



## E-CRM IN INDIAN BANKING INDUSTRY: A TOOL FOR SURVIVAL IN TECHNOLOGY ERA

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**Abstract:** In this 21st century one of the biggest approaches is Electronic Customer Relationship Management (E-CRM). Electronic Customer Relationship Management stands as the latest paradigm and is becoming more and more necessary for any kind of business for its internet accessibility. E-CRM has attracted the attention of every field for the past several years. It enables customers to assist themselves by the help of the company's website. This facility is available anywhere and anytime. It has also put a greater impact in the field of banking. The banking sector in India is growing rapidly and helps to improve the economic development of a nation. The success of banking in the fast changing economic scenario generally depends on the people, customers and technology. The ultimate performance of a bank depends upon the satisfaction of its customers. In order to boost their economic lines banks are increasingly looking at ways of achieving organic growth through acquisition of new customers and retaining existing customers. All these can now be possible with the adoption of E-CRM in this sector. This paper deals with the function of Electronic Customer Relationship Management in banking sector and the role of managing customer relation to increase customer value. It also attempts to analyze the concept of E-CRM in Indian banks from its various dimensions casing specifically its need, process, present status and future projection.

**Keywords:** Banking, Economic Development, Customer Relationship.

### Introduction

Today's customer not only demands quality products and services but also looks for value in the transaction process itself. ECRM is considered as a major corporate strategy for many organizations. The advancement in information and communication technology has made the new millennium. The dividing line between banks and non-banking financial institutions, like insurance and mutual funds, is getting blurred. Competition from players in the market has resulted into products and services traditionally offered by banks and financial

institutions, are now being offered by non-banking organizations more efficiently and effectively.

E- CRM concerned with the creation, development and enhancement of individualized customer relationships with targeted customers very carefully and customer groups resulting in maximizing their total customer life time value. So, the final objective of the E-CRM process is to create a powerful new tool for customer retention, customer assessment, customer attainment & profitability. It is the process of utilizing comprehensive information about customers & carefully managing all the customers'

touch points with the aim of maximizing customer loyalty with the help of electronic media. Today, many businesses such as banks, insurance companies, and other service providers realize the importance of Electronic Customer Relationship Management (E-CRM) and its potential to help them by giving up a way to acquire new customers with retaining existing ones and maximize their lifetime value. In India the monopoly of banks over payment systems would be broken very soon after the launching of satellite based money order services by the P & T department. Now banking activities are not confined to borrowing (collection of savings) and lending (disbursement of loans), but provides a plethora of services keeping in mind the requirement and convenience of customers. In the fast changing banking environment worldwide, banks in India will not only have to learn the new rules but also upgrade the skills as well as the tools of banking. The challenge lies in addressing these issues and at the same time keeping the wheels of growth moving.

Technology, people and customer are the three elements on which hinge the success of banking in the e-millennium. Technology will be an enabler in managing the pace and quantum of change. Success in technology can be brought about by skilled human resources. In response to these technological challenges, organizations have to evolve internal capabilities and skilled human resource management which is fundamental in generating these capabilities. However, ultimately the bank's performance depends upon the satisfaction of its customers. In the emerging competitive and technological driven banking era, banks have to strive hard for retaining and enlarging their customer base.

The banking industry of India is now running in a dynamic challenge concerning both customer base and performance. Today, many banks are rushing to become more customer focused. So, they are realizing that the magical formulae for attaining success in such a competitive environment are to focus on maintaining a healthy relationship with customers who will lead to customer loyalty and retention. However, ultimately the bank's performance depends upon the satisfaction of its customers. In the emerging competitive and technological world of banking, banks have to strive hard for retaining and enlarging their customer base. In this respect, E-CRM process is considered as a crucial aspect.

### **Customer Centric Banking Services**

Banks offer tangible services like loan schemes, interest rates and kinds of account and the intangible services like behavior and efficiency of staff, speed of transactions and the ambience. The banks may need to include customer oriented approach or customer focus in their five areas of businesses such as Cash accessibility, asset security, money transfer, deferred payment and financial advices. Marketing of banking services means organizing right activities and programmes in rendering right services to the right people at the right place, at the right time at the right price and with right communication and promotion.

