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CUSTOMER RETENTION IN BANKS THROUGH CRM: A REVIEW OF SERVICE GAP, CUSTOMER RETENTION AND TRANSFORMATION TRENDS IN INDIAN BANKS FOR A COMPETITIVE EDGE

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ABSTRACT

The research was aimed at finding out if banks can retain their customers with the help of Customer Relationship Management (CRM). Or is CRM helpful in retaining the Customers of the Banks. The study was done by finding the service gap i.e., the gap between the customers expected and perceived needs. So that the research finding may enable the banks to develop a database on CRM and which would help the bank to operate effectively, profitably, and at least help them to withhold their sagging bottom lines and have a competitive edge. Primary market research was used to collect the data. The questionnaire based on SERVQUAL method was administered across 8 Banks with a mix of Public, Private and Foreign Banks. Data collected from the customer (205 in total) of the Banks were analysed and individual attribute gap was calculated. The attributes were Tangibility, Reliability, Responsiveness, Empathy & Assurance. Then the gaps were calculated by subtracting opinion from expectations. These gaps were considered because these attributes gap when combined form the Total Service Gap. The objective for the above testing was based on the premises that if there is service gap than there is no retention of customers. The result of the entire t test on service gaps is statistically significant. So, the null hypothesis is rejected, and the alternate hypothesis holds good at 95% confidence interval for Mean for all the Individual Attributes of SERVQUAL as well as Total Service Gap. Further when mapped with Customer retention matrix, Public sector customers were dissatisfied when compared with Other sectors (Satisfied). Based on this finding it can be suggested that there is a significant link between CRM and the Quality of Services offered to the Customers. This research shows CRM has a role to play in the Customer Retentions by increasing the Customer Satisfactions levels by analysing the needs of the customer and offering the same. This paper provides an insight about the current service gaps among various Indian banks. Also, this paper provides various insights on how banks are adopting the CRM technology to manage customer relationships and service satisfaction.

KEYWORDS

customer management, customer relationship, customer retention, service gap, SERVQUAL.

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INTRODUCTION

Socio, economic, political, and business environment across the world over has changed remarkable in the last decade and appears poised to change still further in the coming years. These factors are influencing the business and having a significant impact the way business is done. As organizations are realizing that in the highly competitive environment their chances of growth and survival will depend on collaboration with competitors, supply chain management and customers. Till recently, marketing efforts were focussed on "Creating Exchanges" rather than managing long term growth and relationship with customers. Marketing efforts have been always focussed on creating exchanges rather than managing relationship with customers. With maturing markets, stiff global competitions, and lower populations growth have forced marketers to evaluate and examine the cost of not only retaining the old ones but also the cost of winning new customers. Therefore, we now see the focus of marketing shifting to managing long term relationship with customers. With India joining the world economy, it is bound to witness a process of change in business scenario. And the sailing has become tough for the Indian corporate sectors and business houses, specially, the Indian Banks visa vice the Foreign Banks operating in India. At the same time customers loyalty is decreasing now. In this current scenario Customer Relationship Management (CRM) becomes inevitable not only for the marketers but also sales and other personnel who deal with customers directly or indirectly, and those who choose to ignore this are bound to fail.

Relationship, whether with individual customers or industrial customers are built on services. Theodore Levitt said, "There is no such thing as a service industry". There are only industries where service components are greater or lesser than other industries. Everybody is in service. Services are basically conveniences and benefits sold to customers. In relationship marketing, Levitt called relationship between the marketer and customer, consumer as 'reciprocal dependency' and insisted that the seller is responsible for initiating and nurturing it. He further stated that the relationship between the buyer and seller is a romantic encounter (Levitt, 2021). Due to increase competition, customer patronization is decreasing day by day and due to new services. While Indian business houses are facing the changing scenario and some of them even becoming victim to it, Indian banks are no exception. As per a statement by Bob Stark of Chase Manhattan Bank, "The more my customers see me the better the relationship. I have never brought a piece of new business sitting at my desk. This is the time that could have been spent cultivating prospects and selling new services to existing customers" (Bureau, 2021).

The same is true about Indian Banks. Even when they did spend time with customers, their managers were not equipped with the knowledge they need to ensure that both the customers and the banks were benefiting from the relationship. Information about the banks products/services, its policies and about the accounts themselves were scattered and unreliable, making it impossible for managers to properly identify and assess the options available to their customers. Also, the bank databases were organized at product and transaction level and not by relationship. This situation called for a use of Relationship Management System (RMS) that combines the managers knowledge about their customer's loan history, deposits, investments and so on with the bank's policies and product knowledge. At the same time, they can provide better services to their customers which in turn fosters even stronger relationship. Long-term and stable relationship is possible, when both parties (Buyer and Seller) try to learn each other's business and develop cooperative solution to their problems'. Levitt called this form of relationship 'reciprocal dependency' and insisted that the seller is responsible for initiating and nurturing it (Levitt, 1983).

DEVELOPING RELATIONSHIP THROUGH CRM IN BANKS

Relationship Marketing develops regions for the customer, to consider the seller more than a source of single transactions, but rather as a dependable source for fulfilling many needs. Banks offer products and services to meet evolving customers' needs over the life cycle by personally keeping in touch with sets of customers, cross selling new products and handling customers problems by offering appropriate services. The most important benefit of relationship marketing for Banks is customer retention. Higher retention means higher market share, which in turn means higher revenues. In addition, sales calls are productive with familiar customers than with new ones (Parvatiyar and Sheth, 1994).

Identifying and keeping in touch with the potentially loyal customer is essential and with the latest computer technology it is now a possibility. In fact, an excellent database, and the capability to organise and analyse and segment it are essential to make relationship marketing work (Berry, 1995). The database should not only contain customers name and addresses, but also the purchase history and other relevant information that will allow firm to anticipate a customer's future needs. First the banks must have an excellent information and knowledge of its customers with an extensive database containing all information's about current and potential future customers. Second, the bank must have the capability to customize its marketing products and offerings to individual customers based on customer choice and preferences to customize the products/services. Finally, it must be able to track individual purchase histories to be able to access the cost of acquiring and servicing each customer compared to the customer lifetime value.

This research study aims at providing requisite information and findings to the banking sectors. So that the research finding may enable the banks to develop a database on CRM and which would help the bank to operate effectively, profitably, and at least help them to withhold their sagging bottom lines.

LITERATURE REVIEW

The rapid growth of information technology revolution and the World Wide Web has given an opportunity to build better relationships with customers that was not previously possible in the offline world. With banks able to collate customer data across various touch points they are now able to respond directly to customer request and provide customers with a highly interactive and customized experience. They now also can establish, nurture, and sustain long term customer relationship then before. The whole objective of the above goal is to transform these relationships and take to higher level of customer engagement leading to greater profitability. Higher profits are generated due to repeat purchases and decreasing the cost of new customer acquisitions. That is the essence of the whole gamut of CRM technology. This gamut in customer relationship management or CRM is now the new marketing mantra. This has created a new global market for CRM technology, services, and products. The current CRM scenario is to understand customer behaviour based on the purchases and to focus on those customers who can be profitable on long term to the company. Keeping the above in mind, the present focus is on the need for Customer Services in Banking sector, the need for CRM and the strategy adopted by banks to retain their customers. Even the concept of CRM, process adopted CRM solutions in trend and the principles of CRM are also covered. An attempt is also made to analyse the CRM market trend in India, the role of CRM in Customer retention, advantages of CRM with respect to banking scenario and at last the issues and opportunities of CRM in banking sector (Sheth, Atul and Shainesh, 2000).

NEED/IMPORTANCE OF THE STUDY

This paper provides an insight about the current service gaps among various Indian banks. Also, this paper provides various insights on how banks are adopting the CRM technology to manage customer relationships and service satisfaction.

