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# Productivity Enhancement Strategies

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## **IMPACT OF CUSTOMER RELATIONSHIP MANAGEMENT IN PUBLIC SECTOR BANKING**

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### **INTRODUCTION**

Customer Relationship Management (CRM) in the Indian banking system is fundamental to building a customer-centric organization. CRM systems link customer data into a single and logical customer repository. CRM in banking is a key element that allows a bank to develop its customer base and sales capacity. The goal of CRM is to manage all aspects of customer interactions in a manner that enables banks to maximize profitability from every customer. Increasing competition, deregulation, and the internet have all contributed to the increase in customer power. Customers, faced with an increasing array of banking products and services, are expecting more from banks in terms of customized offerings, attractive returns, ease of access, and transparency in dealings. Retaining customers is a major concern for banking institutions which underscores the importance of CRM. Banks can turn customer relationship into a key competitive advantage through strategic development across a broad spectrum.

### **Review of Literature**

Berry (1983) defined relationship marketing as attracting, maintaining and enhancing the customers' relationships in multi-service organisation. After a few decades, the evolution in relationship marketing philosophy changed the word relationship marketing to CRM. The literature on CRM suggests that banks should consider the customer relationship life cycle (Dwyer et al., 1987). In general, there are three core phases: customer acquisition, customer enhancement, and customer recovery. The acquisition phase describes the initiation of a customer-bank relationship. In CRM initiatives, customer representatives' help customers get used to the products and services, thereby increase customer familiarity.

As the service industry has a high degree of integration and interaction in terms of contact contribution, empowerment is a helpful instrument for successful control of individual customer relationships (Mudie and Cottam, 1993). The organisational performance is enhanced because

marketing efficiency is achieved due to the cooperative and collaborative processes (Sheth and Sisodia, 1995) introduced by CRM which helps in reducing transaction costs and overall development costs for the company. These brings about two important processes of proactive customer business development and building partnering relationships with the most important customers and eventually leads to superior mutual value creation between the organisation and the customer.

Roger Hallowell (1996) conducted a research on customer satisfaction, loyalty, and profitability and found that as compared to public sector, private sector bank customers' level of satisfaction is comparatively higher. According to Brown (2000) CRM is a process of acquiring new customers, retaining the existence customers, and at the same time understands, anticipates and manages the needs of an organisation's current and potential customers.

Almossawi (2001) examined the bank selection criteria and observed that there are four selection criteria of banks in Bahrain namely technology, convenience, financial benefits and employees or customer interactions. The bank would need a complete view of its customers across the various systems that contain their data. If the bank could track customer behaviour, executives can have a better understanding, a predicative future behaviour and customer preferences. The data and applications can help the bank to manage its customer relationship to continue to grow and evolve (Dyche, 2001).

Over the last few decades, technical evolution has highly affected the banking industry. For more than 200 years, banks were using branch based operations. Since the 1980s, things have been really changing with the advent of multiple technologies and applications. Different organisations got affected from this revolution; the banking industry is one of it (Sherif, 2002). In this technology revolution, technology based remote access delivery channels and payment systems surfaced. ATM displaced cashier tellers, telephone represented by call centers replaced the bank branch, internet replaced the mail, credit cards and

electronic cash replaced traditional cash transactions, and interactive television will replace face-to-face transactions (Sherif, 2002).

Service recovery is critical as it provides an opportunity to retain customers. If the customer has been lost but is still attractive, recovery offers could be made to the customer (e.g. cancellation in the initiation fee; taking care of formality caused by the switching) or value added services could be offered. In the customer-centered paradigm, customer asset management (CAM), customer equity (CE), return on quality and service profit chain are similar to CRM (Berger et al., 2002; Blattberg et al., 2001; Rust et al., 1995; Heskett et al., 1994).