The 7 P's that form the services marketing mix are also getting transformed. **Products** are being customized to suit individual requirements such as in loans that take into account the individual's unique needs and resources to create a customized solution.

**Pricing** in case of Service organizations, differential pricing is offered to suit the needs of particular segments.

**Place:** Distribution of services is being done through channels that enjoy mass reach.

**Promotion:** Banks are forced to promote their unique services and policies to attract masses.

**Process:** they are being made more customers centric and fine-tuned to offer the customer a seamless experience.

**People:** they are being recognized as an important resource and immense training is offered to enable them for a better value delivery.

**Physical evidence** is being given due importance and a number of services are adding value to their offerings through better physical evidence.

**Need for CRM in banks:** Indian banking industry has undergone tremendous transformation after liberalization and globalization process initiated from 1991. These changes have forced the Indian banking industry to adjust the product mix to effect the rapid changes in their process to remain competitive in the globalised environment. Over the years the nature and scope of services provided by banks have changed and expanded so much.

#### Evolution of E-CRM

Age	Year	Lesson Learned	Milestones
<b>Introduction</b>	1980s to early 1990	Very expensive to maintain	Focusing on automating and standardizing the internal processes to make the customers an asset
<b>Growing</b>	Mid-1990 to end 1990	Some vendors are slow to respond to the Internet	Due to the emergence of the Web, client/server architecture behind CRM applications would disappear

<b>Paradigm Shift</b>	2000	Adoption of ICT Technologies	E-CRM
<b>Ubiquitous</b>	After 2000	Services Across Platforms	M-CRM, Self-Service CRM etc.

#### E-CRM in Banks

*“A customer is the most important visitor in our premises. He is not dependent on us. We are dependent on him. He is not an interruption on our work. He is the purpose of it. He is not an outsider on our business. He is a part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so”-----*

#### Mahatma Gandhi

These words said by Mahatma Gandhi, have much importance in a service oriented industry like banking e-CRM is the marketing concept. Marketing in terms of banking can be defined as the creation and delivery of consumers satisfying products. **“E-CRM in banks can be defined as the use of the web/internet and various other electronic channels, technologies that enable automated and electronic management of customer relations”**. E-CRM, on the other hand refers to other factors like personalization, customization, one to many and many to many transaction. It permits business speed and real time response to customer or markets through the new tools such as e-mail, internet, telephone, chat facility etc. which reduces the cost of customer contact. To serve more and retain customers banks in India have changed the old concept of accepting deposits and lending money. Use of technology by banks has increased the

productivity very fast through automation of banking operations.

**Techniques of e-CRM used by the banks:** The following techniques are used by Indian banks:-

1. Automated Teller Machines (ATMs)
2. Telex
3. Fax
4. Internet
5. Tele Banking / Phone Banking
6. Electronic Clearing Services
7. Online Banking
8. Swift
9. Mobile Banking
10. Wireless Banking Services
11. Electronic Fund Transfer (EFT)
12. Total Branch Mechanization (TBM)
13. Data warehousing and data mining.

With the introduction, implementation and adoption of above techniques/instruments by the bank have totally revolutionized the functions, administration, decision making and management information system. All these techniques/instruments helped the banks in retaining the existing customers, attracting new customers, and provide lot of services with the help of these instruments to give them satisfaction. The detailed discussions of these are:

- 1. Automated Teller Machines (ATMs):** An ATM is a machine that can deliver cash to the customers on demand after authentication. This service is made available 24 hours a day, 7 days in a week and 365 days of the year through ATMs.

- 2. Phone Banking / Tele Banking:** The face of banking industry has totally changed by the technology. Phone/ tele banking means carrying out of banking transaction through telephone. A customer can call up the banks help line or phone banking number to conduct transactions.
- 3. Internet Banking – e-Banking:** Net banking means carrying out banking transactions through the Internet. It comprises a variety of projects that aim to improve not only the bank's efficiency, but customer service levels as well. E-Banking program allows customers to use the Internet for basic functions in corporate and retail banking and credit cards. Thus the technology has completely eliminated the need for branch.
- 4. Mobile Banking:** Now banks help the customers to conduct certain transactions through mobile phone with the help of technologies like WAP, SMS etc. This helps a bank to combine the Internet and telephone and leverage it to cut costs and at the same time provide its customer the convenience.
- 5. Total Branch Mechanization (TBM):** Dr. Rangrajan Committee – II in 1988 had suggested TBM. Local Area Network has installed by banks at the major centers of the country to make all banking services available at single window to their customers.
- 6. Electronic Funds Transfer (EFT):** The RBI has introduced Electronic fund transfer technique for public sector banks to help them offer their customer money transfer

service from any bank's branch to any other bank's branch. EFT system presently covers more than 4800 branches of PSB's at four metro cities.