THE NEED FOR CUSTOMER SERVICES IN BANKS

The importance of customer service for capturing business in banks has become as focus point on all stages of marketing of banking services, since almost all banks are offering more or less the same products with little changes in brand/services names. Here the concept of enhancing the customer satisfaction is a pivotal point to attract more and more people to banking by a particular bank (Mumbai, 2021)). In the present-day situations, customers becoming more and more demanding, bankers have had to evolve new approaches, new and innovative products to keep pace with growing expectations. With the opening of the economy customer satisfaction "has acquired new meaning and different dimensions" as banks are discovering more and more innovative products to meet increasing competition among themselves. But that is not about only offering the right products to the customers, every bank tries to lure the customers with better products, but certain banks have gone beyond and are offering products which not only satisfy them, but also delight them with some offering which the customers have not expected. The crux of the whole scenario is that customers who are satisfied are normal customers, but those customers who are delighted are the so-called core customers or Loyal Customers. Such customers in the long run can generate more revenues for the banks than ordinary customers. Further loyal customers act as a non-paid sales executive by promoting the banks services, whereas an ordinary customer is more likely to shift to competitors when better services are offered. So now every bank is trying to build Loyal Customers rather than ordinary customers. But building loyal customers does not happen overnight. Since speed and efficiency are major factors in services delivery, to achieve high level of satisfaction high level technology and CRM systems is required to fulfil the needs of customers. Truly the customer is the king in the present-day banking, since the banks are providing tailor made services to the changing needs of customer to face the competition from the rival banks. As of now, customer preferences keep on changing at a rapid speed and their demands are turned insatiable. To meet and exceed the satisfaction level, banks need to provide services to match and exceed customer expectation to survive in the competition. Customers are not ready to accept any delay in service today and need information for instant decisions. Therefore, customer satisfaction is more important in servicing. As banking sectors become more competitive, it is both tough and challenging to retain as well as acquire new customers. Banks must retain existing customers and look for new ones for business growth. Otherwise, it will be difficult for banks to sustain in highly competitive environment. Banks are now seeking technology help to drive and sustain the challenging task of customer retention and satisfaction (Vaslow, 2018).

STATEMENT OF THE PROBLEM

Customer services delivery is impacted by multiple factors including human delivery of these services and also technology. In the banking systems, customer satisfaction measurement remains a key issue. While some customers are happy there are many who are unsatisfied with the service delivery. Several measures have been undertaken by Banks to improve the customer service in Indian banking system. One of the most significant efforts is made in technology with the use of CRM technology.

This research was done to understand how customer retention and CRM are linked if any and how they can play a role in banking services. The background of the research was based on the premise that CRM systems helps to retain customers. This is achieved by offering better products and services which lead to customer's satisfaction. In this research CRM implementations levels in banks was also studied to see the impact for CRM systems on customer satisfaction levels and in customer retentions in long run.

OBJECTIVES

The study objectives aimed at finding out if banks can retain their customers with the help of Customer Relationship Management. Or is CRM being helpful in retaining the Customers of the Banks. The study was done by finding the service gap i.e., the gap between the customers expected and perceived needs. So that the research finding may enable the banks to develop a database on CRM and which would help the bank to operate effectively, profitably, and at least help them to withhold their sagging bottom lines and have a competitive edge.

HYPOTHESIS

In the course of the analysis, the below six hypotheses were tested for this research study.

1. Ho: There is no significant tangibility gap in the Banking Services.
   H_1: There is significant tangibility gap in the Banking Services.
2. Ho: There is no significant Reliability gap offered by the Banks.
   H_1: There is a significant Reliability gap offered by the Banks.
3. Ho: Responsiveness gap is not significant in the services offered by the Banks.
   H_1: There is a significant Responsiveness Service gap in the Banks.
4. Ho: There is no significant Empathy gap in the services offered by the Banks to the customers.
   H_1: There is a significant Empathy gap in the services offered by the Banks to the customers.
5. Ho: There is no significant Assurance gap among the Banks.
   H_1: There is a significant Assurance Service gap among the Banks services.
6. Ho: The Total Service Gap is not significant in the bank's services.
   $H_{1:}$ There is a significant Total Service gap offered by the Banks.

GENERAL

All the above hypothesis is taken on fact that unless a customer is not satisfied, retention can never happen. Second if customer is satisfied, then there is no service gap or deficiency in service. So, each of the Service gap is analysed to find out if the gap is significant or not. If any of the gaps is not significant, which will be found by t test, then that gap is eliminated from the final Total Service Gap Calculation. If all the gaps are found to be significant then, all the gaps are taken into final analysis. So, I am testing that if there is service gap than there is no retention.

RESEARCH METHODOLOGY

The aim of this study was to find out if banks can retain their customers by CRM. Retention happens only when customers are satisfied and happy with the present services offered to them. So, in order to study whether the customers are satisfied, or not primary data was collected from the customers of banks by drafting a questionnaire based on Servqual method (Refer to Annexure section for sample questionnaire used for this survey). The gap of all the attributes of Servqual was further put to t test, in order to find the significance of that attribute to the service gap. If any attribute was not found significant then it was proposed to be removed from the Total service gap. Further the gap was mapped with Customer Retention Matrix to find if the customer is a satisfied or dissatisfied and what are the likely hoods of customers being retained. Further analysis was made by Semantic Differential Scale (Glen, 2016). Given below are the details of the methods adopted i.e., Servqual Method, Customer Retention Matrix, Semantic Differential Scale. Statistical tools used are Students t test & Average. Lastly considering the above analysis and the implementation level of CRM, final conclusion is drawn if the respective Banks will be able to retain their customers with the current level of Customer Relationship Management (CRM).

The present study required the following information from the Banks and their customers.

a. Opinion on the expectation and perception of Services of the banks from the customers.
b. Opinion on the Level of Satisfaction of the Services offered by the Banks.
c. Information on the need fulfilment of the products offered by the Bank from the customers.
d. Information on CRM implementation in Banks, which were analysed.

SELECTION OF BANKS

As per RBI, currently there are 289 Commercial Banks operating in India as of March 2005. So, it is practically difficult to take into consideration all the Banks. So, in order to streamline the Data Collection process following criteria was chosen to consider banks for Survey.

- Banks must have implemented Customer Relationship Management (CRM) solutions.
- Leading Public, Private and Foreign Banks were chosen which have various levels of CRM implementations.
- The Survey of these banks was restricted only to the Geographical areas of Hyderabad. This criterion was taken in view, because Hyderabad is a Metropolitan city with people from all parts of country stays here. Leading foreign banks operate here.

BANKS CHOSEN FOR STUDY

1. STATE BANK OF INDIA (SBI)
2. HOUSING DEVELOPMENT AND FINANCE CORPORATION (HDFC BANK)
3. ICICI BANK
4. UNIT TRUST OF INDIA BANK (UTI)
5. INDUSTRIAL DEVELOPMENT BANK OF INDIA (IDBI)
6. CITI BANK
7. ABN AMRO BANK
8. STANDARD CHARTERED BANK.

The above banks were further classified as

1. **PUBLIC SECTOR BANKS:** STATE BANK OF INDIA (SBI).
2. **OTHERS SECTOR (PRIVATE and FOREIGN SECTOR BANKS)**: HDFC BANK, ICICI BANK, UTI BANK, IDBI BANK, CITI BANK, ABN AMRO, STANDARD CHARTERED

LEVEL OF CRM IMPLEMENTATION IN THE ABOVE BANKS

Since the aim of this research study was to find out if CRM is able to help the banks in customer retention, so various bank which have implemented the CRM solutions were analysed and studied in detail. Given below are the levels of CRM implementations in Banks under study.

PRIMARY LEVEL IMPLEMENTATION: Primary level implementations means either the banks have planned to implement or have started the implementations but is not fully functional. SBI has implemented the Banking Software Finnacle of Infosys but is not fully functional. Finnacle has an inbuilt CRM tool in it. So here in my study is have considered SBI as Primary level implementers of CRM solution. The above decision was taken based on the Number from the above table. If we see SBI bank the number is 5 which is maximum whereas yes is only 3 when compared to others. So, from the above CRM services only SBI can be said to have only a primary level implementation of CRM solutions.

MIDDLE AND ADVANCED LEVEL IMPLEMENTATION: Middle and Advanced level implementations are those Banks, which have implemented the CRM solutions and are partial or fully functional. The banks that come under this category are ICICI, HDFC, UTI, IDBI, CITI, STAN CHARTERED & ABN AMRO.

