

**CUSTOMER RELATIONSHIP MANAGEMENT WITH THE INNOVATIONS AND FINANCIAL SERVICES OF BANKS**

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**ABSTRACT**

Technology has progressed in abundant in terms of innovations and financial services in the last few decades and the benefits of technology should be used to enhance customer relationship with banks. Technology, people and customer are three elements which help the success of banking. In the emerging competitive and technology driven banking era, banks have to strive for retaining and enlarging their customers. The present paper attempts to analyze the concept of inverse relationship between Customer Relationship Management (CRM) and emerging banking innovations and financial services.

**Keywords:** Customer Relationship Management, Innovations, Financial Services, Banking Era.

**INTRODUCTION**

The term “Innovation” means ‘to make something new’. Banks no longer restricted themselves to traditional banking activities, but explored newer avenues to increase business and capture new market. Innovation is key to the survival of banks in contemporary banking environment. The importance of financial innovation is widely recognized. The study presents a broader overview of the current state of the banking industry in India. Attention is paid finally to have growth path of banking sector with technological advancement. It is depicted that banking is going to be intensely competitive and complex. The best idea would be for the domestic banks to enhance mutual co-operation in order to create a healthier market order and raise the overall competitiveness of the industry as a whole. The need of an hour is to design a system to promote marginal efficiency of investment in technology and widen the gap between marginal benefits and marginal cost involved in Banking transformation with special reference to technological up gradation.

CRM is an integrated approach to manage relationships by focusing on customer retention and relationship development. CRM has evolved from advances in information technology and organizational changes in customer-centric processes. Managing a successful CRM implementation requires an integrated and balanced approach to technology, process, and people. Customer Relationship Management Solution is the set of methodologies and tools that help an enterprise to manage customer relationships in an organized way - finding, getting, and retaining customers. It helps to provide better customer service, increases customer revenues, discover new customers and sell products more effectively. Customer Relationship Management has become inevitable for growth and profitability of Banks in present scenario marked by rising competition, technological advancement and empowered customers. In the present Indian Banking Scenario, two prominent phenomena are the focal point to emerging practices and policies. These are ‘Technology’ and ‘Relationship Marketing’.

After reviewing two areas, it is surely understood there is inverse and indispensable correlation between CRM and banking innovations and financial services in Banking Sector.

### **Literature Review**

**Kundu, S., & Datta, S. K. (2015)** research found regarding e-service quality, customer satisfaction and trust they found that there is a significant relationship among e-service quality, trust and customer satisfaction. Internet banking service quality has huge impact on trust **Suriyamurthi, S., Mahalakshmi, V., & Arivazhagan, M. (2013)** stated that in the cutthroat competition where every bank is focusing on retaining and attracting new customer, relationship marketing is the key element which should be adopted by the banks. **Gupta, A., & Dev, S. (2012)** opined satisfaction of customer is dependent on variable then independent variable. These dependent variables largely depend on service quality, ambience, involvement, accessibility and financial factors of the bank. According to the findings of the research. The impact of nearness of bank and financial factors on customer satisfaction is not up to the mark. **Mishra A, (2009)** stated that customer satisfaction majorly depends on the provision of an approach for the manager so that higher customer satisfaction for the future could be obtained by the bank. Also in his research he used the demographical characteristics of the customers to know about the satisfaction level of the customers.

### **OBJECTIVES OF THE STUDY**

1. To study the contribution of innovations in the development of Indian Banking Sector.
2. To study the challenges faced by Indian banks in the changing scenario.
3. To find the ways for the improvement of customer loyalty and retentions

### **EXISTING AND EMERGING INNOVATIONS AND FINANCIAL SERVICES TO STRENGTHEN CRM.**

#### **ELECTRONIC BANKING:**

The delivery of bank's services to a customer at his office or home by using electronic delivery channels may be called electronic banking. It is the application of electronic technology for transfer of funds through an electronic terminal, computer or magnetic tape and to conduct various transactions like cash receipts, payments, transfer of funds etc. It is anywhere, anytime banking 24 hours in a day and 7 days in a week.