The challenge before the banks is not only to obtain updated information for each customer, but also to use the information to determine the best time to offer the most relevant products (Lau et al., 2003). In recent years, banks have moved towards marketing orientation and the adoption of relationship banking principles. The key motivators for embracing marketing principles were the competitive pressure that arose from the deregulation of the financial services market particularly in India. This essentially exposed clearing banks and the retail banking market to increased competition and led to a blurring of boundaries in many traditional product markets (Durkin, 2004). Wang et al. (2004) developed an integrative framework for customer value and CRM performance based on the identification of the key dimensions of customer value viz. functional value, social value, emotional value and perceived sacrifices.

Sin et al. (2005) identified four dimensions of CRM in their study viz. key customer focus, CRM organisation, technology-based CRM and knowledge management. It is also important to understand that if customers bring in profits for the bank, it becomes imperative for the bank to provide excellent services to those customers, otherwise they switch to other banks (Ray, 2007). Service quality in banking implies consistently anticipating and satisfying the needs and expectations of customers. Many researchers have been done in various industries especially in the banking sector that focussing on customer oriented services (Ndubisi et al., 2007; Rootman et al., 2008; and Dutta and Dutta, 2009). Lu and Shang (2007) explored the CRM perceptions in freight forwarder services from managerial perspectives. They had come out with six dimensions of CRM namely customer acquisition, customer response, customer knowledge, customer information system, customer value evaluation, and customer information process.

Further, a clear vision of CRM along with appropriate strategies if applies in banking sectors found out that beneficial in maintaining the

customer service quality, customer satisfaction and customer retention which ultimately leads to the growth of the organisation and profitability (Bansal and Sharma, 2008). Rootman et al. (2008) investigated the variables that influence the effectiveness of CRM strategies in banks viz. attitude, knowledgeability and two-way communication related to bank employees. CRM is a key to create a superior customer experience. It manages the customer relationship by creating a clear understanding (Know), by developing services and products based on the added value for target groups (Target), then enabling the actual sale and delivery of services and products through the selected channels (Sell), and developing long term profitable relationships with customers after sales services (Service) (Hussain, et al., 2009).

#### Need for CRM in Banking Sector

Modern Marketing philosophy advocates the concept of CRM that creates customer delight. This applies to all sectors of Sales and Marketing includes the banking. In the banking field a unique 'Relationship' exists between the customers and the bank. But because of various reasons and apprehensions like financial burdens, risk of failure, marketing inertia etc., many banks are still following the traditional ways of marketing and only few banks are making attempts to adapt CRM. It is with this background, the researcher has made a modest attempt towards the idea that CRM can be adapted uniformly in the banking industry for betterment of Banking Services. The role of CRM is quite different and distinguishable to traditional type of Marketing CRM participate not only in Marketing but also in implementing the business as a strategy to acquire, grow and retain profitable customers with a goal of creating a sustainable competitive advantage. Particularly in banking sector, the role of CRM is very vital in leading the banks towards high level and volume of profits. So there is a need to study the role of CRM in development and promotion of banking sector through the sidelines of the practices, problems and impact of the CRM on banking sector all the time.

#### Features of CRM in Banking Sector

Banking Industry revolves around three basic features such as Intangibility, variability and satisfiers. Unlike a product which can be seen and benefits derived accordingly, the banking industry thrives practically on the quality of the services rendered. The experience of the customer determines the growth of the business. The present day customer is impatient and is highly demanding and does not compromise on the quality of the service rendered, as he expects that high cost equals high quality and vice versa. Unlike the manufacturing industry that wholly depends on the tangibility and extrinsic factors, the service

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industry is totally dependent on the intrinsic and extrinsic factors, which have a close bearing on the core benefits.

It is obvious from these features that the customer is the fulcrum for the banking industry and any initiative adopted for its growth is to be aimed at, for and through the customer. And the banks to be competitive it build up a strong CRM by convergence model in the financial industry and financial liberalization. Banking institution must initially develop a strategy to understand and anticipate the need of the current and potential customer base. Unless the banks understand the needs of the customer, best technology products benefiting the customer cannot be designed. Hence the CRM and technology go hand in hand supplementing each other needs and convenience. Once the customer needs are understood and technology product orientation becomes easy for value creation process.