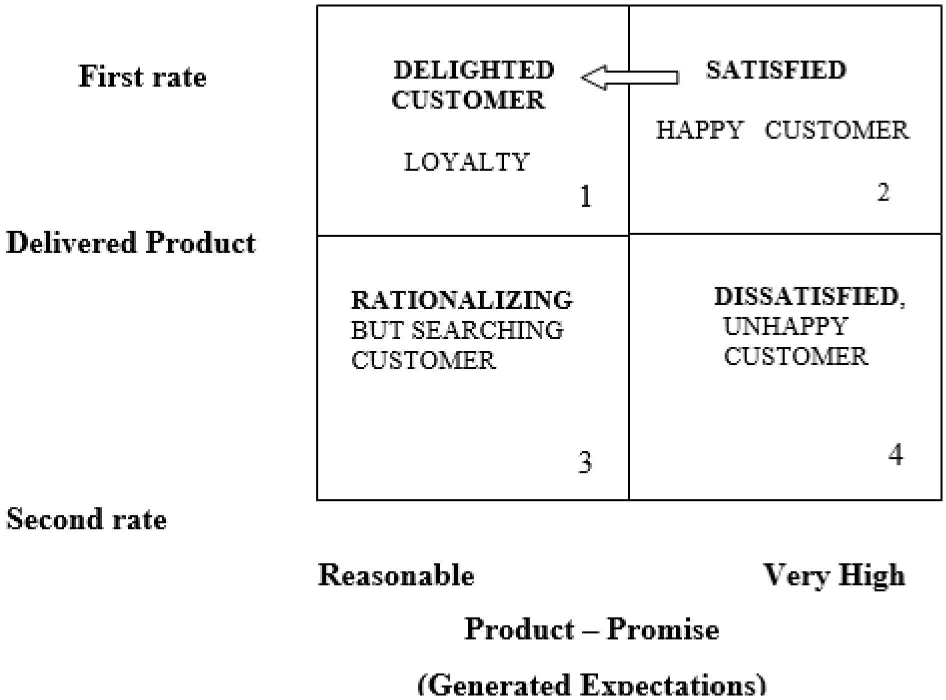
OVERALL METHODOLOGY USED FOR STUDY

Since the aim of the study was to find out the Customer Retention in banks by CRM, so in order to find customer retention we have to find out if the customers are satisfied and delighted with the present bank's services and products. So, to fulfil the research objective, a questionnaire was framed based on Servqual Scale. Since Banks are in Services sectors, so this was the most suitable scale to measure the gap. Original Servqual Scale contains twenty-two questions which are divided on five attributes namely Tangibility, Reliability, Responsiveness, Empathy and Assurance. I revised the questionnaire by taking seventeen questions because some of the questions were not fitting to the current banking sectors. The questions were divided into two parts namely **Expectations** or what the customers expects from the banks and **Perceptions** or what they are getting currently from the Banks. Further three questions were asked on to find if the customers complain to the banks, are all their needs fulfilled by the current bank, and how do they rate the overall services of the Bank.

From the questionnaire customer expectation "C" and Delivered product and services by bank "B" was collected. Delivered services are what are the Perceptions of the customer. Then the service gap i.e., CR or Customer Reaction was found. Customer Reactions was found by Subtracting Customer Expectations from the Delivered Products and Services. If the result is negative, then it indicates a Service Gap. Positive result indicates that the customer is a satisfied customer. After calculation of each gap, then it is grouped based on the five Servqual Attributes namely Tangibility, Reliability, Responsiveness, Empathy and Assurance to find out the gaps in Tangibility, Reliability, Responsiveness, Empathy and Assurance. These are called as Tangibility Gap, Reliability Gap, Responsiveness Gap, Empathy Gap, and Assurance Gap. The objective of calculating gap on individual gap, is to find out the significance of each attribute on the overall Service Gap. Then each of these five attributes are added to form the Total Service Gap. Next each individual attribute gap was put to Student's t test to find if there is any significance of these attributes to the customer satisfaction. If any of these five attributes was found by test as not significant, then that attribute will be deleted from the Total Service gap. As Total Service gap is equal to the entire five attributes put together as given below.

TOTAL SERVICE GAP = TANGIBILITY GAP + RELIABILITY GAP + EMPATHY GAP + ASSURANCE GAP + RESPONSIVENESS GAP. Hypothesis was proposed for each attribute gap and also for Total Service Gap. Total 6 hypotheses were tested by student's t test. I tested Total Service Gap to check whether Individual Service gap matched with the Total Service Gap. Further the Total service gap, which was mapped to the **Customer Retention Matrix** as shown below in figure 1.

FIGURE 1: CUSTOMER RETENTION MATRIX



This method was used to find out if the bank is able to retain their customers. From the matrix quadrant we can find out based on the location in the quadrant, whether the bank will be able to retain the customers or not. The details are given below and is also discussed in detail earlier.

Let B be Delivered Products and Services by Bank.

C is Customer expectations of Products and Services from the Bank.

CR is Customer Reactions.

The above gives us the following equation.

CR = B/C

If B/C is < 1, the customer is likely to be dissatisfied.

If B/C is = 1, the customer is just a satisfied customer.

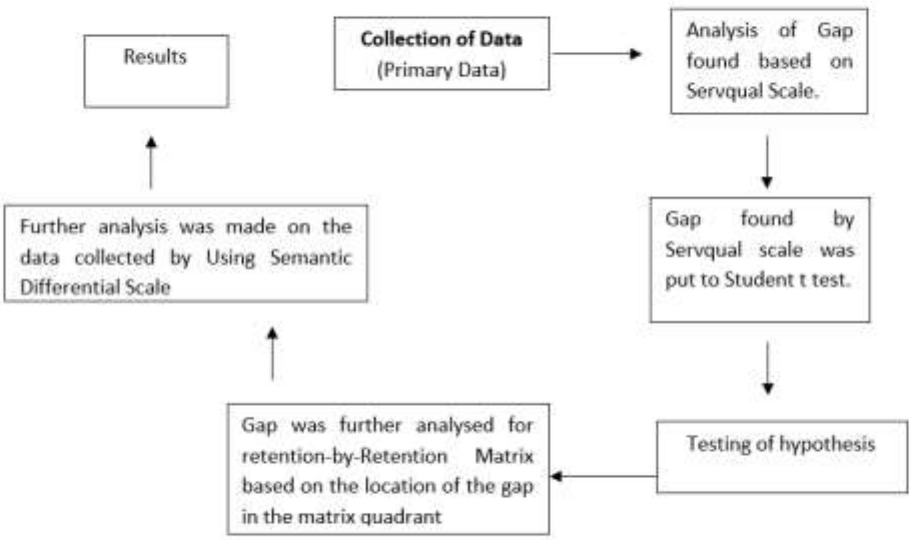
If B/C is > 1, the customer is a delighted customer (United States, 2021)

Then further analysis is made based on the Yes and No questions which were asked regarding then needs fulfilment of banking services, and about complaining of banks services and last the overall rating of the Services offered by Bank. The questions asked were:

1. Are all your banking needs fulfilled by your banks? (Yes or no)?
2. Have you ever complained about deficiency in bank services offered to you? (Yes or no)?
3. How do you rate the overall services offered to you by your bank? (Very Good, Good, Average, Bad, Very Bad)?

The first questions were asked to find out whether they are satisfied or not with the present services by banks. The logic is if the needs are not fulfilled, then the customer is likely to move to another bank which offers the services, so the chance of retention is low. The above question was analysed by simply calculating then number of yes and no. The more the number of NO the more is the customer dissatisfied and so the bank may lose the customer. The second question was asked to find out whether a customer complains about deficiency in Services. The customers who complain are the one who require additional services or services which were delivered of low standards. Generally, customers do not complain, but if they complain then they are more demanding. The bank has to immediately resolve the problem; otherwise, the chance of losing the customer goes high. Here too the method of analysis was by calculating the number of yes and no. The more the YES, the more is the case to Dissatisfied customers and if their issues are not resolved, the bank may lose them. The question was asked to have an overall opinion on how they feel off the Services offered by their Banks. The parameters like Very Good, Good, Average, Bad and Very Bad was analysed on **Semantic Differential Scale**. Overall research process is shown in Figure 2 below.

FIGURE 2: FLOW CHART FOR TOTAL RESEARCH PROCESSES



RESULTS/FINDINGS

The aim of this study was to find out if banks are able to retain their customers by CRM. Retention happens only when customers are satisfied and happy with the present services offered to them. So, in order to study whether the customers are satisfied with the present level of services offered to them a survey was conducted to collect primary raw data directly from the retail banks customers. The survey was spread across eight Banks covering Public, Private and Foreign Sector Banks. The chosen criteria for the Banks were only those Banks were chosen for Study who had implemented a CRM solution in the Banks. The survey was carried out with a questionnaire drafted in accordance with Servqual Method. The SERVQUAL method from Valarie A. Zeithaml, A. Parasuraman, and Leonard L. Berry is a technique that can be used for performing a gap analysis of an organization's service quality performance against customer service quality needs. Servqual scale was used to find out the gap between various services gaps in the Services Sectors (Parasuraman, Zeithaml and Berry, 1985). From the above method there are seven kinds of Gaps that were found by the researchers. Further studies have proved that Gap NO five which is the Gap between Customers Expectations and Perceptions of Services pertaining to the Customers were considered to be the true measure of Service Quality. Even SERVQUAL METHOD has a greater influence on this Gap. In the present research study this Gap was the main focus of study. The questionnaire based on Servqual method was administered across 8 Banks with a mix of Public, Private and Foreign Banks. Data collected from the customer (205 in total) of the Banks were analysed and individual attribute gap was calculated. The attributes were Tangibility, Reliability, Responsiveness, Empathy & Assurance. Then the gaps were calculated by subtracting opinion from expectations. These gaps were considered because these attributes gaps when combined form the Total Service Gap.