#### **ON LINE OR INTERNET BANKING:**

It is the latest wave in Information Technology. In simple terms, internet banking means any user with a personal computer and a browser can get connected to his bank website to perform any of the virtual banking functions.

#### **AUTOMATIC TELLER MECHINE (ATM):**

An Automatic Teller Machine, or ATM for short, is a machine that lets people take out (withdraw) cash from their bank accounts. They may allow people to put in money, or check how much money is in a bank account. People need a debit card or credit card in order to use an ATM. They will also need to have a Personal Identification Number (PIN), which is a code that lets them get into their account. ATMs can be derived for both purposes of withdraw and Depositing money. The banks increased total number of ATMs reaching 0.18 million in 2015 to 0.22 million in March 2019.

#### **VIRTUAL BANKING:**

The term virtual banking is associated with electronic delivery of services. It means that customer is not interacting with bank staff across the counter. Under virtual banking, the different types of services are; 1) ATM- ATM networks – Shared ATM Networks. 2) Electronic funds transfer at point of sales 3) Remote or Home banking 4) Smart card and Chip cards.

#### **OFF-SHORE BANKING:**

Off-shore banking is financial intermediation performed (primarily) for non-resident borrowers and depositors. The main attraction for an off-shore banking centre is simply to absence of expensive regulations by the host country, including transfer and portfolio decisions of the banking industry.

**PAYMENT GATEWAY:**

“A Payment Gateway” is an e-commerce application service provider service that authorizes credit cards payments for e-business, on line retailers, bricks and clicks or traditional brick and mortar.

**IMMEDIATE PAYMENT SERVICE (IMPS):**

IMPS is one of the electronic funds transfer systems of India. It was started in November 2016. The service enables an instant, 24X7, internet bank electronic fund transfer, mobile, internet and ATM, unlike National Electronic Funds Transfer (NEFT), IMPS will be available round – the – clock under within a real time instant funds transfer system for inter-bank remittances is possible.

**SBI IN CUBE:**

India’s largest bank, SBI, on 14<sup>th</sup> January, 2016, launched and inaugurated India’s first start up focused bank branch called SBI in Cube in Bangalore, Karnataka. The specialized branch aims to understand and addresses banking needs of start-up business. It will assist start-ups in calm Management, Regulations, Taxations, Mentoring, Foreign exchange and Remittance and other financial services.

**IRIS-BASED AUTHENTICATION SYSTEM:**

National Payment Corporation of India (NPCI), for the first time in the country is planning to introduce an iris-based authentication system, a move that should help millions to transact bank accounts without any pin or one time password. This form of biometric authentication will also reduce the chances of password related frauds, which can at times, drain money from one’s account without someone’s knowledge.

**E-SIGN:**

It will help bank customers to get a digital signature certificate, sign documents application forms and submit these digitally signed documents to the bank in a secure online manner, at the click of a button. “e-sign” will be integrated with the host of the bank’s products and will help in quicker, more efficient and secure processing of customer requests.

**ELECTRONIC FUND TRANSFER (EFT):**

EFT scheme targeted one to one payments as an alternative to the use of cheques and drafts for remitting funds between bank accounts located at different centres. EFT encountered the problem of low level of computerization and connectivity in the Indian banking industry.

**CORE BANKING SOLUTION:**

CBS is a centralized platform, which creates environment where the entire banks operations can be controlled and run from a centralized hub. This creates a centralized customer database, which makes anytime, anywhere, anyway banking possible. Immediate advantages of CBS are: Faster and efficient customer service. Offering multiple delivery channels, like ATMs, Cards, mobile/Telephone Banking, internet Banking, Call centres, etc. Reducing the operational costs, through manpower saving and space saving. Centralizing the back end processes and reporting.

**BIOMETRICS:**

Banks across the country have started the process of setting up ATMs enabled with biometric technology to tap the potential of rural market. A large proportion of the population in such centres does not adopt technology as fast as the urban canters due to the large scale illiteracy. Though expensive to install, the scope of biometrics is expanding

rapidly. It provide for better security system, by linking credentials verification to recognition of the face, fingerprints, eyes or voice.