As the banking industry thrives on the services rendered, it becomes necessary to imbibe the "PQRST" strategy to maintain CRM, where

- *P*: Peace of mind for the customer
- *Q*: Quality of service rendered, which should commensurate to the expectations of the customer
- *R*: Respect to be given to the customer irrespective of his economic background
- *S*: Sincerity in the discharge of duties to the customers, with a personal touch

#### Benefits of using CRM in Banking Industry

- Provide better customer balance
- Increase customer revival
- Discover new customers
- Helps sales staff close deals faster
- Making banking operation more efficient
- Simplify marketing and sales process

#### Factors influencing Banking Sector

Many banks are still following the traditional ways of marketing and only few banks are making attempts to adapt CRM. The focus of CRM helped banks to understand the customer's current needs, what they have done in the past, and what they plan to do in the future to meet their own goals. There are various factors influencing banking sector to implement CRM:

- Increasing competition
- Proliferating customer contact
- Intensifying attacks on customer information
- Rising customer expectations
- Identifying new marketing opportunities

Online customers have a special set of expectations that set them apart from traditional customers. In particular, they expect lots of information about your company and your products

to be available online with minimal searching, close to immediate service, opportunities for self-service via your website, and speedy shipment of products or services. Therefore, you need to consider CRM principles when doing business online. CRM is the hot talk in the banking sector. Banks are realizing that CRM is the magic bullet that helps financial institutions to build stronger and more profitable relationships.

#### Conclusion

CRM is a powerful concept for the success of any industry. It paves the way to maintain an optimistic relationship with customers to increase the business and profitability. The strategies employed CRM is aimed at mutual benefit to the customers and industries. It creates deep and wide impact on customers and make in deep in roads in identifying the lucrative move of the industries. Thus any business begins and ends with the customers. Retaining customers is a major concern for banking institutions rather finding new customers. This paves the way for maintaining good CRM with the customers.

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## MEASURES TO IMPROVE PRODUCTIVITY IN SERVICE SECTOR

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### INTRODUCTION

Developing countries in their early stages of development depend largely on the agricultural sector for economic development and employment generation. As a country advances economically, the manufacturing and service sectors become the new growth areas. In developed countries, the service sector is the major (more than 60%) contributor to GDP. It also accounts for the major share of employment.

Productivity is the measure of an organization's ability to produce a good or a service. While organizations that produce goods can point to the total finished number of products as evidence, it's notoriously difficult to measure the service sector's productivity. As a result, when we're not sure where we're beginning, it's difficult to know where to end up. Nevertheless, there are key areas analysts should examine to determine a sector's productivity.

Productivity measures the efficiency and effectiveness with which resources are used in economic activity. Efficiency comprises two components: technical efficiency which reflects the ability of a firm to obtain maximal output from a given set of inputs, and allocate efficiency which is a reflection of how a firm uses the inputs in optimal proportion given their respective prices and the production technology. Some argue that productivity needs to address both efficiency and effectiveness because an economic activity will not be productive if it is only efficient but not effective, or vice versa. Some others, however, use productivity, efficiency and effectiveness interchangeably. Unclearly defined concept and definition of productivity give rise to the difficulties in productivity measurement and vice versa. Productivity is defined as the relation between output and input, in other words, a ratio of output to input. Inputs are the resources used in the production, such as labour, materials and energy. A given product, service or both are the output.

The service sector is essential to a nation's economic growth; it must continuously enhance its productivity and sustain its competitiveness, especially in view of the global challenges of a more open market. For this reason, productivity- and knowledge-driven strategies, a customer-focused management philosophy, and effective

applications of information and communications technology (ICT) are critical to build a productive service sector.

India is among the fast growing economies in the world. According to the International Monetary Fund (IMF), in 2010, India's gross domestic product (GDP) grew at 10.6% compared to 10.4% for China, an average growth rate of 9.7% in developing countries within Asia and 7.5% average growth rate in emerging and developing economies. Services sector has been a major contributor to India's GDP and growth. It is the second largest employer after agriculture. India's trade in services have increased overtime and services accounts for the largest share in India's foreign direct investment (FDI) inflows and outflows.

