

# Customer Relationship Management in Banks: Convenience vs. Human Touch

Nidhi Arora, Priti Verma

*Abstract: The banking landscape is changing rapidly with digital platforms becoming a dominant form of interaction between banks and their clients; but isn't this advancement a big challenge to human touch? Will this advancement render the human element unnecessary? Today, Consumers, particularly millennials, expect banking services to be faster and seamless on the back of smart digital interfaces. Technology has improved productivity. However, it has made the banking operations more mechanical and devoid of human touch. The paper explores the young generation banking customer's attitude towards Customer Relationship Management strategies adopted by different banks and discovers the alarming signal of vanishing human touch; as the study finds that both banks and customers prefer technological convenience over human touch. Thus, in the evolution of banking, the invisible wall is hindering the relationship between banks and customers which would be showing the impact in the near future. The paper suggests that in the process of aligning the futuristic goals and current practices the major ignorance to human touch is an invisible challenge, which should be addressed at the right time. A service industry like banking cannot breathe without Emotional Connection. In times to come, the fading human touch phenomenon needs to be reserved*

*Index Terms: Customer Relationship Management, convenience, technology, human touch*

## I. INTRODUCTION

D. H. Lawrence aptly said in his poem "Work" that when a man goes out to work "he is living, not merely working" he is "putting them forth, not manufacturing them" hence, the poet's opposition to machine and the prophecy "men will smash the machines...he will cancel the machines" seems very relevant today. CRM is an integration of persons, process and technology to understand customers and take care of services provided to them. It is a strategic tool for relationship management, customer retention, brand management and survival amidst cut throat competition. The rapidly advancing information technology has brought a tremendous change in customer centric processes in banking sector. The successful implementation of CRM in service sectors like Banking has no doubt, given rewarding performance in the field of customer loyalty and long run profitability. Technology based CRM can help banks focus on the customer, by maintaining a comprehensive record of customers and by Integrating multiple interrelated data.

Today CRM is considered to be technology based, CRM

technology, isolated from human touch may not be a successful combination. CRM the implementation of CRM requires an cohesive and balanced approach to technology process and persons.

## II. LITERATURE SURVEY

### A. TECHNOLOGICAL REVOLUTION AND DIGITALIZATION IN CRM

Arundhati Bhattacharya's concern is very genuine that out of several challenges awaiting in future, the major challenge is from the IT sector because it can help achieve a lot; yet the need of human touch cannot be ignored. She is sceptic about young generation's going to branches but feels that brick and mortar is the biggest strength of the organization..

Chandra Shekhar Ghosh, the founder CMD, Bandhan Bank, has aptly said that no doubt, human touch can be improved upon by the use of technology, but human intervention and human touch can not be kept on the shelf. It would always be necessary. He also said that "Bonding is important for smaller retail loans, something that technology can never replace."

In annual report of YES BANK 2017 while highlighting the Corporate Overview the report explains that to get a viable lead through Digitization, the Banks have placed vigorous systems for the convenience of customers. Banks have Digital technologies and Robotics Process Automation (RPA) to automate processes in all the banking operations. Due to CRM Digitization the Banks Engagement and Wellness Strategy have become more robust, scalable and effective through mobile and interactive Bot based solution. Now the technology has overshadowed the human touch from the banking procedures. Where as in the evolution of banking the invisible wall is hindering the relationship between banks and customers which would be showing the impact in the nearing future.

The study made by Kunkalienkar Manoj (2003) highlighted revolutionary change brought by technology does not mean that it is a cure for all inefficiencies. The banks should be aware of the fact that the new approach should be to re-skill the equip workforce with integrated skills of technology and non-technology based CRM. It includes managing customer expectation, his feedback; attracting new prime customers; focus on meeting customer needs, security, their contact points, customized products, listening and enriching customer experience, etc. This shows that banks have taken enough steps to implement best practices in the banking sector.

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Vyas, P. (2004) highlighted that there was operative execution of e-banking facilities in case of private and foreign banks. However nationalized banks were not found executing the computerized operations to the extend. But today all banks are in the field of digitalization as they won't be able to survive in this competitive world without effective CRM practices.

### *B. GREEN FINANCIAL SERVICES AND ITS IMPACT ON CRM*

IDRBT (2013) explains the concept of the Green financial services and its impact on CRM is well very well. Globally the main concern of financial institutions are the concerned about the overall impact of depletion of environment; the main impact of climate change on banks is in fact not direct i.e. banking sector is affected in the sense that their economic activities and activities related to their clients in general are constrained, IDRBT (2013).

Banks' internal operations are considered to be eco-friendly however the „external“ impact on the environment through their customers activities is substantial. Green Banking refers to practice and process that result in sustainable banking in various dimensions economic, environmental, and social and helps in overall reduction of carbon footprint.

Banks have replaced, to a great extent, the paper and pen communication by various electronic channels of communication to provide services to customers. According to [Sakalauskas et al., (2009) and Rautenstrauch, C. (1999)] E-banking sustainability is closely linked with environmental and social factors.

