

THE ROLE OF CRM PRACTICES IN INFLUENCING THE CUSTOMERS PREFERENCE FOR A COMMERCIAL BANK - EMPIRICAL STUDY ON BANK CUSTOMERS IN CHITTOOR DISTRICT

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Abstract: The present study aims to explore various factors that influence a customer in choosing a bank for his/her financial needs and to examine the relationship between these influencing factors and customer satisfaction in banking sector. An extensive review on literature was made to arrive at self-administered questionnaire that collects the responses from customers on their bank selection criteria and their satisfaction towards the bank which they use. A sample of 150 respondents was selected based on convenience sample for a questionnaire survey from three revenue divisions of Chittoor district namely Tirupati, Madanapalli and Chittoor. The sample comprises of both public sector and private sector banks namely SBI and ICICI. The collected responses were properly analysed to arrive at the findings. The study found statistical significant relationship between demographic variables and the factors selected. Further found strong relationship between bank selection criteria and customer satisfaction.

1. INTRODUCTION

The secret of success in any organization is in understanding the customers. The banking is also one such sector where customer have wide options to choose. It is essential for any bank to study how and why customers choose a particular bank so that banks investment on product development, marketing and advertising will yield customer preference or customer satisfaction or loyalty over time.

In earlier days, the public sector banks have slipped into an accepted belief that there exists no alternative to the customers. But, today there is a huge choice for a customer to stay with the same bank or move to a new one. Understanding customers is the central and foundational component of growing consideration, preference, and loyalty over time. And, while most bankers have a rather precise understanding of the number of customers the bank has, the number of accounts they hold, the average revenues from each account type, and the trends in customer business. The greatest market opportunity is in being recognized as of unique and superior value – by a specific customer segment, for a specific product. That recognition is achieved by tailoring specific products – to meet specific and significant needs. The greatest opportunity then, begins with an understanding of customer needs.

2. REVIEW OF LITERATURE

The present study has made an attempt to list all the factors that previous researchers have considered in the context of customer based bank selection criteria by extensive review of literature. Some of the important studies were listed in this section:

Venkata Seshaiah & Narender (2007) analysed the factors that affect the choice of customers in choosing the retail banks. The study involves a survey of 1000 bank customers using questionnaire as a research instrument. The study found 15 different factors that could influence the customer's choice of selecting retail banks in the order of their importance. The authors of the study recommended the bankers to reengineer their view and recognize the predilection and tang of the retail customers.

Omo (2011) investigated the determinants of banks selection criteria by banking and business customers in Nigeria. Twenty five factors were designed based on the extensive review of literature. A total of 1750 respondents from six metropolitan cities across the six geo-political zones were sampled. Their responses on the importance of 25 different factors while choosing a deposit bank were sought and analysed. The findings of the study reveal that the safety of funds and the availability of technology based service(s) are the major reasons for customer's choice of banks. Further the study found statistical significant relationship between gender, age of the customers and preferential factors.

Zainabu (2015) studied the most important factors influencing customers in respect of selecting a bank by customer in Tanga City. The study observed that the main factors which affect customer choice of financial services include financial benefit, service provision, convenience, promotion strategy, bank image, reputation and employee influence. A non-probability convenience

sampling was used and data was collected from 200 customers representing different occupations (students, other employees, bank staffs and businessmen). From the findings, consumer choice of a bank is very highly affected by economic factors.

Jesmin&Humaira (2018) focused on attributes that have influences on customers' choice about banks especially for northern region on Bangladesh. Data were collected with the help of a structured questionnaire which comprise total 35 attributes within five dimensions. The study found that modern equipment and technologies, security arrangement of bank, secure feeling in financial transaction, honesty and trustworthiness of staff and confidentiality of account information as five most important factors. In other hand five least important factors are enlarged operation hours, parking facilities, recommended by friends or relatives, sponsorships for extracurricular activities and remittance service.

Zaid Ahmad Ansari (2019) conducted a study to find out important factors for consumer in Saudi Arabia to select a bank for their banking needs. Total 300 respondents had participated in this research. A structured questionnaire has been used as research instrument comprising of 16 variables on five point Likert scale. The study found that all the selected sixteen variables are influencing a customer choice of bank. With the help of factor analysis technique sixteen variables had been grouped into three factors such as "Product offerings of the bank" consisting nine variables, "Service delivery of the bank" with five variables and "Banking institution type" includes two variables respectively.

3. OBJECTIVES & HYPOTHESES OF THE STUDY

The present study has been conducted with the following objectives:

- To understand the factors that influence a customer in selecting a bank
- To examine the relationship between demographic variables on the selection criteria of a customer while choosing a bank.
- To investigate on the relationship between customer selection criteria and customer satisfaction.