**7. Communication Technology (SWIFT):**

International banks and foreign investors have formed a cooperative organization SWIFT. It stands for Society for Worldwide Inter Bank Financial Tele Communication (SWIFT). It provides a computerized network for stage transmission amongst international banks in the member countries. This technology made available the fastest banking services/facilities to customers who are engaged in international business.

**8. Wireless Banking Services:**

Wireless banking services is an emerging trend in banking. Wireless banking service enables one to manage their accounts with GSM/GPRS WAP (Wireless application protocol) technology to allow access to accounts more convenient, secure and flexible. With wireless banking service the following operations can be performed:

- a. Check account balance and transaction details.
- b. Make fund transfer to self or third party accounts.
- c. Buy and sell foreign currency.
- d. Trade securities.
- e. Inquire mutual funds and securities trading a/c portfolio and account balance.
- f. Personalized stock watch list to monitor stock price performance.
- g. Inquire free real time stock quotes.

- h. Inquire deposits / exchange / loan rate.

**9. Electronic Clearing Services:**

Electronic clearing service is a simple, reliable and cost effective solution for bulk and repetitive payment transactions like salary, pension, interest, commission, dividend etc. by public or private companies and government departments through banks.

**10. Point of Sale Terminal :**

It consists of two key components a computer terminal that is linked on line to computerized customer information file in a bank and a plastic magnetically encoded transaction card that identify the customer's account is debited and the retailer's account is credited by the computer for the amount of purchase.

**Recent E-CRM technologies in Indian Banks**

Development of the banks in recent scenario is the result of adopting various strategies with the help of modern technologies. By adopting some of the latest E-CRM techniques, banks are offering new products and services to its customers which results in customer satisfaction and acceleration of the growth process. The use of an E-CRM system in this sector enables traditional physical customer proximity to be substituted by digital proximity. Followings are some of the E-CRM techniques used in the banking sector.

**1. Internet banking**

Internet banking is used by various banks to provide information to customers about bank's products and services through their websites. The banking services provided through internet is more convenient to use with easy accessibility. Internet banking offers many benefits to the banks like reduction of transaction

costs, direct marketing and cross selling, build bank's brand, etc. It also offers benefits to customers by providing better cash management, reduction of cost, with rapid service with low cost.

## **2. Use of ATMs**

ATM services have been confined to deposits and withdrawal from bank accounts by customers. The growth in ATMs helps the banks to expand their customer services through valuable services. Customers can withdraw money at anytime from ATM. They also get mini statement regarding their account balance. There are also many more facilities are available in ATM.

## **3. Tele banking or Mobile banking**

By this facility customer can get knowledge regarding their bank balance over phone. Similarly they get message for their transaction i.e., deposit and withdrawal over phone. Similarly due to the mobile banking service the customers are getting benefit in various ways which helps to grow the banking industries.

## **4. Computerized Decision Support System**

This is a practical tool which helps the bank managers and customers in optimizing investment decisions. By this technology banks can apply optimization techniques in functional areas such as, asset-liability management, optimization of investment portfolios and asset portfolios through linear programming.

## **5. E-mail Service**

Now-a-days email facility is considered as one of the cheapest and effective means of communication. Banks are adopting this technique to inform their

customers regarding the various policies and schemes offered by the bank. Similarly if there is any urgent notice bank can immediately communicate with the customer over email and can get quick reply also. Tax payments in the recent years are also possible through the email. So, it is considered as the quickest method of communication.

## **6. Customer Smart Cards**

These cards are issued to the key customers. Generally these cards include all the relevant information's, details of previous and repeat purchases, to make it convenient for the customers to recall all the tracks of purchase trend. It is also helpful for the banks to keep a record of each and every behavioral and purchase trends.