### *C. RESPONSIBLE BANKING*

In ENVISION – International Journal of Commerce and Management Tejinder Pal Singh Brar explains, However, the Banks are entering into a green ecosystem. The Bank's pioneering and classy tools and skills are planned in partnership with sound technology partners, and are result oriented and ensure better efficiency, security and feasibility to the customers. In the process of implementing this model the vibrant human touch is neglected. Yes Bank Annual report explains the responsible banking as the globalization and digitization are influential our world in an amazing manner. Technological revolution's impacts are making it domineering for businesses to revolutionize and be futuristic. Bridging the gap between the present banking operations and futuristic outline the connecting approach is intrinsic and sustainable. However, in the process of obtaining the full benefits of this progression and modernizations in technology the banks are ignoring the softer aspect of customer relationship. The bond that a customer develops during the visits in bank and the treatment to customer makes the mutual connection. By making banking more convenient to customer through innovative technology implementations and providing mobile banking facilities to customers basically banks are ignoring softer issue of human touch in the entire progression towards futuristic achievements. There is a need of more responsible banking. Shanlax International Journal of Arts, Science & Humanities explains the importance of Human touch as today banking services are bank on profoundly on technology, however, practically it is

challenging to replace human touch and expertise with machines, In corporate banking, all functions can be straight relegated only on technology, every single project has a different risk profile however there is no availability of reliable database that can be selected .

### *D. HUMAN TOUCH*

To bridge the gap between the over inclination towards the artificial intelligence and the major negligence towards human touch. The one very important challenge that technology dominant CRM has thrown up is the vanishing human touch that previously characterized banking transactions and CRM. The impersonal technology-enabled communication and automated answering systems might attract young generation because of ease and convenience but the same might be intimidating to technology illiterate people. At the same time it lags behind in warm and long lasting relationship because of lack of human touch. It is therefore imperative for banks to ensure that technological CRM is blended with human touch to avoid failure or breakdown. In the Press release of Standard Chartered Bank Mumbai, on 23 April, 2018 highlighted the amalgamation of convenience and human touch. The press release said, “Standard Chartered Bank launches retail digital banking initiatives with Anushka Sharma as brand ambassador. The banking landscape is changing rapidly with digital platforms becoming a dominant form of interaction between banks and their clients. Consumers, particularly millennials, expect banking services to be faster and seamless on the back of smart digital interfaces. To create a strong connect with this ever increasing young working audience, the Bank is bringing on board actor Anushka Sharma as its brand ambassador.” Speaking on the occasion, Zarin Daruwala, CEO, India, Standard Chartered Bank, said, “Recognising the rapid adoption of technology in a young and aspirational India, we had embarked on journey of Retail transformation, with the clear intent to use technology with a human touch, transforming the entire client experience; making it digitally capable and seamless, but keeping customer centricity at the core of all we do.

## III. OBJECTIVES

- A. To explore the methodology to be embraced by the Banking Sector for building the lifetime relationship with the customers.
- B. To find out whether the young generation prefers convenience-oriented CRM or human touch-oriented CRM.

## IV. HYPOTHESIS

### *A. HYPOTHESIS 1*

H0: There is no significant difference in the customer centricity of the CRM processes implemented by different banks.

H1: There is a significant difference in the customer centricity of the CRM processes implemented by different banks.

**B. 4.2 HYPOTHESIS 2**

H0: There exists no significant difference in the mean perception of banking customer towards 'Convenience' factor of internet banking and human touch factor of Customer Relationship Management.

H2: There exists a significant difference in the mean perception of banking customers towards 'Convenience' factor of internet banking and human touch factor of Customer Relationship Management.

**V. RESEARCH METHODOLOGY QUALITATIVE AND QUANTITATIVE MIXED**

**A. SAMPLE DEIGN**

Utilizing Convenience Sampling Method, five banks were chosen for the examination and utilizing Random Sampling Method 250 customers per bank were chosen for the investigation.

**Table 1: Total number of customers surveyed**

Service Category	Number of Organizations Selected	Number of Customers Selected	Number of Regions (Cities)	Sample Size
(1)	(2)	(3)	(4)	(2x3x4)
Banking	05	50	05	1250
Total Sample Size				1250

Total Number of Customers surveyed: 1250

**B. VALIDITY OF SAMPLE**

During the pilot survey of 100 customers using SPSS version 16.0 software the customer rating scale reliability was tested and found the results as: Cronbach alpha value. = 0.8855, Correlation between 1st half and 2nd = 0.7758, Split-half reliability = 0.8739. As the Cronbach alpha value is greater than 0.70. Hence the primary statistical data is reliable and valid for further analysis.