These gap forms the main basis for analysis whether customers are satisfied or not. Gap analysis was performed because, unless a customer is not satisfied, retention can never happen. Second if customer is satisfied, then there is no service gap or deficiency in service. After finding the Gap based on Tangibility, Reliability, Responsiveness, Empathy & Assurance, then it was tested to find out if the gap is significant or not. If any of the gaps is not significant, which will be found by t test, then that gap was eliminated from the final Total Service Gap Calculation. If all the gaps are found to be significant then, all the gaps were taken into final analysis. The objective for the above testing was based on the premises that if there is service gap than there is no retention.

TESTING OF HYPOTHESIS

In the methodology six important hypotheses were formulated for this study. The hypotheses were based on the gap of Servqual attributes. All the hypotheses were taken on fact that unless a customer is not satisfied, retention can never happen. Second if customer is satisfied, then there is no service gap or deficiency in service. So, each of the Service gap is analysed to find out if the gap is significant or not. If any of the gap is not significant, which will be found by t test, then that gap is eliminated from the final Total Service Gap Calculation. If all the gaps are found to be significant then, all the gaps are taken into final analysis. So, it was tested that if there is service gap than there is no retention. Testing of the hypothesis was done by taking the null (Ho) hypothesis and the alternate hypothesis (H_1). On empirical testing if the Ho holds true, then the null hypothesis is accepted. Similarly, if H_1 holds true the alternate is accepted. Suppose if Ho does not hold true or is not valid then the null hypothesis is rejected and the alternate hypothesis is accepted. The following hypotheses were tested by Student t test, which was conducted online at two different web sites for all the Service Gap including Total Service Gap.

1. Ho: There is no significant tangibility gap in the Banking Services.
   H_1: There is a significant tangibility gap in the Banking Services.

Tangibility is related to appearance of physical facilities, equipment, personnel, and communication materials in the banking services. Gap in tangibility services implies deficiency in the above areas. The above hypothesis was formulated to find out if there is any significant tangibility gap. From the Students t test results, the difference is extremely statistically significant. So null hypothesis is rejected, and alternative hypothesis holds good at 95% confidence interval for Mean. From the data collected the average tangibility gap for Public Sector is –1.33 is more than other Banks at –0.33. So, there may be a significant gap of Tangibility services in Public Sector Banks in comparison to Other Banks.

2. Ho: There is no significant Reliability gap offered by the Banks.
   H_1: There is a significant Reliability gap offered by the Banks.

The above hypothesis was tested to find out if the reliability gap is significant or not. Reliability gap comes when there is a gap in the services like ability to perform the promised service dependably and accurately The Students t test results the difference is extremely statistically significant. So null hypothesis is rejected, and alternative hypothesis holds good at 95% confidence interval for Mean. The average Reliability gap for Public Sector is –1.36 is more than other Banks at –0.64. So, there may be a significant gap of Reliability services in Public Sector than in Other Banks.

3. Ho: Responsiveness gap is not significant in the services offered by the Banks.
   H_1: There is a significant Responsiveness Service gap in the Banks.

Responsiveness gap comes when there is delay in prompt service and help to the customers. Students t test results shows that the difference is extremely statistically significant. So null hypothesis is rejected, and alternative hypothesis holds good at 95% confidence interval for Mean. Further the average responsiveness gap for Public Sector is –1.9 when compared to other Banks at –0.77. So, there may be a significant gap of Reliability services in Public Sector than in Other Banks.

4. Ho: There is no significant Empathy gap in the services offered by the Banks to the customers.

H_1: There is a significant Empathy gap in the services offered by the Banks to the customers.

Empathy gap comes when the banks fail in providing care and individualized attention to its customers. As a service-oriented organization, banks have to offer services based on customers need and requirements. So, this gap was considered to be important. Student's t test result shows that the difference is considered to be extremely statistically significant. So null hypothesis is rejected, and alternative hypothesis holds good at 95% confidence interval for Mean. Data for average Empathy gap for Public Sector is –1.75 when compared to other Banks at –0.59. So, there may be a significant gap of Empathy services in Public Sector than in Other Banks.

5. Ho: There is no significant Assurance gap among the Banks.
   H_1: There is a significant Assurance Service gap among the Banks services.

Assurance deals with services linked to knowledge and courtesy of employees and their ability to convey trust and confidence to their customers. The test for this assurance gap was conducted. Results of the Students t test shows that the difference is considered to be extremely statistically significant. So, we reject the null hypothesis and alternative hypothesis holds good at 95% confidence interval for Mean. The average Assurance gap for Public Sector is –1.54 when compared to other Banks at –0.48. So, there may be a significant gap of Assurance services in Public Sector when compared against other Banks.

6. Ho: The Total Service Gap is not significant in the bank's services.
   $H_{1:}$ There is a significant Total Service gap offered by the Banks.

After testing each attribute gap, finally the Total Service Gap was also put to test to find its significance. Results of the Students t test done for Total Services Gap, the difference was considered to be extremely statistically significant. So, the null hypothesis is rejected, and alternative hypothesis holds good at 95% confidence interval for Mean. The Average Total Service gap for Public Sector is –1.58 when compared to other Banks at –0.58. So, there may be a significant gap of Total Service in Public Sector when compared against Other Banks.

Overall analysis of the entire hypothesis test conducted online by Students t test the difference was considered to be extremely statistically significant for the entire gap including Total Services Gap. So, the null hypothesis was rejected, and alternative hypothesis holds good at 95% confidence interval for Mean for all the gaps. The calculation is shown below:

TOTAL SERVICE GAP = TANGIBILITY **GAP + RELIABILITY GAP + EMPATHY GAP + ASSURANCE GAP + RESPONSIVENESS GAP**.

The results of the above analysis are shown in Table 1.

TABLE 1: SERVICE GAPS ACROSS BANKS

BANK NAME	TANGIBILITY GAP	RELIABILITY GAP	RESPONSIVENESS GAP	EMPATHY GAP	ASSURANCE GAP	TOTAL SERVICE GAP
S.B.I	-1.33	-1.36	-1.9	-1.75	-1.54	-1.58
AVG	**-1.33**	**-1.36**	**-1.9**	**-1.75**	**-1.54**	**-1.58**
HDFC	-0.52	-0.79	-1.03	-0.92	-0.9	-0.83
ICICI	-0.43	-0.73	-1	-0.77	-1	-0.8
UTI	-0.61	-0.53	-0.81	-0.71	-0.28	-0.59
IDBI	-0.83	-0.47	-0.89	-0.84	-0.5	-0.71
CITI	0.02	-0.41	-0.39	-0.3	-0.31	-0.28
ABN	0.13	-0.73	-0.76	-0.43	-0.09	-0.38
STAN	-0.04	-0.8	-0.51	-0.17	-0.27	-0.36
TOTAL	-2.28	-4.46	-5.39	-4.14	-3.35	-3.95
AVG	**-0.33**	**-0.64**	**-0.77**	**-0.59**	**-0.48**	**-0.56**

From the above table results, it can be interpreted that there is a significant Service Gap in the Banks Services as perceived from the Customers point of view. Next in order to do comparison against Public Sectors with Other Banks put together, SBI was the only banks to be taken under Public Sector and in the Other Banks category Private and Foreign Banks were put together. Since the gaps were found to be Statistically significant, next aim was to find out what is the chance of likely retention of these customers by the respective Banks. This analysis was done by mapping the Total Service Gap data to the Customer Retention Matrix. From the above mapping we find that Public Sectors Banks with an average Total gap of -1.58 comes under quadrant four where they are mostly **Dissatisfied and Unhappy Customers**. Whereas Others combined Banks with a Gap of -0.56 are mapped under quadrant number two which was **Satisfied and Happy Customer.**

Extending the Survey further question were asked about the fulfilment of services need by the present Banks, complaining of services about any deficiency, and finally how they rated the overall services offered by the Banks. When the question about the fulfilment of services was asked, the options were only YES or NO. The above question was asked based on the fact that those banks which implement CRM solutions have more satisfied customers, than the others. This stems out from the fact that Banks which implement CRM solutions can offer more customized services to the people than offering a generic one. This on long run helps in building relationship and also Customer retention. This can be compared with SBI and other banks where the level of CRM implementations is low and is also found from the survey by having high gap among SBI customers. Then the data collected was compared. For Public Sector banks 53 % of the customers responded as “NOT **SATISFIED**” when compared to only 37.2% for Other banks. It means that half of the Public Sector banks customers need are not satisfied with the present level of Services offered to them. Since the study was to find the customer retention by CRM or to study if CRM helps Banks in Customer Retention, further analysis was made by considering the level of CRM solutions which the Banks have implemented. CRM services were analysed on eight important factors which helps in Customer Satisfaction and later helps in retention. The services were categorized as YES OR NO. From the CRM implementations point of view, Banks were categorized to have levels of CRM as Primary level implementation or Middle and Advanced level implementation**.** Primary level implementations mean either the banks have planned to implement or have started the implementations but is not fully functional. Middle and Advanced level implementations are those Banks which have implemented the CRM solutions and are partial or fully functional, respectively. Considering the level of implementations of CRM solutions, SBI which was taken under Public Sector bank was considered to be in Primary level of CRM implementations based on that facts that only three criteria was fulfilled from eight criteria of CRM Services offered whereas other Banks have better scores, the least being UTI at five score. ICICI scored eight out of eight and the implementations level considered was Advanced Level. Overall Public Sector Banks are considered to be at Lower or Primary Level of CRM Implementations than “Others” Banks put together.

