reason for lack of guidance is that every employee is busy in doing their work and sometimes they are working extra hours for completing their routine works and they opined that they were over loaded with the tasks, there is no one to guide employees in right path regarding CRM.

**Solution:**
- A separate training and hands on experience has to be provided to the employees regarding CRM and how to handle the customers
- Work load of the employees could be reduced by introducing supporting staffs after considering the cost factors. This may also improve the responsiveness of the bankers towards customers.

### Resistance to Change

**Cause:**
- The reason for change is unclear
- Benefits and rewards are not adequate
- Employees have to put extra efforts that affects their routine job

**Solution:**

From the above chart it is clear that most of the sample respondents are aware of the business benefits so the first cause for the resistance to change is ruled out. The major concern in case of bank employees is that the benefits and rewards are not adequate and employees have to put extra effort that affects their routine job.

The possible solution to this is that the performance appraisal of the banker has to be linked with the customer relationship management capabilities of the employee. Thus rewards and incentives can motivate them to service the customers in a better way.

The extra efforts of the bankers who can maintain relationship with the customers can be identified at branch level and the fruitful efforts can be rewarded.

### Non Accountability:

**Cause:**

CRM being a new field in most of the banks and it is in the initial stage of implementation

**Solution:**

Every activity has to be accounted to a person and there should be a separate relationship manager in banks who is empowered to decide and act according to the needs of various customers.
Business Benefits:
From the results obtained from sample respondents it is clear that the employees of SBI and its associated banks are more aware of the business benefits and operational efficiency by implementing Customer Relationship Management strategies in the banks. The urban bank employees are more aware and concerned about the CRM and its benefits when compared to the semi urban bank employees and rural bank employees. The business and operational benefits are more visible to urban employees when compare to the semi urban bank employees and rural bank employees. The CRM strategies could serve as bait for customers from the competitors as far as State Bank and its associated banks are concerned. The sample respondents from new private sector banks feels that customer base is not in danger even the competitors adapt CRM practices.

Conclusion:
68000 years ago, humans beings migrated from Africa to various part of the world. Tolerance, Co Operation, Levelling down of aggression were a part of their learning activities during evolution (BALASUBRAMANIAN, 2014). The tools used for the purpose of coordination and living together are fire, fishing nets, boats, weapons, agricultural materials, building materials, etc. We are having a sophisticated living in this world now because our fore fathers understood the value of tameness and the benefits of working together. The ancestors learnt to collaborate with each other and passed their learning to their generation. In a similar way, CRM is just a tool that will enhance the business benefits to the customer and provide a win- win to the bankers as well as the customers. The business coherence of CRM should be viewed in a broader point and the bankers should overcome the barriers to reap the benefits of cooperation and collaboration with the customers.

Bibliography