KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI

TOPIC

# THE IMPACT OF CUSTOMER RELATIONSHIP MANAGEMENT ON THE GRANTING OF CONSUMER AND RETAIL CREDIT: A CASE STUDY OF CAL BANK (GH) LTD.

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A THESIS SUBMITTED TO THE SCHOOL OF BUSINESS, KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE DEGREE OF:

MASTER OF BUSINESS ADMINISTRATION
BUSINESS SCHOOL, COLLEGE OF ART AND SOCIAL SCIENCES

AUGUST 2008

## DEDICATION

This piece is especially dedicated to my parents Mr. & Mrs. Nkrumah, my siblings and to all those who have affected my life one way or the other.

## DECLARATION

I hereby declare that this submission is my own work towards the MBA and that, to the best of my knowledge it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the university, except where due acknowledgement has been made in the text.

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## ACKNOWLEDGEMENT

I would like to begin by thanking God Almighty for the guidance and direction given me throughout the project.

I am indebted to my supervisor and advisor Dr. Kofi Poku. He always gave good advice and comments and showed continuous guidance. I have enjoyed every discussion we have shared together. In addition, this thesis would not have been possible without the generous support, co-operation and patience from my colleague workers and customers of CAL Bank who participated in the study. I would like to thank them all as well as my friends and classmates who helped me throughout this programme.

Finally I would want to express my sincere thanks and gratitude to Mr. Simon Peter Asamoah of Ghana Commercial Bank, Mr. Kwaku Amofah and all those who supported me one way or the other to go through this programme successfully.

## ABSRACT

Customer Relationship Management is an effective weapon for organizations to build and develop a good relationship with customers. Under current circumstances, new customers are difficult to acquire by most banks in Ghana and CAL Bank Ltd is no exception because of the keen competition prevailing among the banks in an attempt to mobilize customers. An alternative way to prospect new customers is to attract the customers from the competitors and also provide them the service they require and also prevent your customers from being attracted by your competitors. Though Customer Relationship Management has come into existence for more than ten years, the application of CRM in the banking industry is still a new topic to study.

In this thesis, the researcher assesses the impact of customer relationship management on the granting of consumer and retail credit of the bank as well as the recovery of loans at CAL Bank Ltd. The researcher aimed to establish how Customer Relationship Management affects the granting of consumer and retail credit to clients of Cal Bank (Gh) Ltd. The Study population was Relationship Managers/Officers and Clients who have accessed consumer and retail loans at Cal Bank (Gh) Ltd. It was found out that good relation between officials of the bank and customers of the bank has increased the granting of loans to the clients of the bank. This was made possible because if the bank knows everything about the client it will not hesitate to give out loan to such a client especially when the relationship with the client reveals that the client is credit worthy.

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# CHAPTER ONE

# INTRODUCTION

## 1.1 Background

As a result of globalization of business and the evolving recognition of the importance of customer retention, market economies and customer relationship economics, there has been a change in the main stream marketing (Gronroos, 1997). Kevin and Yen (2003) explains that over the past few years there has been a shift in relationship literature from focusing on the benefits of long term relationship for companies to the benefit that accrue to customers. Because of this it is becoming evident that companies fundamentally have to change the way in which marketing is done i.e. a fundamental shift from managing a market to managing a specific customer (Bose, 2002). Establishing relationship with a customer is to attract the customer and to build a relationship with the customer so that the economic goals of the relationships are maintained (Gronroos, 1997).

Kotler (2000) maintained that it has been the practice by firms to devote greater attention and marketing effort to attracting new customers rather than retaining existing ones. This is the base for relationship marketing (RM), which came as an answer to the transactional or traditional marketing approach. Transaction marketing use to emphasis the concepts of the 4Ps of marketing; product, price, place and promotion that focus only on attracting businesses, but not so much in retention (Gummesson, 1999). Chen and Popovich (2003) stated that it has been well acknowledged and recognize that retaining firm's existing customers is more profitable than attracting new ones. As a result relationship marketing was developed on the basis that customers vary in their needs, preferences, buying behavior and price sensitivity. Bose (2002) added that firms in no distant future will be driven more and more by individual customer preferences.

Over time there has been a gradual move in marketing thought and practice from mass marketing – market segmentation – niche marketing – micro marketing – mass customization – personalization. The twenty first century marketing thought and effort is pushing for smaller and smaller groups of consumers as market targets. Increasing competitiveness in the international economy is forcing the organizations to place larger emphasis on building valuable customer relationships.

Customer Relationship Management builds on the philosophy of relationship marketing that aims to create, develop and enhance relationships with carefully targeted customers to maximize customer value, corporate profitability and thus shareholders value (Frow and Payne, 2004). The goal then is to improve the customers experience of how they interact with the company, which hopefully will turn into more satisfaction, which might lead to more loyalty, and finally, to increase in profit. (Chou et al 2002). Kotorov (2003), while referring to the root of CRM mentioned that in the past, many speculated whether CRM would turn out to be just another *buzzword*; one more term to add to the managerial dictionary that would soon fade away. Bull (2003) adds to this thought stating that it is no longer good enough just to say that you are customer focused, but it matters what you do. Customer relationship management (CRM) is of vital importance to organizations and it requires customer – centric business approach to support effective marketing, sales and service processes (Carolyn et al, 2003).

According to Greenberg (2004), CRM generally is an enterprise-focused endeavour to encompass all departments in a business. He further explained that in addition to customer service, CRM will also include manufacturing, product testing, assembling as well as purchasing, billing, human resource, marketing, sales and engineering. Chen and Popovic (2003) argued that CRM is a complicated application which mines customer data that has been retrieved from all the touch points of the customer, which then creates and enable the organization to have a complete view of customers. The results in that, firms are able to uncover and determine the right type of customers and predicting the type of their future purchases. CRM is also defined as an all embracing approach that seemingly integrate sales, customer service, marketing, field support and other functions that touch customers (Chou et al, 2002). They further stated that CRM is a notion regarding how an organization can keep their most profitable customers and at the same time reduce cost, increase in values of interaction which then leads to high profits.

## 1.2 Statement of Problem

The banking industry in Ghana is developing at a very faster rate, yet most banks find it difficult managing consumer and retail credit they give to their customers because the customers do not provide adequate and reliable information about themselves that will enable the banking institutions to manage and monitor their investment.

The problem of consumer and retail credit has come about as a result of banking institutions inability to manage their customers in a way that will enable them secure enough and reliable information about their customers so that they can mitigate the extent of loss/risk associated with giving consumer and retail credit to their customers. It is against this background that this study looks at the impact of customer relationship management on the granting of consumer and retail credit, A case study of CAL BANK LTD.

### 1.3 Objectives of the Study

The general objective is to understand how effective customer relationship management can impact on the granting of consumer and retail credit.

The specific objectives of the study are;

1. To review the banks customer relationship management strategy.
2. To review the bank's process of granting consumer and retail credit
3. To establish how customer relationship management affects the granting of consumer and retail credit.
4. To assess the impact of customer relationship management on recovery of consumer and retail credit granted.

### 1.4 Research Questions

1. Does effective customer relationship management increase the granting of consumer and retail credit of CAL Bank?

2. Does effective customer relationship management positively affect the repayment of consumer and retail credit granted?
3. What is the effect of customer relationship management on the general performance of CAL Bank?
4. Is the customer relationship management strategy of CAL Bank effective?

## 1.5 Justification of Study

Customer relationship management (CRM) has become one of the most dynamic technological topics of the new millennium. According to Chen and Popovic (2003), CRM'is not a concept that is really new but rather due to current development and advances in information and enterprise software technology, it has assumed practical importance. The root of CRM is relationship marketing which has the objective of improving the long term profitability of customers by moving away from product-centric marketing. Bose (2002) noted that CRM was invented because customers differ in their preferences and purchasing habits. If all customers were alike, there will be little need for CRM. As a result understanding customer drivers and customer profitability, firms can better tailor their offerings to maximize the overall value of their customer portfolio (Chen and Popovic, 2003). The attention CRM is currently receiving across businesses is due to the fact that the marketing environment of today is highly saturated and more competitive. (Chou et al, 2002).

This study therefore intended to look into the impact Customer Relationship Management has on the granting of consumer and retail credit granting of CAL Bank Limited. The outcome of the research will reveal the significance of CRM strategy the bank is employing in the areas of increasing and improving the loan portfolio, recovery of credit granted and profitability and to review the bank's Custom Relationship Management Strategy.

## 1.6 Scope of Study

This academic research is focussed on looking at the impact of Customer relationship Management on the granting of consumer and retail credit – A case Study of CAL BANK LTD. The reason why this area of scope was chosen is in recognition of the fact that the researcher happens to be a worker of the above bank and access to information would be easier.

## 1.7 Limitation of Study

The whole of commercial banks in Ghana that engage in consumer and retail credit must have been researched into to enable the researcher make the findings of the study more representative. However, as indicated earlier the researcher used CAL Bank Limited as a case for the study. The findings from this might not help to give true representative of all commercial banks because of reasons like financial constraints, limited time available, information gap and lack of the necessary logistics.

## 1.8 Organisation of Study

This project is divided into five chapters. The introduction gives a general background of the whole paper. It provides the reader with the statement of problem, objectives of study, justification of study, scope of study, organisation of study as well as limitations of the study.

Chapter two would review the literature that relates to the project topic. In chapter three, the researcher would discuss the various methods and strategies he would employ in gathering data for this important project.

Discussion and presentation of data, results, and interpretation would be extentsively dealt with in chapter four. Chapter five draws conclusion of the research and gives suggestions and recommendations for future study.