## **Recent scenario of E-CRM in Indian Banks**

The frequent uses of internet have enabled banking at the click of the mouse. At present there are five functional categories for online banking sites which offer customers access to account information, inter-branch funds transfer and utility bill payments. These are on line brochure center, interactive bank, emails, calculations and cyber banks. Banks now- a- days are tied up with service providers in telecom and power sectors like MTNL, BSES, Airtel, Usha Martin and cellular service providers in order to facilitates their customers to make on line bill payments. In India, new private sector banks like ICICI Bank, HDFC Bank, Global Trust Bank and UTI Bank, have taken the lead in e-banking. Among the foreign banks, Citibank, has noticeable presence, while others like Federal Bank, HSBC Bank, Deutsche Bank and ABN Amro Bank, are moving towards becoming big players in e-banking. Even by realizing the advantages of such services many public sector banks



also adopting these technologies. ICICI Bank is the first bank to offer e-banking services in India and has more than one lakh regular internet user accounts. The Bank became the first bank in India to introduce utility bill payment through Internet. The bank with its net banking service is allowing the account holder to transfer fund into another person's account with the bank. Also one can intimate about the loss of an ATM card over the net. It also provides facility for nicknaming all accounts to avoid remarking lengthy accounts number. UTI bank has tied up with Cosmat Max, to create a communication network for its customers. The bank has signed a memorandum of understanding with equitymaster.com for e-brokering activities of the site. This will enable the bank to leverage its database for e-commerce and other initiatives with data warehousing and data-mining, where information of the customer spending habits will be used to sell other correlated products like credit cards.

HDFC Bank has, for the first time in India made the e-shopping experience secure online and real time with the launch of its payment gateway. This will allow any Visa/Master credit card holder to make payments for global services anywhere in the world over the Internet. The bank has tied up with 15 portals and is in talk with several others to offer secure business to customer e-com. transactions. The first secure, on-line and real-time e-com. credit card transaction in the country was done on the Easy.2 shoppe.com shopping mall, enabled by HDFC bank on a Visa card, heralding the launch of the payment gateway. HDFC Bank also offers a direct debit option whereby its customer can pay for the goods or services by a secure

Password enabled transfer of funds from their account to the merchant account. · Public sector bank like the State Bank of India (SBI) has also adopted the net banking technique. The country's largest commercial bank launched on-line SBI - an account browsing facility over the Net for customers in eight select branches including four NRI branches.

### Conclusion

E-CRM as a modern and fast growing technology solves various corporate problems and helps in the development of these sectors. At the present era there is a knowledge gap exist between the formulation and implementation of E-CRM which can be eliminated by the proper guidance over this concept. The banks must adopt E-CRM and build their brand image in assuring customers about the safety of their money and security of transaction on the internet. However, the success of E-CRM in the banking sector will depend upon the development of vigorous & supple infrastructure, e-commerce capabilities, and diminution of costs through higher efficiency, lower complexity and automation of administrative functions.

In an e-world where, business is done at the speed of thought, the real challenge for the future lies in anticipating the demands of the new age and providing sustainable solutions. E-CRM strategy must cover all the market segments such as retail customers, Indian corporate sector, trade and agricultural sector for their banking requirements. The banks must adopt e-CRM 'Customer centric' focus approach, as it is believed that products should be devised for the customers and not the other way around. Banks must build their brand image in assuring customers about the safety of their money and security of transaction on the Net. Moreover, e-

CRM based alone on Internet will seem to be a wrong strategy for banks in India. Jose Fonellosa of Spain BBVA, which acquired first e-CRM, says internet is at best a zero sum game for banks. For high end products, customer cannot only rely on e-banking. For social interactions, people would like to visit their traditional brick and mortar branches. At the same time history has shown that no channel has completely replaced another channel and Internet is just one such channel which helps in CRM. Click and brick seems to be the right model which ultimately will succeed in India. Banks in India are on the learning curve of e-CRM and are trying to meet the latent needs of the customers. The success of e-CRM will depend upon the development of robust & flexible infrastructure, e-commerce capabilities, and reduction of costs through higher productivity, lower complexity and automation of administrative functions.

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