Next analysis was made on question if they have complained about the deficiency of services to the banks. This question too had only two options. YES or NO. So, this was also analysed based on the percentage calculation of YES. The above question was asked to find out whether customer complaints to the banks about the bad services they encounter. We can interpret that those customers who complain are more demanding customers, who want better services and if they are not satisfied or if their issues are not addressed properly then the chances of retention are extremely low, and the bank may lose such customers. On the other hand, those customers who generally do not complain are either satisfied or if they are dissatisfied, then they prefer not to complain and when they get competitors offering the right services they simply switch over. In terms of CRM, those Banks which have implemented CRM, the complains will be less than those who have not implemented like SBI banks. From the data obtained it was found that around 65% of Public Sector banks customers have complained to the Banks as against 53.2. The high rate of complaint can be interpreted as Public Sector Banks lacks satisfaction levels among the customers and also the delivery of the Service quality is very poor, so the customers have no options but to complain against the poor services offered to them. But in case of Others Sectors banks which are under consideration like Private and foreign Banks, customers complains to the Banks because they open accounts by money which are on higher side when compared to Public Sectors banks. So, the Customers Expected Delivery of Services are more in case of Private and Foreign Banks in comparison to Public Sector Banks.

The last question asked was how the customers rate the overall level of services offered to them by the Banks. The above question was asked to find out the overall satisfaction level of the Customers about the Services offered by the Banks. The question was analysed by the Semantic Differential Scale. Further the adjectives of Semantic Scale were mapped with the CR (Customer Reaction) as shown below:

VERY GOOD - Delighted Customer

GOOD - Satisfied Customer

AVERAGE - Customer rationalizes or has no options but to accept the current offerings.

BAD - Dissatisfied. Chances of retention is less if services are not up to the expectations.

VERY BAD - Very Dissatisfied. Customer is lost to the competitor.

The results of the above analysis are 4% of Public Sector Banks have rated as Very Good when compared to 16.6 % of the others sector banks. This when mapped to Customer reactions to adjective of Semantic Scale was found as **16.6 % delighted customers for “Others” Sectors to 4 % for Public Sector Banks**. Similar mapping shows 62.1% Others Banks customers are Satisfied Customers when compared to 37% for Public Sectors banks. So, the Satisfaction level is high among Others (Private and foreign Banks) when compared to Public Sectors Banks.45% of Public Bank Customers have no other options but to rationalize or to accept the current level of offerings. Whereas it is 19 % for Others Banks. Here also it can be found that since the level of services are high in Others Sector Banks so is the low level of Average Satisfaction level when compared to Public Sectors Banks. The worst scenario is the Bad and Very Bad levels. From the graph 12 % of Public Sector Banks and 2.5 % of Others Sector banks have rated the overall services as Bad. These customers are most likely to shift to other banks which offer better services. Further it was found that 2 % of Public Sector Banks customers reported as Very Bad which when interpreted shows that such customers are Very Dissatisfied and very soon will be lost to the competitor or have been lost for ever. Overall Analysis is that Customers who have rated the Services as Very good, Good and Average are most likely to be retained by the Banks with the current levels of CRM implementations.

Overall, it was found that there is significant Service Gap among all Banks and it is more prominent in Public Sectors Banks when compared to Others. There is a significant Low Level of Services offered by Public Sectors Banks in comparison to “Others” Banks. Even the CRM implementation was found to be lower for Public Sector whereas Others Banks had higher level of CRM implementations. Based on this finding it can be suggested that there is a significant link between CRM and the Quality of Services offered to the Customers. Even the level of complaint was found to be on higher for Public Sector when compared to “Others” Sectors Banks. More numbers of complaints suggest poor level of Services offered to the customers, resulting in Service Gap and no Customer Retention. Considering the overall performance of Services, Other Sectors banks were rated on higher side in comparison to Public Sector Banks.

CONCLUSION

The expectation of a customer is flexible and can vary for the same product resulting in a changed ecstasy ratio though the participants remain the same. Such fluctuating expectations simply cannot be left at the mercy of expert systems. Well trained, highly motivated front-end executives are critical for assessing, influencing, and managing the customer's psychological disposition and expectations. Used within Banking Sectors it helps to understand the perceptions of target customers regarding their service needs. From the above analysis, CRM has a role to play in the Customer Retentions by increasing the Customer Satisfactions levels by analysing the needs of the customer and offering the same. This is possible by developing Relationships which on long run helps in making the customers delight by offering better Products and Services and in long run helping in customer retentions. Public Sectors when compared against Others namely Private and Foreign Sectors falls short of these parameters. Considering the role of CRM in customer retention, Public Sectors Banks must focus on implementing CRM solutions in order to satisfy the need of the Customers. This will help the Public Sector Banks to operate effectively, profitably, and at least help them to withhold their sagging bottom lines. Last but not the least, the present research work is an addition to the existing literatures on Customer Relationship Management and also on Customer Retentions. The present study bridges the gap between the two CRM i.e., Customer Relationship Management and Customer Retention Management by plugging the gaps of Service deficiency through Customer Relationship Management. So, it can be said as Retention by Relationship Management

RESEARCH LIMITATIONS/IMPLICATIONS

The study aimed at finding out if banks are able to retain their customers with the help of Customer Relationship Management. Or is CRM being helpful in retaining the Customers of the Banks. The study was done by finding the service gap i.e., the gap between the customers expected and perceived needs. So that the research finding may enable the banks to develop a database on CRM and which would help the bank to operate effectively, profitably, and at least help them to withhold their sagging bottom lines. The expectation of a customer is flexible and can vary for the same product resulting in a changed ecstasy ratio though the participants remain the same. Such fluctuating expectations simply cannot be left at the mercy of expert systems. Well trained, highly motivated front-end executives are critical for assessing, influencing, and managing the customer's psychological disposition and expectations. Used within Banking Sectors it helps to understand the perceptions of target customers regarding their service needs. And to provide a measurement of the service quality of the organization. Last but not the least, the present research work is an addition to the existing literatures on Customer Relationship Management and also on Customer Retentions. The present study bridges the gap between the two CRM i.e., Customer Relationship Management and Customer Retention Management by plugging the gaps of Service deficiency through Customer Relationship Management. So, it can be said as Retention by Relationship Management. The universities and the research organization will immensely be benefited from this study and the scholars who are presently working in this area, for them it will be an ideal reference. On the whole, if the findings of this study are effectively use by relevant organisation, it can not only help in improving the quality of services, boosting customers loyalty but also will help in retaining the customers and in long run increase the overall profitability and image of the organization.

LIMITATIONS

The present study is primarily based on Primary data collected from customers and Banks. Hence, the limitations of Primary data are found in the study. No analysis was made on Segmentation of Customers based on Age, Income etc. Customer's views and opinions may change from time to time, so the research made now may not produce the same result if carried out in near future. This is drawn on the fact that the needs and requirements of customers changes for time to time. Further, the time and resource are other limiting factors for carrying out such type of study. Therefore, the users of the study may carefully and judiciously use the findings of the study in practical situations.

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ANNEXURE

ANNEXURE - 1: PRIMARY DATA COLLECTION QUESTIONNAIRE

This research survey deals with your expectations and perceptions of your bank's services offered to you. If you have account in more than one bank, then please use a separate questionnaire. Each questionnaire is for one bank only. This survey is purely for academic research and no information's will be disclosed.

1. NAME: ___________________________

2. SEX: M F **(Please tick)**

3. AGE: _________

4. BANK NAME: **SBI ICICI HDFC IDBI UTI**

CITI BANK ABN AMRO STANDARD CHARTERED. (**Please tick**)

(Please mention only the above-mentioned banks only)

DIRECTIONS: There are 3 sections in all. First 2 sections are divided as your Expectations and your Perceptions. A last section has only 3 questions. In first 2 sections each question has a number from 1 to 7. 1 means you Strongly Disagree and 7 means you Strongly Agree. If your feelings are not strong then mark any number between 1 to 7. Please mark your feeling by circling the number. Example is shown below.