### 1.9 Assumptions

The assumptions of the study were as follows:

1. All questionnaires designed were enough both in quantity and quality to collect the desired data.
2. The answers given by the respondents were a true reflection of the situation on the ground.
3. Responses from respondents were properly handled and interpreted.
4. The chart and tables used in the analysis were properly represented.
5. The duration or time frame of the study was enough to help produce quality work.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

The banking industry in Ghana has been a witness for the last decade to several regulatory changes that have resulted in a heightened level of competition among the banks. The entry of private sector banks and foreign banks, have increased manyfold the expectations of the customers in all areas relating to customer service (Thampy and Madanmohan, 1999). The relations between banks and their customers form a rich and complex phenomenon whose structural, dynamic and organizational aspects are often ignored in the literature. Most studies stress only on the operative and administrative issues while others look at the relationships between banks and their customers as a simple additional variable in the overall bank marketing mix.

In banking, however, as in any other business, successful profit performance starts with fundamentals. The best approach is to define the customers' needs, expectations, and suggestions (voice of the customer) and incorporate them into the design of a robust plan of action that will fulfill both the customers' requirements and business goals.

Strategically, the ability to identify and retain the most profitable customers obtains increasing importance as all banks approach identical information and analysis plateaus. Finding ways to keep profitable customers loyal becomes of paramount importance as does the need to continually search for ways to improve the profitability of these customers. (Levesque and McDougall, 1996).

Fortunately, in the case of banks, it may be possible to reduce some of the cost associated with servicing customers. Surprisingly, some customers appreciate having more control over their interactions with their service providers. Often, they delight in doing much of the work involved thus reducing the provider's workload in providing required services. In contrast, however, highly profitable customers demand higher levels of personalized service, but may be willing to pay for these services, particularly if they are rationally targeted toward their needs so that they have an appreciation for the true value added by such personalized services. (Zineldin, 2000),

The value of customer relationships is particularly noteworthy in the service sector, for a variety of reasons.

Porter (1985), sees services as intangible, customers often have little to evaluate prior to making a purchase commitment. The service provider may be the most tangible aspect of the service and, in the eyes of customers, may be equated with the service itself. Customers' perceptions of the quality of the relationship with the service provider may be commensurate with the quality of the service itself.

Second, the difficulty of evaluating services prior to making purchase commitments often means that customers must rely on the credibility of service providers and their prior experiences with them to understand whether the promised service will meet their expectations. That is, customers generally do not purchase services, *per se*, but promises of services. A strong, healthy relationship between customers and service providers engenders the trust that is necessary for customers to commit to the service.

Similarly, because it is often not possible to remove defective services before they reach customers, a strong relationship often helps to recover from inevitable mishaps. Customers trust service providers to take whatever corrective actions are necessary to ensure quality service and preserve the relationship.

Next, the production of many services requires that customers and service providers interact with one another. Professional services, in particular, require a high degree of interaction. If rapport fails to materialize or if the relationship is otherwise strained the quality of the interaction and the resulting service can suffer. (Porter 1996).

Finally, many services are somewhat discretionary in the sense that customers can perform them themselves. For example, do-it-yourselfers often tackle their own income tax preparation, housework, lawn work, and auto repair rather than seek the help of professionals. When customer relationships are strong, however, customers may be less inclined to perform the services themselves and may be quite hesitant to "fire" service providers they like and trust. For all of these reasons, customer relationships management is critical to the success of service firms. (Oliver, 1999).

## 2.2 The Overview of Customer Relationship Management

The relationship marketing perspective provides the basis for the study of building and enhancing relationships with customers, whether it is couched in terms of customer/client/guest/patient relations, customer retention, relationship marketing, relationship management, goodwill, customer loyalty, partnering, after-marketing, defensive marketing, or something else. Whatever it is called, the outcome is the recognition that stronger relationships with customers result in a number of competitive advantages.

There is clear logic to customer relationship management (CRM) being the central focus for business (Roberts and Dowling, 2002). At its most basic level there clearly is nothing more important than a customer. A business that does not consider a customer important should try to do without them for 30 days. A satisfied customer buys more, is more loyal, and more profitable over their lifetime (Anton, 1996). To round out the argument, a dissatisfied customer causes market damage because they are more likely to defect to competitors and more likely to persuade others to defect. It is therefore no surprise that customer relationship management is an important topic of conversation in the academic and business arenas (Connelly and Yoger, 2001; Dennis, 2001a, b; Leon, 2001; Reda, 2000).

Customer relationship management (CRM) has become one of the most dynamic technological topics of the new millennium. According to Chen and Popovic (2003), CRM is not a concept that is really new but rather due to current development and advances in information and enterprise software technology, it has assumed practical importance. The root of CRM is relationship marketing which has the objective of improving the long term profitability of customers by moving away from product-centric marketing. Bose (2002) noted that CRM was invented because customers differ in their preferences and purchasing habits. If all customers were alike, there will be little need for CRM. As a result understanding customer drivers and customer profitability, firms can better tailor their offerings to maximize the overall value of their customer portfolio

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According to Greenberg (2004), CRM generally is an enterprise-focused endeavour to encompass all departments in a business. He further explained that in addition to customer service, CRM will also include manufacturing, product testing, assembling as well as purchasing, billing, human resource, marketing, sales and engineering. Chen and Popovic (2003) argued that CRM is a complicated application which mines customer data that has been retrieved from all the touch points of the customer, which then creates and enable the organization to have a complete view of customers. The results in that, firms are able to uncover and determine the right type of customers and predicting the type of their future purchases. CRM is also defined as an all embracing approach that seemingly integrate sales, customer service, marketing, field support and other functions that touch customers (Chou et al, 2002). They further stated that CRM is a notion regarding how an organization can keep their most profitable customers and at the same time reduce cost, increase in values of interaction which then leads to high profits.

The modern customer relationship management concept was shaped and influenced by the theories of total quality management (Gummesson, 1997) and by new technological paradigms (Zeneldine, 2002). There is however a perceived lack of clarity in the definition of customer relationship management although all accepted definitions are sharing approximately the same concepts; customer relationship, customer management, marketing strategy, customer retention, personalization (Zeneldine, 2000). However, while academic debates the subtitle of the various definitions, the practitioners have developed a wealth of applicative papers analyzing the concrete challenges and opportunities of implementing the systems (Bacuver et al).

Customer relationship management, in some firms is considered as technology solution consisting of individual data bases and sales force automation tools and sales and marketing functions so as to improve targeting efforts. Peppers and Rogers (1999) argue that other organizations view CRM as a tool, which has been particularly designed for one-to-one customer communications which is the function of sales, call centres or the marketing department. Accordingly Frow and Payne (2004) added that CRM stresses two-way communication from the supplier to customer and from the customer to the supplier to build the customer over time. The two-way communication has been enhanced greatly by advances in technology particularly the internet.

In the term of information technology, CRM means an enterprise-wide integration of technologies working together such as data warehouse, website, internet/extranet, phone support system, accounting, sales, marketing and production. Kotler (2000) observed that CRM uses information technology to gather data which can then be used to develop information acquired to create a more personal interaction with the customer. In the long term it produces a method of continues analysis and refinement in other to enhance customers lifetime value with the firms.

Goldenberg (2000) believes that CRM is not merely technology applications for marketing, sales and services but rather when it is successfully implemented it enables firms to have cross-functional, customer-driven technology-integrated business process management strategy that maximizes relationships. Chin et al, (2003) stated that, due to many technological solutions available for CRM automation, it is often misconstrued as a piece of technology but they maintain that in recent times many companies have released the strategic importance of CRM and as a result it is becoming a business value effort rather than technology-centric effort.

Using information technology as an enabler, CRM strategy leverages key functional areas to maximize profitability of customer interactions (Chen and Popovic, 2003). It has been recognized that technological advancement and innovations key competitive marketing environment coupled with the internet are the main drivers that promote one-to-one initiative. Although CRM firms are able to understand the drivers of present and future customer profitability which make it possible to appropriately and proportionally allocate firms resources to all functional areas that affect customer relationship (Chou et al, 2003).

For customers, CRM offers customization, simplicity and convenience for completing transactions irrespective of the kind of channel of interaction used (Gulati et al 2000). Many businesses today realize the importance of CRM and its potential to help them achieve and sustain a competitive edge (Peppard, 2000). This view was further boosted by Bose (2002) that as a result of changing nature of the global environment and competition, firms cannot compete favourably with only minor advantages and tricks that can only be easily copied by competing firms. The implementation of CRM is an enabled opportunity to rise above minor advantages with a real focus on developing actual relationship with the customers. Firms that are most successful at delivering what each customer wants are the most likely to be the leaders of the future.

## 2.3 Benefits of Customer Relationship Management

The importance of customer relation has emerged as a major focal point for business strategy during the past decade, and this can be attributed to factors such as the blurring boundaries between markets or industries, an increasing fragmentation of markets (Buttle, 1999), shorter product life cycles, rapid changing customer buying patterns and more knowledgeable and sophisticated customers (Buttle, 1999; Gro¨nroos, 1996). In addition, other explanations for the shift towards relationship orientation in marketing include the continuing growth of the service economy as well as the increasing competition in the current marketplace (Christopher *et al*, 1991; Lehtinen, 1996). Regarding practice, firms are also considering the adoption of relationship marketing strategies as critical for sustaining a competitive advantage (Sharma *et al*, 1999). Due to the above reasons, the philosophy of relationship marketing is being advocated more and more strongly by marketers (Gummesson, 1994).

The management of customer relationships in the service industry is critical for many reasons. Firstly, as Lovelock (1983) points out, many services by their very nature require ongoing membership (e.g. banking, insurance, cable television). Even when membership is not required, customers may seek on-going relationships with service providers to reduce their perceived risk in evaluating services characterised by intangibility and credence properties. In addition, due to the intangibility of services, customer evaluative criteria are less well articulated, and the appraisal of the value received is much more subjective (Berry, 1980; Zeithaml *et al*, 1993). Therefore, customers are more likely to form relationships with individuals and with the organisations they represent than with goods (Bendapudi and Berry, 1997). Finally, employees play a major role in shaping the service experience as the interface between the service and its provider is inseparable; therefore, the service setting is especially conducive to customers forming relationships in services. Consequently, there have been calls for greater attention to the role of relationships in services (Gro¨nroos, 1990; Gummesson, 1987a; Sheaves and Barnes, 1996).