Based on the review of literature, the following hypotheses were framed to make the study more meaningful and useful:

H01: There is no significant relationship between customers demographic profile on the variables that influence in selecting a bank.

H02: There is no significant relationship between customer selection criteria towards bank and customer satisfaction.

4. METHODOLOGY

The present study is basically a **descriptive** type of research. Data was collected from both secondary and primary sources. The secondary data was collected from research articles, journals, company records and manuals while the primary data was collected by administering a structured questionnaire from the customers of selected commercial banks in Chittoor district of Andhra Pradesh during April' 2019 to September' 2019.

A pilot study with a sample size of 50 responses was conducted before arriving at the final questionnaire. Reliability analysis (Cronbach's alpha) was applied to check the reliability of items used in initial questionnaire. Based on reliability analysis and feedback from bank employees and customers, the final questionnaire was prepared.

Table 1: Reliability analysis

S. No	Scale	Items	Cronbach α value
1	Financial Benefits/ Technology	7	0.812
2	Customer Service	6	0.751
3	Peer Group Influence	3	0.695
4	Reputation	3	0.728
5	Promotion Strategy	3	0.811
6	Convenience/ Security	7	0.795
7	Customer Satisfaction	12	0.788

From the table 1, it can be noted that all the values are in good consistency as Cronbach α values are above 0.6. Hence the questionnaire is having enough consistency and reliability.

Questionnaire

The present study developed a structured questionnaire in three sections. The first section records the demographic profile of the respondents. The second section records the responses across the influencing factors in bank selection such as financial benefits, customer service, peer group influence, reputation, promotions and convenience. The third section deals with the customer satisfaction towards the bank.

Sampling design

The subjects for the study are customers of selected commercial banks. A convenience and quota sampling was used in obtaining responses to the questionnaires from customers of selected two banks: State Bank of India and ICICI Bank. 150 Questionnaires were distributed and collected from three major towns (revenue divisions) such as Chittoor, Tirupati and Madanapalli of Chittoor district where both the selected banks are delivering their banking services.

5. ANALYSIS

A sample size of 150 was collected from both public sector bank (SBI) and private sector bank (ICICI) in equal number i.e., 75 from each bank. The collected responses were coded and tabulated for analysing the data in a proper manner.

The following table 2 displays the demographic variables such as gender, age, education, occupation and income of the respondents.

Table 2 Demographic profiles of the respondents

Demographic Variables	Groups	Number	Percentage
Gender	Male	97	64.7
	Female	53	35.3
Age	Less than 25 years	46	30.7
	25 – 40 years	91	60.7
	Above 40 years	13	8.7
Education	SSC	13	8.7
	Inter (+2)	26	17.3
	Graduation	86	57.3
	Post Graduation	25	16.7
Occupation	Student	29	19.3
	Agriculture	18	12.0
	Business	27	18.0
	Employees	49	32.7
	Professionals	18	12.0
	Others	9	6.0
Annual Income	Less than 2.5 Lakhs	40	26.7
	2.5 to 5 Lakhs	44	29.3
	5 to 7.5 Lakhs	35	23.3
	Above 7.5 Lakhs	31	20.7

The following table 3 portrays the bank related characteristics of the respondents. From the table, it can be noted that the sample is equally distributed between the two banks. Majority of the respondents are new to their banks (68.7%) with experience less than 5 years, followed by the respondents having 5 – 10 years of experience in banking (15.3%). Majority of the respondents are using bank services weekly (44.7%) followed by monthly (34.7%)

Table 3 Bank related Characteristics of the Respondents

Bank Type	Public Bank (SBI)	75	50.0
	Private Bank (ICICI)	75	50.0
Experience of doing Banking Transaction	Below 5 years	103	68.7
	5 – 10 years	23	15.3
	10 – 15 years	14	9.3
	Above 15 years	10	6.7
Frequency of visits to bank	Daily	14	9.3
	Weekly	67	44.7
	Monthly	52	34.7
	Rarely	17	11.3

The following table 4 displays the mean distribution between public and private sector banks across the selected factors that were considered in the present study. Looking into the values, it can be noted that the public sector bank is good at all the factors compared to private banks according to the respondents. Promotion strategy found to have highest mean, followed by convenience/security comparatively. There is a very narrow range in mean values of all the factors that ranges from 3.07 to 3.22. The customer satisfaction is high in public banks (M=3.80) compared to the private banks (M=2.95)