(Strongly Disagree) 1 2 3 4 5 6 7 (Strongly Agree)

Q. You feel banks should give 24 hr services. (1 2 3 4 5 6 7)

Ans Circle 7 if you feel that yes banks must give 24 hr services. (Strongly Agree)

1 if you feel that no banks must not give 24 hrs services, (Strongly Disagree)

2 means disagree, 3 means somewhat disagree, 4 is indifferent, 5 is somewhat agree and 6 is agree.

Please mark your answers by circling only and tick wherever it is marked as to tick.

There are no right and wrong answers. I am only interested in a number which best shows Your expectations about your bank's offerings and services.

Please circle your responses

1. YOUR EXPECTATIONS

(Strongly Disagree) 1 2 3 4 5 6 7 **(Strongly Agree)**

1. The physical facilities of your banks should be visually good. (1 2 3 4 5 6 7)
2. Promotion materials like leaflets must be easy to understand. (1 2 3 4 5 6 7)
3. Your bank should provide latest technology and services. (1 2 3 4 5 6 7)
4. Your bank promises to do something they must do it. (1 2 3 4 5 6 7)
5. Your bank must maintain error free records. (1 2 3 4 5 6 7)
6. Bank must respond quickly to your problems. (1 2 3 4 5 6 7)
7. Your bank must offer the services right the first time (1 2 3 4 5 6 7)
8. When you have a problem, your bank must show interest in solving it. (1 2 3 4 5 6 7).
9. Employee of the bank must give time frame when the services will be performed. (1 2 3 4 5 6 7)
10. Employee of the banks must always be willing to help you. (1 2 3 4 5 6 7)
11. 11.Your bank should have guidance sign indicating which counter are offering what services. (1 2 3 4 5 6 7)
12. 12.Bank should have operating hours convenient to all customers. (1 2 3 4 5 6 7)
13. Your bank should give personal attention to you. (1 2 3 4 5 6 7)
14. Bank has to understand your specific needs. (1 2 3 4 5 6 7)
15. Employees of the bank must be polite to you. (1 2 3 4 5 6 7)
16. Bank must be safe and reliable in all the service related matters. (1 2 3 4 5 6 7)
17. Bank employee must have the knowledge to answer all your questions. (1 2 3 4 5 6 7)

Please circle your responses

2. YOUR OPINIONS (What you are getting now)

(Strongly Disagree) 1 2 3 4 5 6 7 **(Strongly Agree)**

1. The physical facilities of your banks are visually good. (1 2 3 4 5 6 7)
2. Promotion materials are easy to understand. (1 2 3 4 5 6 7)
3. Your bank offers you the latest technology and services. (1 2 3 4 5 6 7)
4. When bank promised to do something, it did so. (1 2 3 4 5 6 7)
5. Your bank has and you get error free records. (1 2 3 4 5 6 7)
6. Your Bank responds quickly to your problems. (1 2 3 4 5 6 7)
7. Your bank offers you the services right the first time (1 2 3 4 5 6 7)
8. When you have a problem, your bank shows interest in solving it. (1 2 3 4 5 6 7).
9. Employee of the bank tells you exactly when services will be performed. (1 2 3 4 5 6 7)
10. You always get help from the bank employees. (1 2 3 4 5 6 7)
11. 11.Your bank provides guidance sign indicating which counter are offering what services. (1 2 3 4 5 6 7)
12. Your bank does have operating hours convenient to all customers. (1 2 3 4 5 6 7)
13. You get personal attention from your bank. (1 2 3 4 5 6 7)
14. Bank employee does understand your specific needs. (1 2 3 4 5 6 7)
15. Bank employees are polite to you. (1 2 3 4 5 6 7)
16. You feel safe in all your transactions with the bank. (1 2 3 4 5 6 7)
17. Employee of the bank have the knowledge to answer all questions. (1 2 3 4 5 6 7)

3. CONCLUSION

Please tick your responses

1. Are all your banking needs fulfilled by your bank? (YES) (NO) **(Please tick).**
2. Have your ever complained about deficiency in bank services offered to you? (YES) (NO) (**Please tick).**
3. How do you rate the overall services offered to you by your bank? 1) Very good 2) Good 3) Average 4) Bad 5) Very bad. (**Please tick).**

Thank you very much for the cooperation and valuable time you have spent on this survey.

ANNEXURE - 2: PRIMARY DATA COLLECTION QUESTIONNAIRE

This research survey deals with your expectations and perceptions of your bank's services offered to you. If you have account in more than one bank, then please use a separate questionnaire. Each questionnaire is for one bank only. This survey is purely for academic research and no information's will be disclosed.

1. NAME: ___________________________
2. SEX: _________________
3. AGE: __________
4. BANK NAME: _____________________________
(**SBI, ICICI, HDFC, IDBI, UTI, CITI BANK, ABN AMRO, STANDARD CHARTERED)**

DIRECTIONS: There are 3 sections in all. First 2 sections are divided as your Expectations and your Perceptions. Last sections have only 3 questions. In first 2 sections each question has a number from 1 to 7. 1 means you Strongly Disagree and 7 means you Strongly Agree. If your feelings are not strong then mark any number between 1 to 7. Please mark your feeling by entering the number in the blank space provided. Example is shown below.

(Strongly Disagree) 1 2 3 4 5 6 7 (Strongly Agree)

Q. You feel banks should give 24 hr services. (1 2 3 4 5 6 7)

Ans __6__ Write 7 if you feel that yes banks must give 24 hr services. (Strongly Agree) 1 if you feel that no banks must not give 24 hrs services, (Strongly Disagree) 2 means disagree, 3 means somewhat disagree, 4 is indifferent, 5 is somewhat agree and 6 is agree.

Please mark your answers by entering the number only in the space provided.

There are no right and wrong answers. I am only interested in a number which best shows
Your expectations about your bank's offerings and services.

Please enter your number in underline space.

1. YOUR EXPECTATIONS

(Strongly Disagree) 1 2 3 4 5 6 7 **(Strongly Agree)**

1. The physical facilities of your banks should be visually good. (1 2 3 4 5 6 7) __________
2. Promotion materials like leaflets must be easy to understand. (1 2 3 4 5 6 7) __________
3. Your bank should provide latest technology and services. (1 2 3 4 5 6 7) __________
4. Your bank promises to do something they must do it. (1 2 3 4 5 6 7) __________
5. Your bank must maintain error free records. (1 2 3 4 5 6 7) __________
6. Bank must respond quickly to your problems. (1 2 3 4 5 6 7) __________
7. Your bank must offer you the services right the first time (1 2 3 4 5 6 7) __________
8. When you have a problem, your bank must show interest in solving it. (1 2 3 4 5 6 7). __________
9. Employee of the bank must give time frame when the services will be performed. (1 2 3 4 5 6 7) __________
10. Employee of the banks must always be willing to help you. (1 2 3 4 5 6 7) __________
11. Your bank should have guidance sign indicating which counter are offering what services. (1 2 3 4 5 6 7) __________
12. Bank should have operating hours convenient to all customers. (1 2 3 4 5 6 7) __________
13. Your bank should give personal attention to you. (1 2 3 4 5 6 7) __________
14. Bank has to understand your specific needs. (1 2 3 4 5 6 7) __________
15. Employees of the bank must be polite to you. (1 2 3 4 5 6 7) __________
16. Bank must be safe and reliable in all the service related matters. (1 2 3 4 5 6 7) __________
17. Bank employee must have the knowledge to answer all your questions. (1 2 3 4 5 6 7) __________

Please enter your number in underline space.

2. YOUR OPINIONS (What you are getting now)

(Strongly Disagree) 1 2 3 4 5 6 7 **(Strongly Agree)**

1. The physical facility of your banks is visually good. (1 2 3 4 5 6 7) __________
2. Promotion materials are easy to understand. (1 2 3 4 5 6 7) __________
3. Your bank offers you the latest technology and services. (1 2 3 4 5 6 7) __________
4. When your bank promised to do something, it did so. (1 2 3 4 5 6 7) __________
5. Your bank has and you get error free records. (1 2 3 4 5 6 7) __________
6. Your Bank responds quickly to your problems. (1 2 3 4 5 6 7) __________
7. Your bank offers you the services right the first time (1 2 3 4 5 6 7) __________
8. When you have a problem, your bank shows interest in solving it. (1 2 3 4 5 6 7). __________
9. Employee of the bank tells you exactly when services will be performed. (1 2 3 4 5 6 7) __________
10. You always get help from the bank employees. (1 2 3 4 5 6 7) __________
11. 11.Your bank provides guidance sign indicating which counter are offering what services. (1 2 3 4 5 6 7) __________
12. Your bank does have operating hours convenient to all customers. (1 2 3 4 5 6 7) _________
13. You get personal attention from your bank. (1 2 3 4 5 6 7) __________
14. Bank employee does understand your specific needs. (1 2 3 4 5 6 7) __________
15. Bank employees are polite to you. (1 2 3 4 5 6 7) __________
16. You feel safe in all your transactions with the bank. (1 2 3 4 5 6 7) __________
17. Employee of the bank has the knowledge to answer all questions. (1 2 3 4 5 6 7) _______

3. CONCLUSION

1. Are all your banking needs fulfilled by your bank? __________ (YES) (NO)**.**
2. Have your ever complained about deficiency in bank services offered to you? ________ (YES) (NO)**.**
3. How do you rate the overall services offered to you by your bank? ____________________ 1) Very good 2) Good 3) Average 4) Bad 5) Very bad.