However, despite the growing importance and emphasis on relationship marketing, the operationalisation of this concept is still unclear. While much work has been focused on generic issues, little concentrates on areas that are influenced by the nature of the industry or transaction concerned (Pressey and Mathews, 2000). In addition, there has been a lack of studies that examined relationship variables at different levels of relationships (Macintosh and Lockshin, 1997). Splitting the relationship variables into different levels will allow for the identification of basic differences in person-to-person (interpersonal) as well as person-to-firm (company) relationships. The recognition of these differences has practical implications for managers as they can direct their efforts to improving important attributes on both the interpersonal as well as company level. In doing so, firms striving for true customer intimacy can find ways to bridge the perceptual gap between the two levels of relationships highlighted above.

## 2.4 Service Quality

According to Berry *et al,* (1988), service quality has become a significant differentiator and the most powerful competitive weapon which many leading service organisations possess. Leading service organisations strive to maintain a superior quality of service in an effort to gain customer loyalty (Zeithaml, 1996), therefore, a service organisation's long-term success in a market is essentially determined by its ability to expand and maintain a large and loyal customer base. Despite the fact that customer loyalty is essential for business survival (Reichheld, 1993), the relationship between perceived service quality and customer loyalty remained relatively underdeveloped (Bloemer and Kasper, 1994; Gremler and Brown, 1999).

Service quality is a concept that has aroused considerable interest and debate in the research literature because of the difficulties in both defining it and measuring it with no overall consensus emerging on either (Wisniewski and Donnelly 1996). There are a number of different "definitions" as to what is meant by service quality. One that is commonly used defines service quality as the extent to which a service meets customers' needs or expectations (Lewis and Mitchell, 1990; Dotchin and Oakland, 1994a; Asubonteng *et al,* 1996; Wisniewski and Donnelly, 1996). Service quality can thus be defined as the difference between customer expectations of service and perceived service. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Parasuraman *et al*, 1985; Lewis et'al, 1994).

Always there exists an important question: why should service quality be measured? Measurement allows for comparison before and after changes, for the location of quality related problems and for the establishment of clear standards for service delivery. Edvardsen *et al,* (1994) state that, in their experience, the starting point in developing quality in services is analysis and measurement.

A review of the literature suggests that our understanding of the relationship between customer satisfaction judgements and service quality perceptions remains a problematic issue (Taylor and Baker, 1994). A stream of research has argued that customer satisfaction judgements are causal antecedents of the service quality judgements (Bitner, 1990; Parasuraman *et al.*, 1988). However, others have reported that it is the service quality that appears to be the causal antecedent of customer satisfaction (Anderson and Sullivan, 1993; Cronin and Taylor, 1992; Oliver, 1993; Taylor and Baker, 1994; Woodside *et al*, 1989).

Service quality is being considered as one of the most important research topics, since it relates to costs (Crosby, 2002), financial performance (Buzzell and Gale, 1987), customer satisfaction (Spreng *et al*, 1996), customer retention (Reichheld and Sasser, 1990), and differential competitive advantage (Iacobucci *and* Ostram 1996).

Grönroos (1984) define service quality as perceived judgments resulting from an evaluation process where customers compare their expectations with the service they perceive to have received (pp. 38). The author also suggests that service quality issues can be split into technical quality (what is done) and functional quality (how it is done).

Following on the above definition, service quality has also been described as a form of attitude, related but not equivalent to satisfaction, that results from the comparison of expectations with performance (Bolton and Drew, 1991; Parasuraman *et al.*, 1988).

From a review of the services literature, it has been found that early research efforts concentrated on diminishing the confusion between customer satisfaction and service quality by determining whether there is any distinction between them (Bitner, 1990; Cronin and Taylor, 1992; Oliver, 1993). Indeed, customer satisfaction is different from service quality. The most common explanation of the difference between the two is that perceived service quality is a form of attitude, a long-run overall-evaluation, whereas customer satisfaction is a transaction-specific measure (Bitner, 1990; Bolton and Drew, 1991; Cronin and Taylor, 1992). This view is supported by qualitative research conducted by Parasuraman *et al.* (1985) which found several examples where consumers were satisfied with a particular service but still did not think that it was of a high quality.

Subsequently, Oliver (1993, p. 76) differentiates between the two constructs by suggesting that satisfaction is "potentially all salient dimensions", requires experience-dependency, and involves emotions. The author further reverses the pervious notion that satisfaction is an antecedent of service quality and claims that quality is an antecedent of satisfaction. This view is supported by a study conducted by Gotlieb *et al*, (1994), which found that perceived service quality affects satisfaction, and behavioral intentions are affected by satisfaction. In other words, consumer satisfaction is an intervening variable that mediates the relationship between service quality judgments and behavioral intentions (i.e. service quality → customer satisfaction → behavioral intentions) (Cardozo, 1965; Fornell, 1992; Halstead and Page, 1992; Taylor and Baker, 1994). In fact, perceived service quality has been considered as one of the primary drivers of customer satisfaction (Kristensen *et al*, 1999; Martensen *et al*, 2000).

A review of a bank's process of granting consumer and retail credit suggest that the process begins with the customer making an initial contact with the bank to find out more information on the bank's products and services. The customer then picks an application package which is subjected to a screening process and credit analysis to determine and identify customer needs and offer suitable product to the customer (or applicant). After the credit analysis is done, the applicant is recommended for credit decision whether the process should continue or should end based on the documents the applicant has provided. If it is a no, the process ends and the customer is advised, but if it is a yes, credit decision is made as to whether the applicant will be granted the loan or will not be granted the loan. If it is a yes, the process continues so an agreement document is prepared for both parties to sign to necessitate disbursement of funds to the applicant and monitoring measures are put in place to check the correct use of the funds, and adherence to credit decision. The last stage of the process handles repayment of the loan facility and preparing for sanction of further facilities. (Cal Bank Draft Retail and Consumer Credit Policy Manual 2005)

**2.5 Customer Satisfaction, Loyalty and Retention**

Kotler (2000) defines satisfaction as a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (outcome) in relation to his/her expectations. When customers becomes satisfied about the value that is offered and sometimes his/her expectations are met and exceeded can generate many benefits for a firm (Bateson and Hoffman, 1999). According to them, positive word-of-mouth coming from existing and satisfied customers sometimes can translate into more new customers coming to the firm. Also, satisfied current customers often buy more products more frequently and are less likely to defect to competitors as compared to dissatisfied customers. According to Bateson and Hoffman (2002) firms that have high degree of customer satisfaction also seem to have the capacity to shield off competition, particularly price competition.

Kotler (2000) pointed out that it is important to measure customer satisfaction regularly through survey to determine customers' level of satisfaction. According to him, firms may think that they are getting a sense of customer satisfaction through customer complaints however, in reality 95% of dissatisfied customers do not make any complaints and they just leave. As a result it is important for firms to make it easy for the customer to complain. Dissatisfied customers who usually complain about 54-70% will continue to do business again with the organization if their complaints are taken care of and resolved and may even be 95% if complaint receive quick response and action (Kotler, 2000).

Customer satisfaction is generally described as the full meeting of one's expectations (Oliver, 1994). Customer satisfaction is the feeling or attitude of a customer towards a product or service after it has been used. Customer satisfaction is a major outcome of marketing activity whereby it serves as a link between the various stages of consumer buying behaviour. For instance, if customers are satisfied with a particular service offering after its use, then they are likely to engage in repeat purchase and try line extensions (East, 1997). Customer satisfaction is widely recognised as a key influence in the formation of customers' future purchase intentions (Taylor and Baker, 1994).

Satisfied customers are also likely to tell others about their favourable experiences and thus engage in positive word of mouth advertising (Richens, 1983; File et al, 1992). This positive word of mouth advertising is particularly useful in collectivist West African cultures like that of Ghana where social life is structured in a way to improve social relationships with others in the society (Hofstede, 1980; Hall 1998).

Dissatisfied customers, on the other hand, are likely to switch brands and engage in negative word of mouth advertising. Furthermore, behaviours such as repeat purchase and word-of-mouth directly affect the viability and profitability of a firm (Dabholkar 1996).

A recent study conducted by Levesque and McDougall (1996) confirmed and reinforced the idea that unsatisfactory customer service leads to a drop in customer satisfaction and willingness to recommend the service to a friend. This would in turn lead to an increase in the rate of switching by customers, which subsequently will affect profitability negatively.

Few can argue against the importance of customer satisfaction being essential for customer loyalty within banking. However, to achieve customer satisfaction, a superior level of service and customer orientation is required. In addition, delivering offerings which comprise a competitive bundle of benefits, or value, to the consumer is seen as crucial to an organization's ability to compete effectively in a particular market (Devlin, 2000).

Customer satisfaction leads to customer loyalty and the discussion below stresses on this assertion. Loyalty has been defined in many ways. Two dominating approaches are the behavioral approach and the attitudinal approach (Dekimpe *et al*, 1997). In the behavioral approach, loyalty is inferred from customers observed purchase behavior, primarily repeat purchase. As argued by Dick and Basu (1994), the behavioral approach is insufficient to explain how and why loyalty is developed and maintained. To reveal real loyalty it is important also to understand the attitudinal factors underlying repeat purchase. In the attitudinal approach, loyalty is therefore inferred from the customer's attitude and behavioral intention toward the attitude object. The two approaches can be integrated using traditional attitude theory where one of the major propositions is that behavior toward an object is determined by attitude toward the object and intention to act toward the object (Fishbein and Ajzen, 1975). More precisely, a causal chain is assumed from cognition to affect, from affect to intention, and from intention to behavior (Fishbein, 1980).