**VI. RESULTS AND DISCUSSIONS (TESTING OF HYPOTHESIS)**

**A. TO TEST HYPOTHESIS 1**

The one way ANOVA test is applied and the following table came as a result... Table 2. Results of ANOVA Test between customers belonging to 5 different Banks (SBI, BOM, PNB, HDFC, and ICICI) with respect to their customer centricity score:

**Table 2: Testing Hypothesis 1**

Source of variation	Degrees of freedom	Sum of squares	Mean sum of squares	F-value	P-value
Between banks	4	27874.72	6968.680	150.9257	0.0000*
Within banks	1245	57485.30	46.173		
Total	1249	85360.02			

\*p<0.05

From the above Table 2, it can be seen that the customers belonging to different banks (SBI, BOM, PNB, HDFC and ICICI) differ statistically with respect to their customer centricity scores (F=150.9257, p<0.05) at 5% level of significance. Hence, null hypothesis is rejected and alternative thesis is accepted. In the above test, since the value of F is significant, it is necessary to make a pairwise comparison of customers belonging to different banks (SBI, BOM, PNB, HDFC, and ICICI) with respect to their customer centricity scores by applying the Tukey's multiple post hoc procedures. results are as follows:

**B. PAIR WISE COMPARISON OF DIFFERENT BANKS (SBI, BOM, PNB, HDFC, ICICI)**

With respect to customer centricity scores by Turkey's multiple post hoc procedures

**Table 3: pairwise comparison of different banks**

Banks	SBI	BOM	PNB	HDFC	ICICI
Mean	37.0000	27.7400	41.9600	38.6400	35.8000
SBI	1.0000				
BOM	0.0000*	1.0000			
PNB	0.0000*	0.0000*	1.0000		
HDFC	0.0542	0.0000*	0.0000*	1.0000	
ICICI	0.2785	0.0000*	0.0000*	0.0000*	1.0000

\*p<0.05

From the consequences of the above table, it can be seen that the customers having a place with different banks contrast fundamentally as for their customer centricity scores at 5% dimension of importance. It implies that the customers having a place with one bank have appraised the procedures of their bank to be more/less customer centric when contrasted with that of other. This implies that customers centric approach of different banks is important for customers and they are enough active to compare CRMs of different banks. The next step of analysis is what is more preferred: Convenience oriented network-based CRM or human touch centric traditional CRM.

**C. TESTING OF HYPOTHESIS 2**



Table 4. CRM Best Practices

CRM Best Practices of Banks (Combined Analysis)						
Sl. No	Statement	Mean	SD	CV	MPS	Level
1	Bank has adopted good manners in dealing with customers through telephone	3.92	0.87	22.24	78.40	Excellent
2	Bank is also taking care of non customers who come to bank for general utility services	3.71	0.97	6.14	74.22	Good
3	Bank is adopting customer retention measures for debit and credit card customers	3.60	1.01	7.98	71.91	Good
4	Bank always ensures enough cash balance in ATMs for satisfying customers	3.76	1.04	7.59	75.16	Excellent
5	Bank never keeps customers waiting for operating lockers	3.44	1.10	32.12	68.71	Good
6	Bank always keeps on adopting new marketing techniques for satisfying customers	3.76	0.99	26.33	75.29	Excellent
7	Bank ensures front office to be neat/tidy and adopts good manners in dealing with customers	3.91	0.96	24.58	78.13	Excellent

The Internet Banking younger generation has better perception (Mean=5.74) towards the Convenience of Internet Banking services in comparison to human touch perspective of real banking customers (Mean= 5 .60).The results of z- test indicated the calculated values of z i.e. 14.8 is found to be greater than the tabulated values of z i.e. 1.96 at 5% level of significance which resulted into rejection of null hypothesis.  $Z_{cal} (14.8) > Z_{tab} (1.96)$  , Null hypothesis stands rejected.

**D. FINDINGS OF OBJECTIVE 1**

The methodology embraced by the Banking Sector for building the lifetime relationship with the customers needs more emphasis on softer aspects. The customer relationship management is lacking personal touch and emotional bonding between the banks and customers. The loyal customer can be the big asset to any organization.

**E. SUGGESTION**

Banks should focus on the loyalty of the customers to maintain the long-term relationship and create an emotional bonding.

**F. FINDINGS OF OBJECTIVE 2**

The young generation prefers convenience oriented CRM instead of human touch oriented CRM. The digital media offers online comparative analyses among the available options and customer prefers the profit and convenience to loyalty and human touch.

**G. SUGGESTION**

The future threat needs a visionary futuristic approach to deal with the current challenging customer mechanical relationship.

**VII. CONCLUSION**

Thus, in the evolution of banking CRM, the invisible wall is hindering the relationship between banks and customers which would be showing the impact in the nearing future. In the process of reaping the full benefits of digitalized CRM, the banks are ignoring the softer aspect of customer relationship. The bond that a customer develops during the

visits in bank and the treatment to customer makes the mutual connection. Today, it is missing, the loyalty and long term relationship is gone and customers keep track of competition and switch from one bank to another for small benefits. This may affect future growth of the bank. Further, Ignorance of the human touch on the part of the customer is indicative of other problems: Isolation, loneliness, negative affect on emotional intelligence and final damage to physical health as well. This draws attention of not only bankers but also of health experts. In the process of aligning the futuristic goals and current practices the major ignorance to human touch is an invisible challenge, which should be addressed at the right time.

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