Thank you very much for the cooperation and valuable time you have spent on this survey.

ANNEXURE - 3: DESCRIPTION OF THE 17 SERVICE ITEMS ALONG WITH THE ATTRIBUTES

S. NO	SERVICE ITEM	ATTRIBUTES
1.	The physical facilities of your banks should be visually good	TANGIBILITY
2.	Promotion materials like leaflets must be easy to understand	
3.	Your bank should provide latest technology and services	
4.	Your bank promises to do something they must do it	RELIABILITY
5.	Your bank must maintain error free records	
6.	Bank must respond quickly to your problems	RESPONSIVENESS
7.	Your bank must offer you the services right the first time	
8.	When you have a problem, your bank must show interest in solving it	
9.	Employee of the bank must give time frame when the services will be performed	
10.	Employee of the banks must always be willing to help you	
11.	Your bank should have guidance sign indicating which counter are offering what services	EMPATHY
12.	Bank should have operating hours convenient to all customers	
13.	Your bank should give personal attention to you	
14.	Bank has to understand your specific needs	
15.	Employees of the bank must be polite to you	ASSURANCE
16.	Bank must be safe and reliable in all the service related matters	
17.	Bank employee must have the knowledge to answer all your questions	

ANNEXURE – 4: SEVEN POINT SCALE

The seven-point scale used was from a Range of 1 to 7, where 1 was Strongly Disagree and 7 is Strongly Agree. The scale is shown below.
(Strongly Disagree) 1 2 3 4 5 6 7 **(Strongly Agree)**

BEHAVIORAL BIASES AND ITS IMPACT ON INVESTMENT DECISION MAKING: AN EMPIRICAL STUDY OF INDIAN STOCK MARKET

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ABSTRACT

According to traditional finance theories most of the individual investors are rational in their financial decision making and take investment decision without any influence of their emotion and personality. But in reality, there are lots of factors such as feelings, emotion and intuitions are highly influence their investment decision. The present study examines the impact of behavioral biases on their investment decision and also try to identify the various factors influencing their investment decisions. This study is conducted with a sample with of 100 equity investors in Thrissur district in Kerala. The result of the study shows that investors with few years of trading experience are highly affected with various behavioral biases such as loss aversion bias, herd bias, overconfidence bias and optimistic bias etc.

KEYWORDS

behavioral finance, investment biases, investment experience.

JEL CODES

E22, G11.

INTRODUCTION

Behavioral finance is a new growing field of study that applies psychology to financial behavior. It integrates the field of sociology, psychology and other behavioral science to explain individual investor behavior, examine group behaviour of investors and also analyses how this factor impact on share market. It is a fact that humans have sentiments that influence their decision-making process. As such decisions influenced by emotions which leads to irrational thinking and cause anomalies in the financial markets.

According to behavioral finance people are not always rational and markets are not always efficient. It contradicts traditional finance theory which explain that all investors are rational and they take investment opportunity to maximize their wealth. But in reality, investors are affected with various behavioral anomalies and most of the time they behave in irrational way. The present study make an attempt to identify the various behavioral biases among the equity investors in Indian stock market.

REVIEW OF LITERATURE

Jaya Mamta Prosad (2014) analyze the impact of investors behavioral biases and its impact on stock selection among equity investors in Indian stock market. Through the study the researcher found that herd mentality is not seen in the overall market although it persists in a bull market, Indian stock market shows a pessimistic behavior for the period 2006-2013. The study concludes by revealing the fact that there is a strong sign for existences of over confidence biases and disposition effect biases among the investors. These biases increase the individual security transaction volume. The study also reveals that that men are more optimistic and overconfident than women. Herd mentality mostly affect the old aged investors and middle-aged investors are more exhibited with disposition effect.

Abiola Ayopo, Babajide and Kehinde Adekunel Adetiloy (2012), through their study, analyses the impact of selected behavioral biases factors on investment behavior of equity investors in Nigerian security market. By using Multistage random Sampling method primary data collected from 400 stock investors. Pearson correlation analysis and T test shows that, most of the investors at Nigerian security market are affected by over confidence, loss aversion, status quo and framing biases and are least effected by confirmation and anchoring biases. Even though investors are affected by behavioral biases, the result shows that there is weak negative relation exist between behavioral biases and stock market performance.

MR.Girish S R, Mr. Kantesha Sanningammanavara (2014), through their study try to analyse various demographic factors that affect the investment decision of investors. The study also analyses behavioral biases such as risk aversion, overconfidence, Disposition effect, Gamblers fallacy, Heuristic biases among the stock investor's at Indian stock exchange, the study shows that psychological biases such as representatives, heuristic etc. are playing significant role in determine, the individual investor behavior, Behavioral biases like Anchoring, Risk aversion, overconfidence, Disposition effect, Gamblers fallacy etc. are least effected by investors at Mysore city.

Neelakantan P R (2015), through his study try to identify various psychological biases that influences investor's investment decision among investors at Chennai city. Various behavioral biases, such, cognitive bias such as anchoring, gamblers Fallacy, Confirmation, herding, Cognitive, dissonance, Hindsight and mental accounting and Emotional Biases such a (Overconfidence, Regret Aversion and Loss Aversion) are tested through this study. The present study also reveals that majority of the investors are affected with various behavioral biases. To a greater extent mental accounting bias and anchoring bias can help investor to yield a satiable return from their investments. Cognitive Bias such anchoring, mental accounting, confirmation, Herding Hindsight biases has direct and positive influence on investment decision. Emotional Bias like Over Confidence, Loss Aversion and Regret Aversion are negatively correlated with investment decision of the investors at Chennai city.

SIGNIFICANCE OF THE STUDY

Stock market investment decisions are to be done on the basis of fundamental and technical analysis. But in reality, there are lots of situations where investors lose their patients and take investment decisions based on their emotional feeling and are highly affected with various emotional and cognitive biases. Now a days investor's Irrationality is inevitable reality in stock market. Mood, emotion and mental mistakes leads them in to huge loss and disappointment. The present study is carried out to understand the various behavioral biases exhibited by investor during their investment decision making. This study may help individual investors to identify their pitfall in investment decision making, this study is also helpful to financial institution and assets management companies for devising appropriate investment strategies to their clients. Geographically the study limited to Thrissur district in Kerala.

STATEMENT OF THE PROBLEM

Vibrant growth of financial markets, increasing complexity and novelty of financial products and services, complexity in investor behavior etc. increase the need for studying various factors influencing the investment decision. High market volatility and the urge to make a large profit have encouraged investors to make fast and irrational decision. Investor's emotions and mental errors can lead to unreasonable and prejudiced judgments in some cases. As a result, it's critical to examine how their skewed choices effect their wealth and portfolio. The present study takes a behavioral finance approach to see if investors are prejudiced while making investment decisions, and if so, which biases affect them the most and least. The research also looks into whether demographic characteristics have an effect on their investment decisions.

OBJECTIVES OF THE STUDY

1. To identify the various factors influencing the investment decision of equity investors.
2. To measure the various behavioral biases, exist among equity investors in Indian stock market.
3. To make suggestion for improvement.

RESEARCH METHODOLOGY

Descriptive study was undertaken to known the various factors influencing the investment behavior of equity investors. The study uses both primary and secondary data for analysis. The primary data collected by using structured questioner from the respondents. The population of the study consist of all stock market investors. By using convenient random sampling method 100 respondents are selected for the present study.

VARIABLE OF THE STUDY

Demographic factors such as age, gender, investment experience, occupation and behavioural biases such as loss aversion bias, optimistic bias, herd bias, cognitive dissonance bias and overconfidence bias etc. are the important variables used in the study.