Customer loyalty has been regarded as the *sine qua non* of an effective business strategy. It is an integral element in the relationships that make up what several of us have termed the service profit chain (see, for example (Heskett *et al.*, 1997)). It has been examined in detail by Fred Reichheld and others as part of a study of the impact of customer, employee, and investor loyalty on profit and growth (Reichheld, 1996). But recently, with the development of new information made possible in part by Internet-based customer feedback services, we are learning that there is a wide range of customer behaviors and lifetime values associated with loyalty. Where an individual customer falls on that range is important indeed.

The benefits of an extended relationship with a customer were first articulated by Reichheld and Sasser (1990). They include the margins both from repeated purchases of standard products and services and from purchases of new products and services. The latter often provide a margin premium. In addition, loyal customers may be less costly to serve than those who have not yet been "trained" how to buy from a supplier. But all of these benefits may pale in significance for some providers of goods and services compared with two others: referrals by satisfied customers to prospective ones and suggestions for product or service improvements from customers committed to the offerings of particular suppliers. In industrial marketing, referrals are particularly important. More recently in several successful high-tech firms, such as eBay (Internet auction services) and Intuit (personal and small business financial software), significant strategies have been built around the willingness of customers not only to provide word-of-mouth advertising but also to suggest ways of improving services and products.

Clearly, mere loyalty is not enough. Now that techniques and services are being developed to identify varying levels of customer loyalty, there is a real opportunity to build loyalty from a core of apostles and owners who have extraordinary lifetime value for the provider of goods and services.

Loyalty can also be seen as the feeling that a customer has about a brand. Loyalty ultimately generates positive and measurable financial results. Improvements in retention and increases in share of customer are the obvious economic benefits. There are certain other benefits that are not always quite so obvious.

The benefits of loyalty include:

- *Cost savings.* Customers who are loyal are familiar with your brand. They know how to transact with you. The assistance they need is specific. They are more efficient in terms of the way they use your resources.
- *Referrals.* Customers who become familiar with your brand mention it to their friends and acquaintances. People like to feel smart and "in the know". They like to have an opinion. Loyal customers won't hesitate to make recommendations to friends and neighbors. Jeff Bezos, founder and CEO of online bookseller Amazon.com said, "Word of mouth is very powerful", after he decided to eliminate his $50 million television advertising budget and dismantle his advertising department.
- *Complain rather than defect.* This is a subtle one, but it is a benefit I believe in from experiences with a variety of retail marketers. Customers who are loyal feel like they are stakeholders in the retail brand. When they have a bad experience they complain. They make a phone call, they ask for the manager or they do something else to make sure their issue is addressed. They believe in the brand. They feel that it is their brand. They want to fix it. They complain rather than quietly defecting. This "second chance" opportunity is very important in today's business environment in which customers are so fickle.
- *Channel migration.* Loyal customers are more likely to buy through alternative channels. I am talking principally about the Internet. Most companies today sell through traditional channels and online. Loyal customers who are familiar with

your brand are much more likely to buy through multiple channels, increasing their total consumption and reducing your cost of doing business with them.

- *Unaided awareness.* Loyal customers are much more likely to have your brand top of mind in your category. This manifests itself in terms of an increase in share of customer and an improvement in retention. But it also helps with referrals and it helps with "bring alongs" in which loyal customers actually bring other customers (friends, relatives) to your brand.
- *Greater awareness of brand assets.* Loyal customers tend to be more aware of some of the auxiliary benefits your brand offers. It has been demonstrated that greater awareness of auxiliary benefits, or "hidden assets", has an impact on retention and share of customer. A telecommunications company found that loyal customers were more aware of the services provided by their dedicated relationship managers. These customers tended to stay with the brand longer because they felt they received better value. The perception of better value was a function of understanding the services offered by the relationship managers and taking advantage of those services.

The benefits of an extended relationship with a customer were first articulated by Reichheld and Sasser (1990). They include the margins both from repeated purchases of standard products and services and from purchases of new products and services. The latter often provide a margin premium. In addition, loyal customers may be less costly to serve than those who have not yet been "trained" how to buy from a supplier.

Customer loyalty is often referred to as a purchase behavior, unlike customer satisfaction, which is an attitude (Griffin, 1996). Customer loyalty, a key mediating variable in explaining customer is concerned with the likelihood of a customer returning, making business referrals, providing strong word-of-mouth, as well as providing references and publicity (Bowen and Shoemaker, 1998). Loyal customers are less likely to switch to a competitor due to a given price inducement, and these customers make more purchases as compared to less loyal customers (Baldinger and Rubinson, 1996).

It is worth noting that customer loyalty leads to customer retention and the discussion below emphasize on this assertion. Bateson and Hoffman (2002) define customer retention as focusing on firms marketing efforts towards the existing customer base. This explains the view that instead of trying to acquire new customers, firms engulfed in customer retentions effort must make sure that existing customers are satisfied so as to create and maintain long term relationships. Lovelock et all (1999) said in business context, loyalty is used to describe the willingness of a customer to continue patronizing a firms goods and services over long period of time and on a repeated and preferably exclusive basis, and voluntarily recommending the firms products to friends and associates. In their view, customers will continue to be loyal to a particular firm if they feel and realize that better value is been offered.

Kotler (2000) assured the most important consideration to attain high customer loyalty for firms to deliver high customer value. He continue to stress that it has been the practice by firms to devout much attention and effort to attracting new customers rather than retaining existing ones, adding that traditionally firms emphasizes more on making sales rather than building relationships, on pre-selling and selling rather than caring for the customer subsequently.

Kotler (2000) states that the critical factor to attaining customer loyalty is customer satisfaction because a customer who is highly satisfied will exhibit the following characteristics:

- Stay loyal longer.
- Buys more as the company introduces new products and upgrades existing ones.
- Talks favourably about the company and its products.
- Pay less attention to competing brands and advertising, and is less sensitive to price.
- Cost less to serve than new customers because transactions are routinized.

Bateson and Hoffman (2002) noted that firms must put in place effective tactics for retaining customers and subsequently making them loyal. They mentioned tactics such as maintenance of proper perspective, remembering customers between calls, building trusting relationships, monitoring the service delivery process, responding swiftly to customers in need and provision of discretionary efforts. According to them, despite that every customer is important, firms must not retain certain customers if they are no longer profitable, abusive to the extent of lowering the morale of employees, reputation is so bad that it tarnishes the image and reputation of the company should the firm associate itself with that customer.

## 2.6 The Concept of Consumer and Retail Credit

The word *credit* is used in commercial trade in the term "trade credit" to refer to the approval for delayed payments for purchased goods. Credit is sometimes not granted to a person who has financial instability or difficulty. Companies frequently offer credit to their customers as part of the terms of a purchase agreement. Organizations that offer credit to their customers frequently employ a credit manager.

Linsay (2005) looks at Credit as the provision of resources (such as granting a loan) by one party to another party where that second party does not reimburse the first party immediately, thereby generating a debt, and instead arranges either to repay or return those resources (or material(s) of equal value) at a later date. The first party is called a creditor, also known as a lender, while the second party is called a debtor, also known as a borrower.

Any movement of financial capital is normally quite dependent on credit, which in turn is dependent on the reputation or creditworthiness of the entity which takes responsibility for the funds.

Credit need not necessarily be based on formal monetary systems. The credit concept can be applied in barter economies based on the direct exchange of goods and services, and some would go so far as to suggest that the true nature of money is best described as a representation of the credit-debt relationships that exist in society (Ingham 2004 p.12-19).

Credit is denominated by a unit of account. Unlike money (by a strict definition), credit itself cannot act as a unit of account. However, many forms of credit can readily act as a medium of exchange. As such, various forms of credit are frequently referred to as *money* and are included in estimates of the money supply.

Consumer credit can be defined as 'money, goods or services provided to an individual in lieu of payment.' Common forms of consumer credit include credit cards, store cards, motor (auto) finance, personal loans (installment loans), retail loans (retail installment loans) and mortgages. This is a broad definition of consumer credit and corresponds with the Bank of England's definition of "Lending to individuals". Given the size and nature of the mortgage market, many observers classify mortgage lending as a separate category of personal borrowing, and consequently residential mortgages are excluded from some definitions of consumer credit - such as the one adopted by the Federal Reserve in the US.

The cost of credit is the additional amount, over and above the amount borrowed, that the borrower has to pay. It includes interest, arrangement fees and any other charges. Some costs are mandatory, required by the lender as an integral part of the credit agreement. Other costs, such as those for credit insurance, may be optional. The borrower chooses whether or not they are included as part of the agreement.

Interest and other charges are presented in a variety of different ways, but under many legislative regimes lenders are required to quote all mandatory charges in the form of an annual percentage rate (APR). The goal of the APR calculation is to promote 'truth in lending', to give potential borrowers a clear measure of the true cost of borrowing and to allow a comparison to be made between competing products. The APR is derived from the pattern of advances and repayments made during the agreement. Optional charges are not included in the APR calculation. So if there is a tick box on an application form asking if the consumer would like to take out payment insurance, then insurance costs will not be included in the APR calculation (Finlay 1985).

## 2.7 Customer Relationship Management and Consumer and Retail Credit

The banking industry is seeking ways to reconfigure relational bonds with customers (Petersen and Rajan, 2002).

In essence, the evidence points to the importance of relationship lending in improving both the availability of finance and reducing its cost (Petersen and Rajan, 1994; Berger and Udell 1995). This is because relationship lending alleviates the problems of moral hazard and adverse selection since banks are surer of the quality and behaviour of loan applicants. This means they can potentially increase the availability and quantity of loans to their business customers since the collection of information is easier and cheaper (Ang, 1991).