Table 4 Mean distribution between public and private banks

BankType Selection Criteria	Public Bank (N=75)		Private Bank (N=75)		Total (N=150)	
	Mean	S.D.	Mean	S.D.	Mean	S.D.
Financial Benefits / Technology	3.46	0.789	2.69	1.112	3.07	1.036
Customer Service	3.61	0.702	2.70	0.987	3.15	0.968
Peer Group Influence	3.53	0.945	2.85	0.870	3.19	0.967
Reputation	3.59	0.866	2.51	1.221	3.05	1.187
Promotion Strategy	3.43	0.795	3.02	0.844	3.22	0.842
Convenience / Security	3.68	0.603	2.73	0.956	3.20	0.929
Overall Score	3.56	0.576	2.74	0.904	3.15	0.860
Customer Satisfaction	3.80	0.617	2.95	1.007	3.37	0.935

H₀₁: There is no significant relationship between customers demographic profile on the variables that influence in selecting a bank.

The hypothesis framed can be subdivided into six hypotheses with each demographic variable such as gender, age, education, marital status, occupation and income. To test all these variables, Pearson correlation test was employed to examine the significant and insignificant relationships of these demographic variables with the bank selection criteria. Further, two more variables such as banking experience and bank type were also included in the analysis for better understanding the results.

The following table 5a displays the correlation test results employed between four demographic variables such as age, gender, education, marital status and bank selection criteria. From the table, it can be noted that age, gender and marital status found to have statistical significant relationship with the selection criteria at 0.01 levels. Education found to be insignificant with bank selection criteria

Table 5a Pearson Correlation test results between demographic variable and selection criteria

		Age	Gender	Education	Marital Status
Financial Benefits / Technology	Pearson Correlation	.278**	-.225**	.051	-.296**
	Sig. (2-tailed)	.001	.006	.534	.000
Customer Service	Pearson Correlation	.293**	-.342**	.118	-.309**
	Sig. (2-tailed)	.000	.000	.151	.000
Peer Group Influence	Pearson Correlation	.024	-.136	.196*	-.182*
	Sig. (2-tailed)	.773	.097	.016	.026
Reputation	Pearson Correlation	.322**	-.272**	.142	-.377**
	Sig. (2-tailed)	.000	.001	.084	.000
Promotion Strategy	Pearson Correlation	-.008	-.290**	.210**	-.091
	Sig. (2-tailed)	.924	.000	.010	.266
Convenience / Security	Pearson Correlation	.298**	-.389**	.101	-.326**
	Sig. (2-tailed)	.000	.000	.219	.000
Bank Selection Criteria	Pearson Correlation	.267**	-.325**	.137	-.323**
	Sig. (2-tailed)	.001	.000	.095	.000

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Looking into the following table 5b, it can be noted that occupation and income have no statistical significant relationship with any of the criteria factors. Experience has significant relationship with the factors such as financial benefits/technology, reputation and convenience/security, whereas insignificant with the factors such as customer service, peer group influence and promotion strategy. The type of bank show statistically significant relationship with all the factors considered for the selection criteria.

Table 5b Pearson Correlation test results between demographic variable and selection criteria

		Occupation	Income	Bank Type	Experience
Financial Benefits / Technology	Pearson Correlation	.006	.008	-.373**	.169*
	Sig. (2-tailed)	.941	.924	.000	.038
Customer Service	Pearson Correlation	.067	-.098	-.471**	.126
	Sig. (2-tailed)	.417	.232	.000	.125
Peer Group Influence	Pearson Correlation	.128	.064	-.353**	.027
	Sig. (2-tailed)	.117	.437	.000	.743
Reputation	Pearson Correlation	-.005	-.008	-.458**	.251**
	Sig. (2-tailed)	.950	.925	.000	.002
Promotion Strategy	Pearson Correlation	.155	.053	-.241**	-.044
	Sig. (2-tailed)	.059	.518	.003	.590
Convenience / Security	Pearson Correlation	-.003	-.090	-.514**	.192*
	Sig. (2-tailed)	.968	.274	.000	.018
Bank Selection Criteria	Pearson Correlation	.050	-.028	-.479**	.158
	Sig. (2-tailed)	.541	.737	.000	.053

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

As the results are mixed, it is difficult to say that the hypothesis is accepted or rejected. Hence, the hypothesis can be divided in to eight individually and results are displayed as shown in the following table 6.

Table 6 Summary of Hypotheses Testing

S. No	Independent Variable	Dependent Variable	Null Hypothesis Results
H ₀ 1a	Age	Bank Selection Criteria	Rejected
H ₀ 1b	Gender		Rejected
H ₀ 1c	Education		Accepted
H ₀ 1d	Marital Status		Rejected
H ₀ 1e	Occupation		Accepted
H ₀ 1f	Income		Accepted
H ₀ 1g	Bank Type		Rejected
H ₀ 1h	Banking Experience		Accepted

H₀2: There is no significant relationship between customer selection criteria towards bank and customer satisfaction.