The growth of India's services sector, its contribution to GDP, and its increasing share in trade and investment has drawn global attention. Unlike other countries, where economic growth has led to a shift from agriculture to industries, in India, there has been a shift from agriculture to the services sector. In India, growth in services sector has been linked to the liberalisation and reforms of the 1990s. In the first three decades (1950s to 1970s) after India's independence in 1947, GDP grew at an average decadal growth rate of less than four per cent. India was largely an agrarian economy.

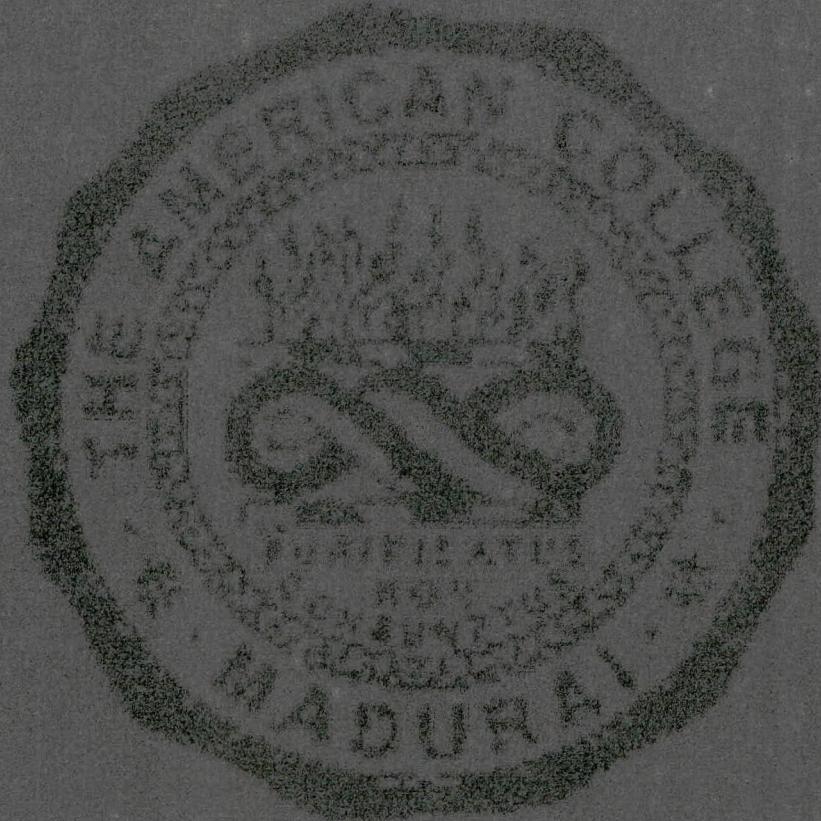
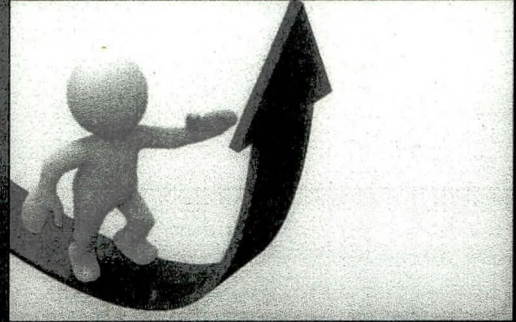
The share of services sector was small and a large number of services were government monopolies. Services sector started to grow in the mid-1980s but growth accelerated in the 1990s when India initiated a series of economic reforms after the country faced a severe balance of payment crisis. Reforms in the services sector were a part of the overall reform process, which led to privatization, removal of FDI restrictions and streamlining of the approval procedures, among others.

### Constraints in measuring productivity in service sector

- **Physical intangibility of services:** A product always represents a bundle of tangible and intangible elements and that especially the tangible elements of the service result are used in order to market services. The missing tangibility of the

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