Companies try to segment their customers by identifying groups of persons with need structures that are as homogeneous as possible within each group and significantly heterogeneous between groups (Moutinho and Smith, 2000). These groups can then be addressed with a specially designed but also standardised strategy (Kotler, 1980). The goal is to solve the conflict between the intentions to satisfy customer needs as individually as possible but also to allocate marketing resources as economically as possible (Wind, 1978).

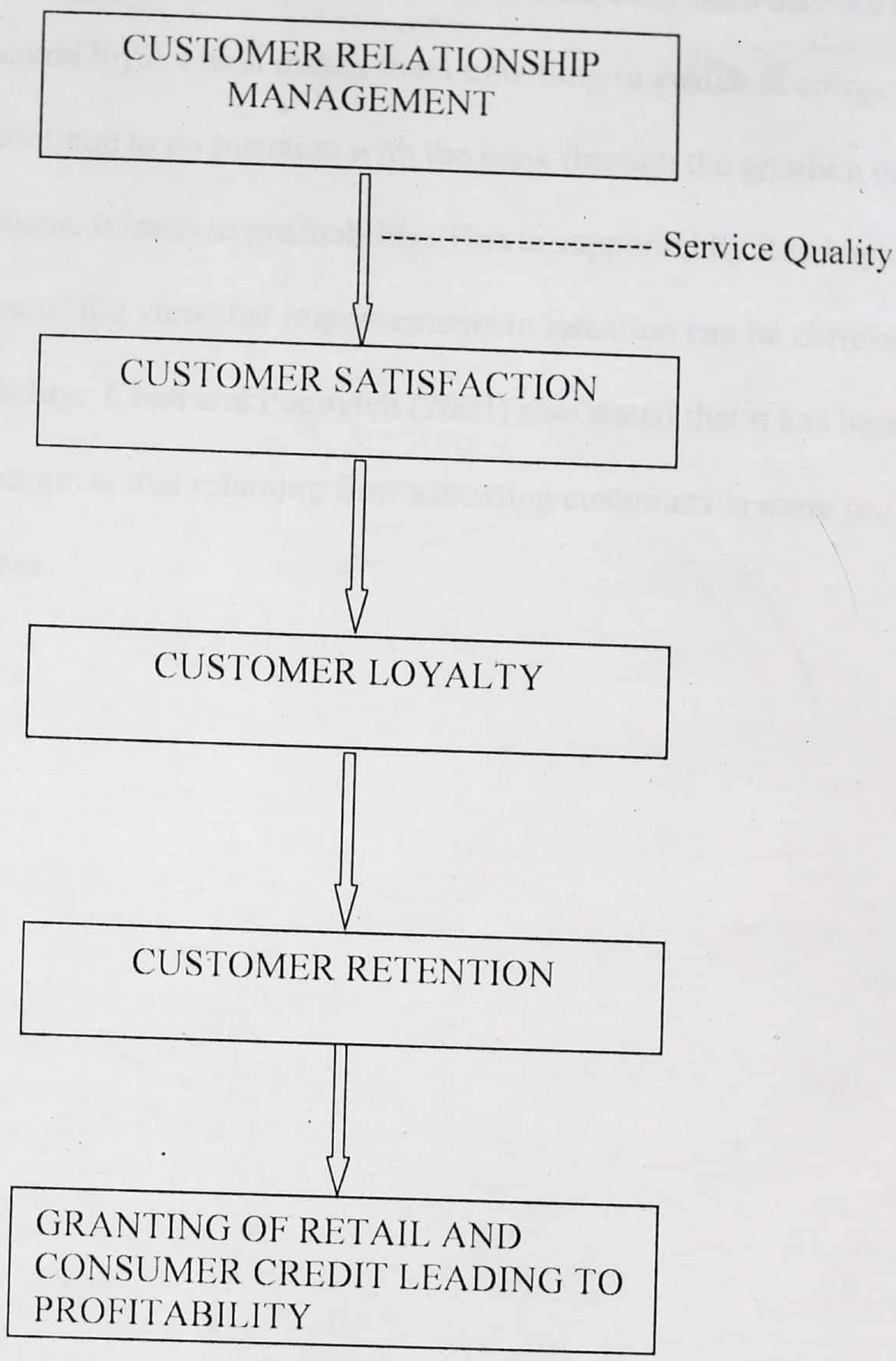
The competitiveness of the banking/financial services industry combined with the relative homogeneity of banking/financial services products and services creates a challenge to the industry. How do banks/financial services provide distinguished and distinguishing customer service and satisfaction in the sea of sameness? What is great service? How can they provide it? (Chakravarty *et al*, 1995, 1996, 1997).

It is clear that banks trail other industries/businesses in customer satisfaction. The American Customer Satisfaction Index is a US national indicator of customer satisfaction measured quarterly by a research unit of the University of Michigan (Fornell and Wernerfelt, 1987; www.bus.umich.edu/research/nqrc/acsi.html). In every economic quarter since the Index started in 1994 banks trail national satisfaction statistics by a significant percentage each year. Indeed, while overall national satisfaction scores have modestly increased over the past five years, bank customer satisfaction scores have declined 8.1 per cent.

Unlike the case of standardized transactions, the signing of a loan contract does not represent the end of the relationship between the contracting parties. During the bank-borrower relationship, many events may occur, which alter the bank's cost of providing the credit as well as the borrower's willingness to pay for it. Once the contract has been signed, the borrower and the bank are trapped in a situation of bilateral monopoly. Both parties may reap gains from this relationship. On the one hand, the bank collected information ex ante and ex interim, which would constitute sunk costs, if the borrower leaves the relationship. On the other hand, the ending of the relationship by the borrower is likely to convey a negative signal about its quality to outside banks (Von Thadden, 1998). The value generated by the continuation of the relationship represents a quasi-rent which needs to be divided between both parties ex post. One possibility is an implicit contract of liquidity insurance to small and medium sized firms. Since they are often liquidity constrained, they should be willing to pay a premium for the continuation of the relationship in the hope of further loans or assistance in future times of distress. On the other hand, small and medium-sized enterprises (SMEs) are of vital importance for banks, especially in Germany, despite the high cost of gathering information about their creditworthiness (see Dufey and Hommel, 1999).

Based on the literature reviewed so far it is appropriate to introduce my conceptual framework which is illustrated below.

## CONCEPTUAL FRAMEWORK OF THE IMPACT CRM ON GRANTING OF CONSUMER AND RETAIL LOANS




Source: Author's Construct August, 2008

The above figure depicts that Customer Relationship Management coupled with the provision of quality service leads to Customer Satisfaction. When customers become satisfied with a service, they tend to remain loyal to that particular service which leads to retention. As a result, the bank therefore becomes comfortable granting credit to these customers which will leads to profitability for the bank in the long-term. Thus, when relationship is well managed and quality service is provided, customers become satisfied and consequently become loyal which makes them unwilling to switch to competitors. As these customers continue to do business with the bank through the granting of consumer and retail loans, it leads to profitability. This is supported by Reichheld and Sasser, (1990) who are of the view that improvements in retention can be correlated to an increase in profitability. Chen and Popovich (2003) also stated that it has been well acknowledged and recognize that retaining firm's existing customers is more profitable than attracting new ones.

# CHAPTER THREE

# METHODOLOGY

## 3.1 Introduction

This chapter introduces the methods used in arriving at the findings of the study. It begins with the study design, study population, Method of data collection, sample size determination and procedure, data presentation and analysis, in sections 3.1.1, 3.1.2, 3.1.3, and 3.1.4 respectively. Then, the profile of CAL Bank (GH) Ltd.

## 3.2 Study Design

The study design was a cross-sectional study. A descriptive cross-sectional study was done by using both qualitative and quantitative tools.

## 3.3 Study Population

The target population for this study was made up of over Two-thousand four hundred (2400) customers who have assessed consumer and retail loans from CAL Bank Ltd. and over eighty (80) relationship managers/officers from the Retail and Business Banking Department of CAL Bank Ltd.

### 3.4 Data Collection Procedure

The tools that were used included questionnaire and structured interviews.

The researcher carried out the administration of the questionnaires and this enable him to clearly explain the items on the questionnaire to the respondents. The structured interview was also used to capture information from illiterate loan clients in order to avoid the situation where their responses would be influenced by people who might help them to fill the questionnaires.

Records from the credit department were reviewed to help the researcher to gain access to first hand information. The respondents were assured of confidentiality of their responses and they were expected to be sincere and honest in answering the questions.

To give respondents extra confidences to enable them give the true picture of what their thoughts on the issue were, they were asked to remain anonymous. In any case the researcher was able to retrieve a very good percentage of the questionnaires.

#### 3.4.1 Questionnaires

Questionnaires were designed and administered to relationship managers/officers form the Retail and Business Banking Department (RBBD) as well as loan clients of the bank to help get data for the research work.

### 3.4.2 Key Informant Interview

Key informant interview was conducted on officials from the loan recovery department of the bank. The tool used was interview schedule.

## 3.5 Data Collection Techniques and Tools

Both primary and secondary data were used for the study.

### 3.5.1 Primary Data

Primary data were collected from relationship officers/managers from the Retail and Business Banking Department (RBBD) and the consumer and retail loan clients of CAL Ltd. Bank through the use of questionnaires and structured interview guide.

### 3.5.2 Secondary Data

The secondary data were collected from monthly report on loans from the credit department of the ten branches of CAL Bank.

### 3.5.3 Observation

The principal researcher observed and recorded the behaviour of the loan clients' of CAL Bank. The tool used was check list. Issues such as; the structure of clients' businesses, the use of the loan facility, record keeping, the market situation of clients' businesses, clients' credit worthiness, loan recovery procedure and their relationship with the bank officials were observed. To ensure a higher level of reliability, the researcher was very particular with adherence to how these issues affect consumer and retail loans granted. However the study was non-participatory.