To test this hypothesis, the regression equation analysis was employed with customer selection criteria factors as independent variables and customer satisfaction as dependent variable. The regression analysis is conducted to examine the effects of six factors of bank selection criteria such as financial benefits/technology, customer service, peer group influence, reputation, promotion strategy and convenience/security on customer satisfaction towards the bank.

The following table 7 presents the model summary, that explains 63.4 per cent of the variance ($R^2=0.634$) as caused by the six factors that were selected in the present study.

Table 7 Regression Analysis - Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.796 ^a	0.634	0.618	0.57727

a. Predictors: (Constant), Convenience / Security, Peer Group Influence, Promotion Strategy, Reputation, Customer Service, Financial Benefits / Technology

The following table 8 indicates the ANOVA test results on the model assumed and results show that this regression model is statistically significant ($p=0.000$). Therefore, H₀2 is Rejected.

Table 8 Regression Analysis - ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	82.488	6	13.748	41.255	0.000^b
	Residual	47.654	143	0.333		
	Total	130.142	149			

a. Dependent Variable: Customer Satisfaction

b. Predictors: (Constant), Convenience / Security, Peer Group Influence, Promotion Strategy, Reputation, Customer Service, Financial Benefits / Technology

Finally, the following table 9 shows the model coefficients. The model explains that financial benefits/technology, reputation and convenience/security have a positive effect on customer satisfaction towards the bank (with positive β value), but peer group influence has a negative effect on customer satisfaction (with negative β value). Moreover, customer service and promotion strategy failed to establish a significant relationship with the customer satisfaction.

Table 9 Regression Analysis - Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.409	0.201		7.009	0.000
	Financial Benefits / Technology	0.304	0.101	0.337	3.004	0.003*
	Customer Service	0.038	0.098	0.040	0.390	0.697
	Peer Group Influence	-0.226	0.069	-0.234	-3.261	0.001*
	Reputation	0.190	0.073	0.241	2.588	0.011*
	Promotion Strategy	-0.116	0.084	-0.104	-1.383	0.169
	Convenience / Security	0.445	0.107	0.442	4.170	0.000*

a. Dependent Variable: Customer Satisfaction

6. LIMITATIONS OF THE STUDY

The study is confined to Chittoor district only which becomes a limitation in generalizing the findings.

Non-Probabilistic Sample used in conducting the survey covering various prominent places in Chittoor district stands as another limitation of the present study.

7. FINDINGS AND SUGGESTIONS

Based on the demographic profile of Bank customers we found that:

- Male customers form the majority;
- Customer in the age group 25 – 40 years form the largest segment;
- Most of the customers are qualified graduates;
- Employees are a dominant group of bank customers and
- Customers are almost evenly distributed across different income groups

Regarding the experience of customers in banking, it was noted that a large segment are the recent customers (with less than 5 years' experience) which is consistent with the demographic profile that shows that customers under 25 years of age constitute 30% of the total customers.

With reference to Hypothesis 1 (Demographic variables) the following demographic factors influence the customers' selection of a bank. They are: (i) Age; (ii) Gender; (iii) Marital Status and (iv) Bank type.

With reference to Hypothesis 2 (Relationship between customer selection criteria and customer satisfaction), the following selection factors have a significant positive or negative impact on customer satisfaction. They are (i) Financial Benefits / Technology (+ve); (ii) Peer group influence (-ve); (iii) Reputation (+ve) and (iv) Convenience / Security (+ve).

Therefore it is suggested that the banks can increase their customer base by concentrating on the financial benefits / Technology, Reputation and Convenience / Security. Further, it is also suggested that the banks should focus on the specific needs of the customer segments that are not fully exploited.

CONCLUSION

The present study aims to examine the critical bank specific and personal factors that have a bearing on the selection of banks by customers. A wide range of literature was reviewed to arrive at the six factors that reflects the bank CRM practices and has found having significant influence on the customer in choosing a bank for their financial transactions. The regression analysis employed in the present study also revealed the same that the selected factors have significant influence on customer satisfaction. From the

study, it can be stated that the technology is playing a vital role in banking. Therefore, banks should be technically ready to offer quick and easy services to its customers. It's become prime responsibility of banks to create awareness on these technologies and should assist customers in using these technologies. Similar studies should be repeated in future so as to catch the trend of the customers and their behavioural changes which makes banking sector more sustainable.

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