RESULT AND DISCUSSION

TABLE 1: ANALYSIS OF DEMOGRAPHIC PROFILE OF RESPONDENTS

DEMOGRAPHIC	CHARACTERISTICS	NUMBER OF RESPONDENTS	%
Gender	Male	90	90
	Female	10	10
Age	Below 25	8	8
	26-35 yrs	5	5
	36-45 yrs	25	25
	46-55 yrs	27	27
	Above 55 yrs	35	35
Educational qualification	School level	10	10
	Graduate	32	32
	Postgraduate	22	22
	Professional	15	15
	Others	21	21
	Panchayath	20	20
Residential Area	Corporation	25	25
	Municipality	55	55
Occupation	Business	49	49
	Private	21	21
	Govt job	10	10
	Others	20	20
Annual income	Below 500000	15	15
	500001-1000000	44	44
	1000001-15000000	31	31
	Above 15000000	10	10
Trading experience	Below one yrs	15	15
	1-3 yrs	29	29
	3-6 yrs	30	30
	6-9	15	15
	Above 9 yrs	11	11
Frequency of trading	Daily	5	5
	Weekly	8	8
	Monthly	30	30
	Few times in an year	33	33
	Once in an year	24	24

Interpretation

- From the above table it is clear that 90% of the investors are male and 10% of them are females. This shows that men are more willing to take high-risk investments than women's.
- Majority of investors are young, and because of their youth and less obligations in, their life they are willing to take high risk.
- One of the most crucial criteria in the investment decision making process is educational qualification, the study reveals that most of the respondents are literate, and some have a professional degree in the finance. Occupation wise data shows that 49% of them are business man, only 10% of the them are govt employees, 21% belongs to private sector. From this it is clear that majority of the investors are business man.
- Trading experience of the investors shows that 29% of the investors has trading experience of 1-3 years.30% of them have trading experience of 3-6 yrs. about 15% of them were beginner having trading experience of less than one year. Only 11% of them have trading experience more than 9 years. Majority of the investors trade less frequently in a year. It can be interpreted from that they are not ready to trade too often due to risk aversion nature.

BEHAVIORAL BIASES AND ITS AFFECT ON INVESTORS

Behavioral Biases: Behavioral biases are irrational beliefs or behavior that can unconsciously influence our decision-making process. Behavioral biases are mainly classified in to two such as cognitive biases and emotional biases. Cognitive biases are generally arising from statistical, information procession, or memory errors that cause the decision to deviate from a rational decision. Emotional biases arises from feelings, perceptions, and beliefs about an elements. Unfortunately, mixing emotions and investing often leads to bad decisions. In this survey six behavioral biases are tested.

Herd behavior Bias

Herd mentality is the tendency of investors to follow a large group blindly, due to this panic buying and selling of investors create assets bubbles and market crashes in the stock market. Investors following a group of experts' advice for investing are found to be exhibit herd bias. Only 39%of the respondents are affected by this bias and those who are exhibiting, this bias is less experienced. Whereas investor's with trading experience of more than 9 years are found to be least affected with this bias

TABLE 2: HERD BIAS OF THE RESPONDENTS

Experience in years	Stock brokers		Expert friends		Self-analysis		Media		Total
	No. of respondents	%	No. of respondents	%	No. of respondents	%	No. of respondents	%	
Less than one years	12	12	16	16	9	9	3	3	40
1-3yrs	10	10	4	4	4	4	3	3	21
3-6 yrs	10	10	2	2	3	3	3	3	21
6-9yrs	5	5	2	2	1	1	1	1	9
Above 9 yrs	2	2	0	0	5	5	2	2	9
Total	39	39	24	24	22	22	12	12	100

Overconfidence bias

Overconfidence bias is the tendency of a person to overestimate their abilities. Investors affected with this bias think that they are expert in investment decision than others. This overestimation leads them to risky investments and huge loss. From the study it is found 74% of the respondents are highly confident in their ability to select winning stock from the market,69% of the respondents strongly believes that good results are due to their experience and investment skills, all this shows that majority are highly effect with this bias.

Loss aversion Bias

Individuals often shows greater sensitivity to loss than to gain i.e. the mental penalty associated with a particular loss is greater than the Mental pleasure connected with a gain of equal size. 59% of the respondents are highly affected with loss aversion bias. This bias is exhibited by those investors who have very few experiences in the stock market. To test for loss aversion bias respondent were asked two optional statement like:

- Have a 50% chance of gaining Rs 10000 and a 50% chance of gravity nothing.
- Have a 100% chance of gaining Rs 5000/-

Rational response is first one but loss averse, investors are likely to select the second option as they want to avoid a loss of Rs. 5000.From the survey it can be interpreted that 47 % of the investors are loss avert. Investor's with less experience in the stock market are highly affected with this bias.

TABLE 3: LOSS AVERSION BIAS OF STOCK INVESTORS

Experience in years	Assured return of 1.7 lakh		0.5 probability either for a Rs 2.5 lakh s or for 1.5 lakhs	
	Number of respondents	%	Number of respondents	%
Less than one years	**11**	**11**	**8**	**8**
1-3yrs	**18**	**18**	**12**	**12**
3-6 yrs	**10**	**10**	**10**	**10**
6-9yrs	**3**	**3**	**13**	**13**
Above 9 yrs	**2**	**2**	**13**	**13**
Total	**44**	**44**	**56**	**56**

Investors who are loss avert are likely to choose the first option even though second option offer a large potential return, 44% of the respondents were found to be loss avert. Investors having less trading experience are more affected with this biases.

Cognitive dissonance bias

This is the mental conflict that people experienced when they are presented with evidence that their belief or assumption are wrong. In this study, cognitive dissonance bias test with help of two statements, which shows that35% of the respondents agree that their future decision may go wrong due to decline in the market.45% of the respondents strongly agree with the statement that they usually try to avoid the negative information about the stock that they have purchased. 42% of the respondents agree with the statement that they try to avoid that information that is against their existing belief. All this response shows that some investors are affected with this bias.

Optimistic bias

It means overestimation of the expected return on a risky asset. When making financial decisions, investors tend to take an inside view rather than the outside one, which is often more suitable. Two statements are given to the investors to measure their optimistic biases. Investors who choose investment opportunities near to their home are more prone to optimistic biases, 60% of respondents are affected with this bias and 40% of them are not affected with this bias.58% of the respondents are believes that they are above average than other traders in the stock market. They are also affected with this bias.

Conservatism bias

Investors affected with this bias are more commitment to traditional values and beliefs and always opposite to new change or innovation and 46% are not ready to make any new changes in their portfolios. They are susceptible to conservative bias.

MAJOR FINDINGS OF THE STUDY

- The survey shows that 90% of the investors are male and only 10% of them are females
- The majority of respondents are literate, and some have a professional degree in finance.
- The study shows that 29% of the investors has trading experience of 1-3 years,30% of them have trading experience of 3-6 yrs.,15% of them are beginners having trading experience of less than one year. Only 11% of them have trading experience more than 9 years.
- Only few respondents are affected with herd bias, investors with less trading experience in stock trading are highly affected with this bias.
- Majority of the respondents are affected with overconfidence biases.
- Investor's with less trading experience in the stock market are highly affected with loss aversion biases.
- Only few respondents are affected with cognitive dissonance biases and conservation biases.
- From the study it can be interpreted that investment experience have direct relation with various behavioral biases exhibited by the investors. Investors with less experience in stock trading are highly affected with all the biases tested here.

RECOMMENDATIONS

- Individual investors in the stock market should allow professionals to manage their portfolio. This will reduce personal biases in the management of the portfolio.
- Capital market analyst and information providers in Indian Security market should try to release correct information at correct time about the market to the public as this may reduce investors' decision-making biases.
- Practitioners and investors can also do diagnostic tests on behavioral biases expressed by the investors in order to devise appropriate investment strategies which, would maximize the wealth of the investors.

CONCLUSION

Behavioral finance represents a revolution in financial theory. This is a relatively young and promising field of modern finance and this branch shows remarkable progress in the last decades. Behavioral finance, is a study of the markets that draws on psychology, throwing more light on why people buy or sell the stock and even why they do not buy stock at all. This theory also explain how emotion and cognitive errors influence investors investment decision making process.The present study has tested certain behavioral biases identified by the behavioral finance expert on stock market performance.The main objective of the study was to examine whether investors were susceptible to various behavioral biases. It was found that investors with few years of trading experience in stock market are affected with loss aversion, herd bias, conservatism bias and optimistic bias. The study conclude that investors are not always rational and does not support the theories of efficient market hypothesis and capital assets pricing model.

LIMITATIONS OF THE STUDY

- Only 100 respondents are selected for the study.
- Some of the respondents are reluctant to reveal the correct information.
- The study is limited to only one district.
- The present study considered only limited variables in behavioral finance.

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