### 3.6 Sample Size Determination and Technique

In order to ensure that spurious result does not occur, the data analysed must be normally distributed. (Saunders et al., 2007). For this reason Stutely, (2003) advised that a minimum number of thirty (30) for a statistical analysis provides a useful rule of thumb for the smallest number in sampling. As a result of this, a total sample of one hundred and thirteen (113) was selected for the study.

The population that was used for the study was made up of all relationship managers/ officers from the Retail and Business Banking Department (RBBD) from all the ten (10) branches of CAL Bank Ltd. as well as some selected consumer and retail loan clients from the bank. Looking at the different categories of the population, it was necessary to use quota, purposive and convenient sampling techniques.

For the Sample size in relation to workers of the bank, all 83 relationship managers/officers from the Retail and Business Banking Department (RBBD) of CAL Bank were selected or considered for the study because they could be assessed easily and also thirty (30) consumer and retail loan clients from the 3 (three) main branches out of the ten (10) branches of the bank were selected. The three (3) main branches of the bank namely, the Head Office Branch, Kumasi Main Branch and Takoradi Market Circle Branch were selected for the study because they are the branches that have the largest consumer and retail loan clients and also possess the same characteristics as the other branches. The respondents were selected based on the numerical strength of consumer and retail loan clients of the three (3) branches. As a result, thirteen (13) of the respondents were selected from Head Office Branch, ten (10) were selected from Kumasi Main Branch and seven (7) from Takoradi Market Circle Branch. These respondents were selected through the use of quota and convenience sampling method. Thus, the first thirteen (13), ten (10) and seven (7) consumer and retail loan clients who the researcher met at the time of visit to the three branches respectively were selected for the study.

### 3.6.2 Pre-testing

In order to ascertain the reliability and validity of the instruments used, a pilot test was conducted using the instruments on similar firms (SG-SSB and Merchant Bank). The researcher used two days for the pilot testing. This enabled the researcher to correct the problems with the instruments designed or the questions asked. Permission was sought from the credit departments of these two banks.

### 3.6.3 Data Handling

To check for accuracy and completeness of data and assure quality, questionnaires and interview guide were numbered serially. For instance all agreed responses were coded 1 and all disagreed responses were coded 2

### 3.7 Data Analysis and Presentation

The data collected was analyzed using Microsoft Excel (computer software program). The results were presented using statistical tools such as frequencies, tables, pie charts, bar charts or histograms.

Descriptive statistics was used to analyze the data using, Microsoft Excel program analysis package.

### 3.8 Ethical Considerations

Permission was sought from the Director, Human Resource Department of CAL Bank to inform all the branch managers officially about the exercise for their cooperation. The researchers also sought the consent of all the respondents and observed all the necessary protocols. The researcher being aware of the strong competition in the banking industry recently ensured that any information gathered was treated confidential.

### 3.9 Profile of CAL Bank (GH) Ltd

CAL Bank Limited commenced operations in July 1990, and is considered to be one of the most innovative banks in Ghana which employs automotive and current technology to provide expeditious delivery of quality banking (both retail and corporate) and advisory services using motivated, goal and oriented personnel,(2008 Staff Dairy)

The Bank mobilizes resources in world financial markets, and channels them to the Ghanaian market. In this way, CAL Bank supports the development of the national economy, focusing particularly on the manufacturing and export sectors.

With its highly skilled professional staff and emphasis on customer service and efficiency, CAL Bank plays an important role in the Ghanaian financial sector by providing total banking services to corporate clients with sound financial base and competent management. Emphasis is placed on the economic viability and technical feasibility of each project that a corporate client wishes to invest in, as well as the marketability of the client's products and services.

Having recently acquired a Universal Banking License in 2004, CAL has included a retail banking arm to its operations with specialized products and services to cater for the retail market. To complement retail banking and in line with its expansion programme, CAL is in the process of opening several branches in major cities and business districts in Ghana.

Currently, the bank has ten (10) branches in the country with its head office in Accra at 23rd Independence Avenue.

On September 2, 2004, the bank launched its initial public offer to raise 54 billion cedis through the sale of 27 million shares at 2,000 cedis per share on the prestigious Ghana Stock Exchange market. The objective of the offer was to raise additional equity to finance the bank's retail banking operations as part of its strategic repositioning and its current status as a universal bank. The offer was highly successful and was oversubscribed to the value of 293 billion cedis. On Friday November 5, 2004, CAL Bank was officially listed on the floor of the Ghana Stock Exchange (GSE).

With a strategic rebranding, a massively successful IPO and a universal banking license, CAL Bank is on course to be the most recognizable and preferred provider of excellent financial services focusing totally on the customer. The banks slogan "CAL Bank, bank on our service" is derived from its new ethos of customer delight which is to say that the new CAL bank is to do things which will please and satisfy the customer. This saw the bank winning four (4) major awards out of the sixteen awards up for grabs at the Ghana Banking Awards 2007. The awards won were; Best Bank in IT and Electronic Banking, Long Term Loan Financing, Medium Term Loan Financing and Product Innovation and also the first runner up in Retail Banking, the bank's newest business line.

# CHAPTER FOUR

# RESULTS PRESENTATION, ANALYSIS AND DISCUSSIONS

## 4.1 Introduction

This chapter dealt with the analysis and presentation of data. The analysis and presentation were based on the research questions. However, the demographic distributions of respondents were analyzed. The category of respondents for the study included all relationship managers/officers as well as some selected customers of Cal Bank Ltd. The response rate from workers of the bank was 96% while that of the clients of the bank was 100% because of the convenient and quota sampling method the researcher used.

## 4.2 Analysis and Discussion of results

DEMOGRAPHIC DISTRIBUTION OF RESPONDENTS

Table 1: **RESPONDENTS FROM VARIOUS TARGETED POPULATION.**

| **Respondents** | **Number of Respondents** | **Percentage of Respondents (%)** |
|---|---|---|
| Rel. Managers/Officers | 81 | 73.5 |
| Customers | 30 | 26.5 |
| Total | 111 | 100 |

**Source: Author's field work, August, 2008**

As could be seen from Table 4.1, most of the respondents were relationship managers/officers which constitute the highest group. Thus, eighty-three (83) questionnaires sent to relationship managers/officers, 81 were retrieved representing 97.6% of the respondents. Another thirty (30) questionnaires sent to customers of Cal Bank Ltd all the 30 questionnaires representing 100% were retrieved. The above figures indicate that the relationship managers/officers form the majority of the respondents.

### 4.2.1 Managing Customer Relationship

Figure 1A. Knowing of clients.