**CARD BASED DELIVERY SYSTEM:**

Among the card based delivery mechanisms for various banking services are credit cards, debit cards etc. these have been immensely successful in India since their launch. Penetration of these card based systems have increased manifold over the past decade. Aided by expanding ATM networks and point of sale (POS) terminals, banks have been able to increase the transition of customers towards these channels, thereby reducing their costs too.

**CHEQUE TRUNCATION SYSTEM (CTS):**

Cheque Truncation System (CTS) is a cheque clearing system undertaken by the Reserve Bank of India (RBI) for quicker cheque clearance. Cheque truncation system is an arrangement which facilitates the electronic processing of a cheque with the use of Magnetic Ink Character Reader (MICR) data and the scanned image of the instrument without involving any physical exchange or movement of the financial instrument.

**COMMUNICATION TECHNOLOGY:**

International bank and foreign investor has forms a cooperative SWIFT. It stands for society for worldwide interbank financial telecommunication. It provides a computerized network for stage transmission amongst international bank in the member countries. This technology made available the fast banking services/facilities to customers who are engaged in international business.

**CORPORATE INTERNET BANKING:**

The Internet has initiated an electronic revolution in the global banking sector. Its dynamic and flexible nature as well as its ubiquitous reach has helped in leveraging a variety of banking activities. Consumers are embracing the many benefits of Internet banking like improved customer access which facilitates the offering of more services, attract new customers and reduce customer attrition.

**REAL TIME GROSS SETTLEMENT SYSTEM:**

The inter Bank Payments handle large amounts of money. The RTGS system is one in which payment instructions between banks are processed and settled individually and continuously throughout the day. RTGS system, do not create credit risk for the receiving participant because they settle the each payment individually, as soon as it is accepted, liquidity risks remains, as well as the possibility of the risks being shifted outside the system.

## DATA ANALYSIS

The study consists of 50 respondents from four different banks in Srikakulam. Andhra Pradesh

**Table showing the awareness of customers about the innovations and services**

Innovations and Financial services	Respondents	Percentage
ATM	48	96
Cheque truncation system (CTS)	12	24
Immediate Payment Service (IMPS):	30	60
Payment Gateway	35	70
E:sign	21	42
Off-Shore Banking:	05	10

Source: Primary Data

**Table showing the satisfaction derives from the services of the banks.**

Particulars	Respondents	Percentage
Highly satisfied	32	64
Satisfied	16	32
Dissatisfied	02	04
Total	50	100

Source: Primary Data

## FINDINGS OF THE STUDY FROM DATA ANALYSIS

- Awareness aspect is moderate for Immediate Payment Service and Payment Gateway.
- Awareness aspect is very low for CTS and off shore banking.
- The satisfaction of the respondents i.e. 64% agree they are highly satisfied and only 4% of are dissatisfied with the CRM of Banks.
- For most of the respondents, the key factor for satisfaction is installing more ATMs and organising Virtual Banking.

## SUGGESTIONS OF THE STUDY

1. Better and cheaper access to basic infrastructure requirements such as power and telecommunications.
2. Creation of customer awareness and education for technology adoption are imperative.
3. The IT Act 2000 needs to implement in totality to handle legal issues.
4. Set up an Electronic Banking Group to provide guiding principles for prudent risk management of e- banking activities E-security to be tackled efficiently so as to mitigate all the attendant risks.

**CONCLUSION:**

Banks have to adopt a holistic approach to fulfil the ever changing needs of customers and to grab a better market share by adopting innovations from time to time. Some of the banks have proved how to maintain relationship between bank and customers to boost of their sales. YES Bank, PNB, and SBI are the instances to observe customer relationship with high degree to boost up their profits. Hence, it is concluded that all the remaining banks in both public sector and private sector should implement the above innovations and financial services. It is further anticipated that there is possibility of maintaining customer relationship so that there might be opportunity of attracting new customers besides retaining existing customers. Ultimately there will be sustainable growth of economy through banking sector.

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