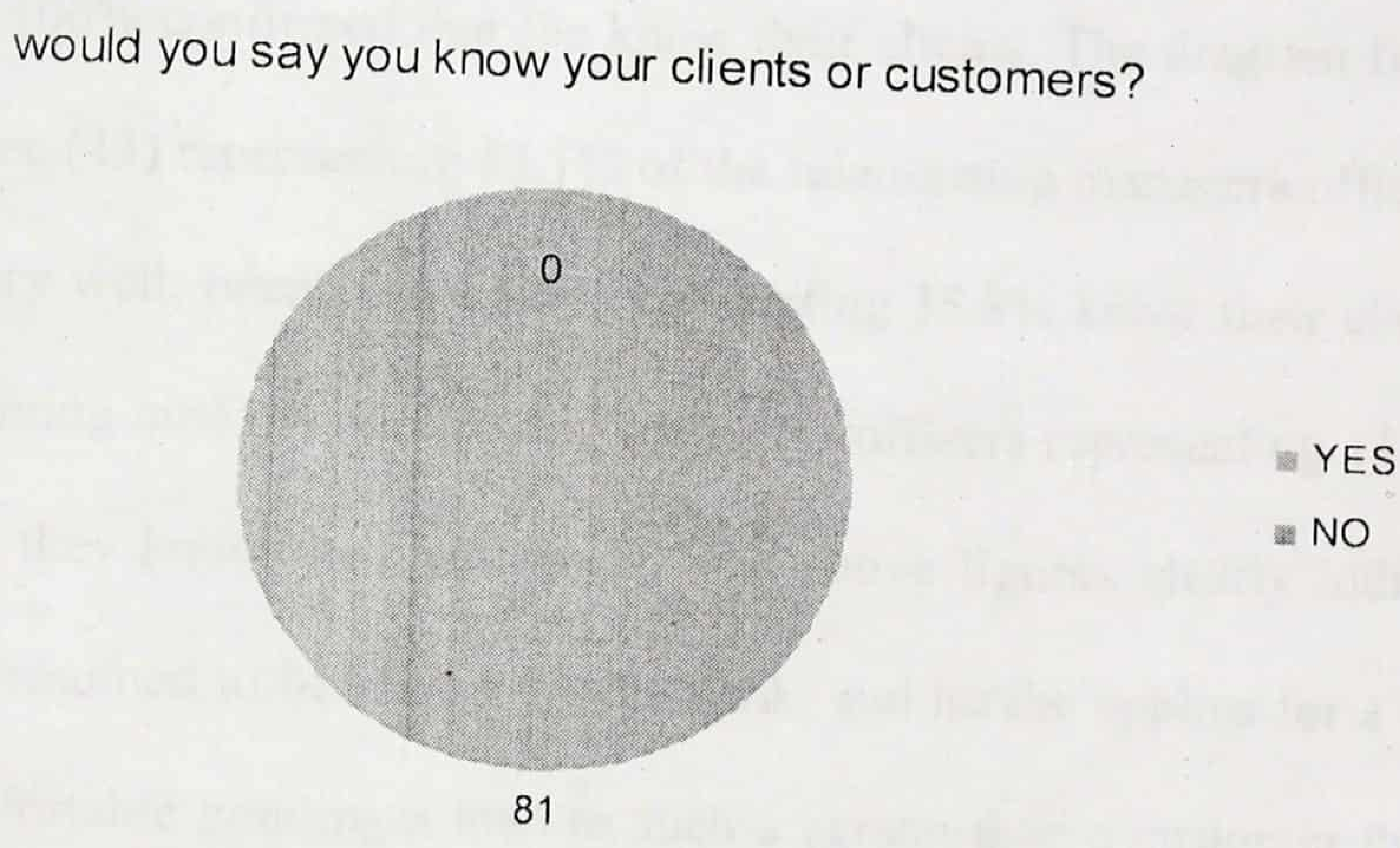
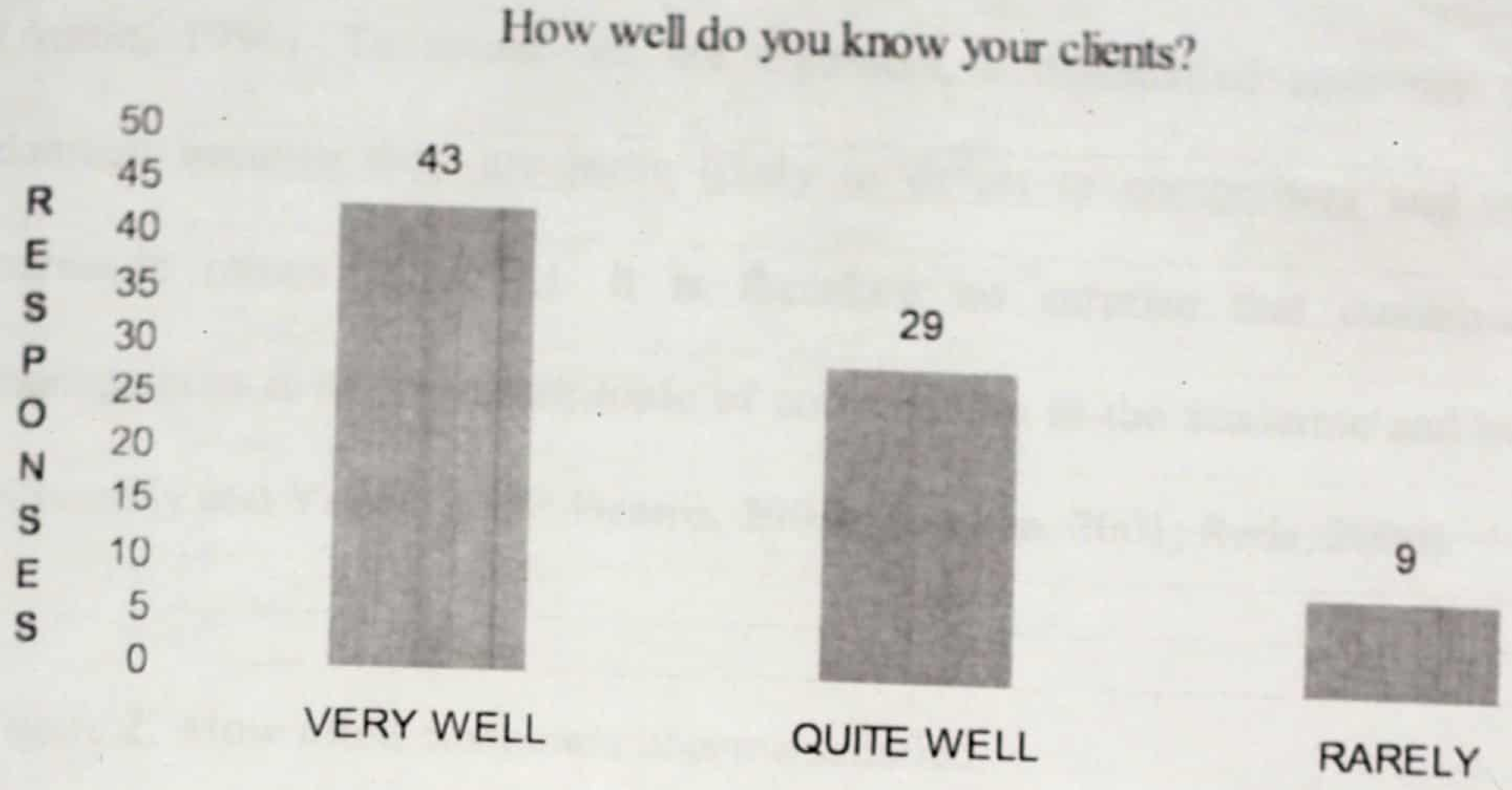


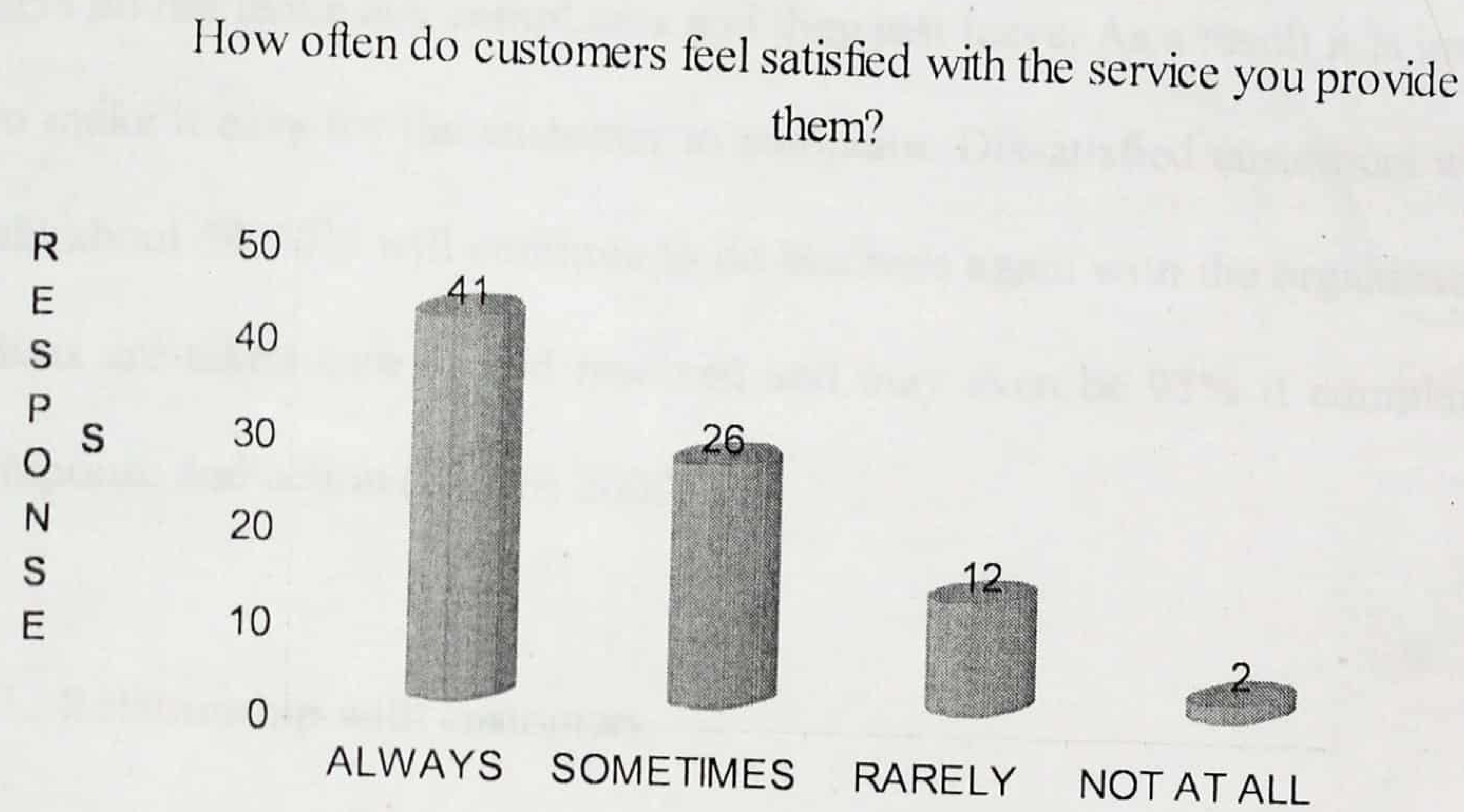
Figure 1B. The rate of knowing clients.




From the above diagram out of eighty-one (81) relationship managers/officers all the 81 representing 100% confirmed that the know their clients. The diagram further indicates that forty-three (43) representing 53.1% of the relationship managers/officers know their customers very well, twenty-nine (29) representing 35.8% know their clients quite well and the remaining nine (9) relationship managers/officers representing 11.1% is not that sure whether they know their customers. The above figures clearly indicates that if a customer is presumed to be known by the bank, and he/she applies for a loan, the bank will feel comfortable granting a loan to such a person than a customer the bank do not know well enough to be giving a loan. The implication of the above finding indicates that the bank will be in a position to recover most of the loans they sell since they appear to know almost all their customers.

This is in line with Roberts-Witt, 2000 who is of the view that, there is clear logic to customer relationship management (CRM) being the central focus for business. At its most basic level there clearly is nothing more important than a customer. A business that does not consider a customer important should try to do without them for 30 days. A satisfied customer buy more, is more loyal and more profitable over their lifetime (Anton, 1996). To round out the argument, a dissatisfied customer causes market damage because they are more likely to defect to competitors and more likely to persuade others to defect. It is therefore no surprise that customer relationship management is an important topic of conversation in the academic and business arenas (Connelly and Yoger, 2001; Dennis, 2001a, b; Leon, 2001; Reda, 2000).

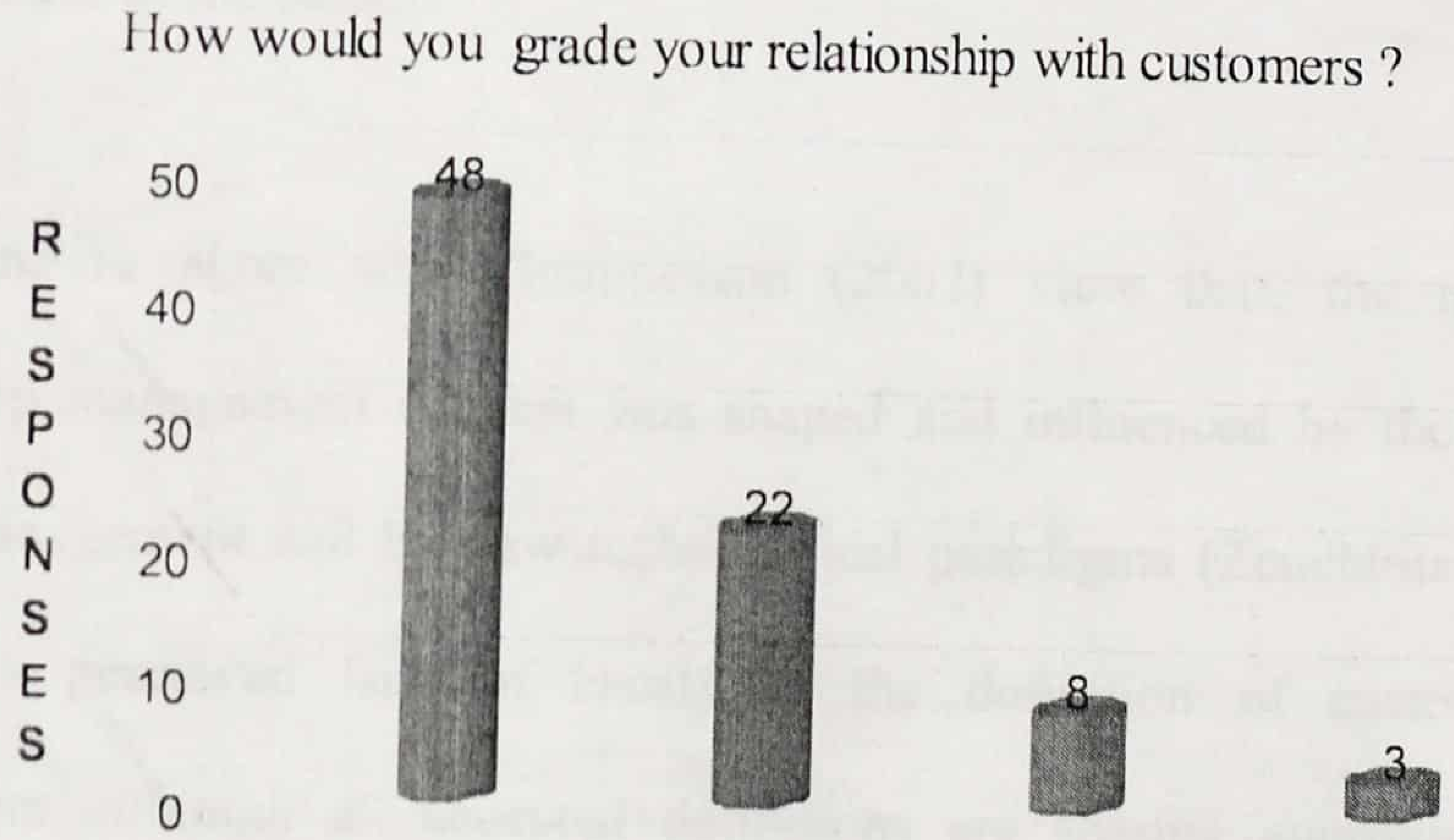
Figure 2. How often customers become satisfied.




Based on the bar chart above forty-one (41) relationship managers/officers representing 51.62% believe that customers always feel satisfied, twenty-six (26) representing 32.1% think that customers sometimes feel satisfied while the remaining twelve (12) and two(2) representing 14.81% and 2.5% respectively think that customers rarely feel satisfied and do not feel satisfied. The figures above further stresses that the extent to which a customer feels satisfied is linked to how well the bank's customer relationship strategy focuses on the individual needs of the customers and the profit accruing to the bank rather than on the profit accruing to the bank alone. The implication of this finding seems to suggest that majority of the customers feel satisfied since their needs are been addressed by the bank as and when they approach the bank for assistance and as result would remain loyal to the bank which will in turn increase the bank's profitability.

This is in line with Kotler (2000) which pointed out that it is important to measure customer satisfaction regularly through survey to determine customers' level of satisfaction. According to him, firms may think that they are getting a sense of customer satisfaction through customer complaints however, in reality 95% of dissatisfied customers do not make any complaints and they just leave. As a result it is important for firms to make it easy for the customer to complain. Dissatisfied customers who usually complain about 54-70% will continue to do business again with the organization if their complaints are taken care of and resolved and may even be 95% if complaint receive quick response and action (Kotler, 2000)

Figure 3. Relationship with customers.



From the diagram above, out of eighty-one (81) respondents forty-eight (48) representing 59.23% confirmed that their relationship with customer is very good, twenty-two (22) representing 27.2% relationship with their clients is good while the remaining eight (8) and three (3) representing 9.88% and 3.7% relationship with their clients is quite good and bad respectively. The above further indicates that when the relationship of the bank officials with the customers is good they will not hesitate to recommend clients to be granted credit facilities.

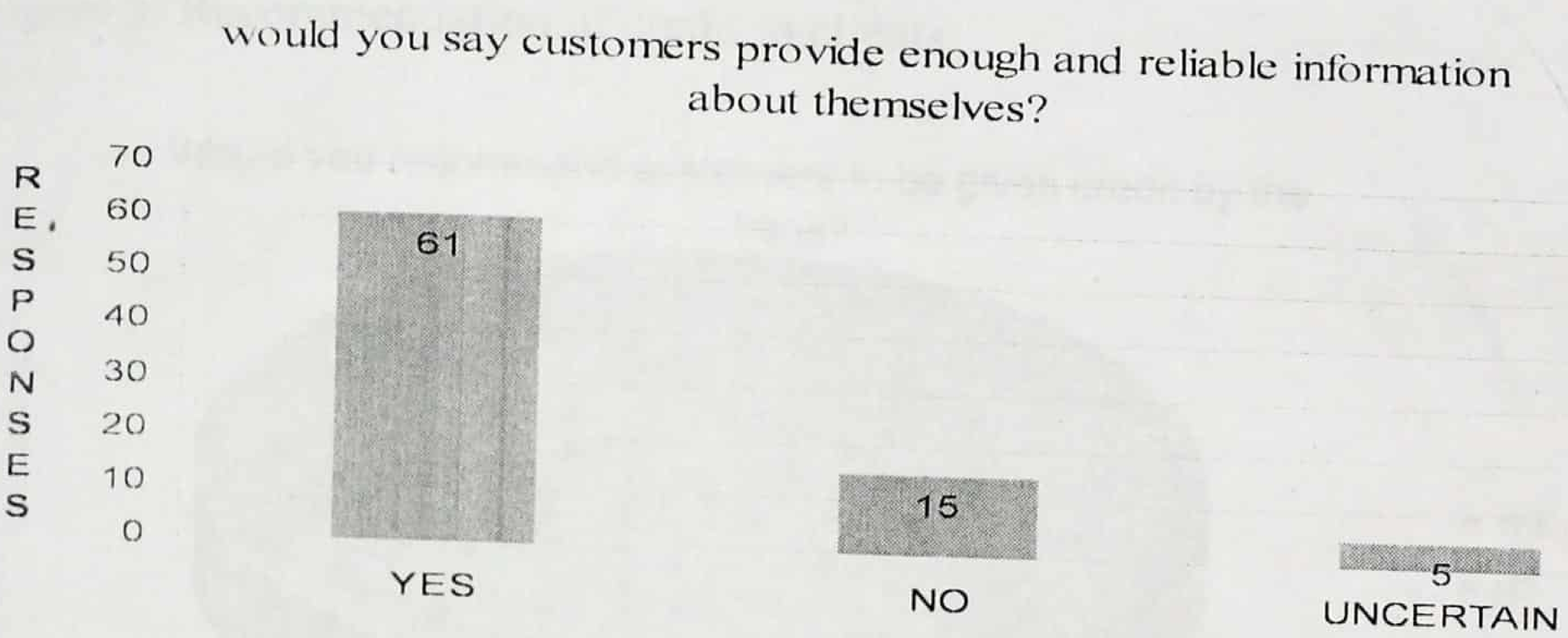
When the opinions of some selected customers were sampled with regards to their relationship with the bank, majority of the respondents said their relationship with officers of the bank is wonderful, while the remaining thought otherwise. Majority of them rated their relationship with the bank as very good while the remaining thought otherwise. However, majority of these same customers believe that the bank's relationship with them ends at the business level and needs to extend beyond that. The implication of this suggest that almost all the customers would identify themselves with the bank because the bank relates well with them and would also lead to increase in customer base of the bank.

This seems to agree with Gummesson (2002) view that, the modern customer relationship management concept was shaped and influenced by the theories of total quality management and by new technological paradigms (Zeneldine, 2002). There is however a perceived lack of clarity in the definition of customer relationship management although all accepted definitions are sharing approximately the same concepts; customer relationship, customer management, marketing strategy, customer retention, personalization (Zeneldine, 2000). However, while academic debates the subtitle of the various definitions, the practitioners have developed a wealth of applicative papers analyzing the concrete challenges and opportunities of implementing the systems

(Bacuver et al).

### 4.2.2 Process and effect of CRM on granting of Consumer and Retail Credit

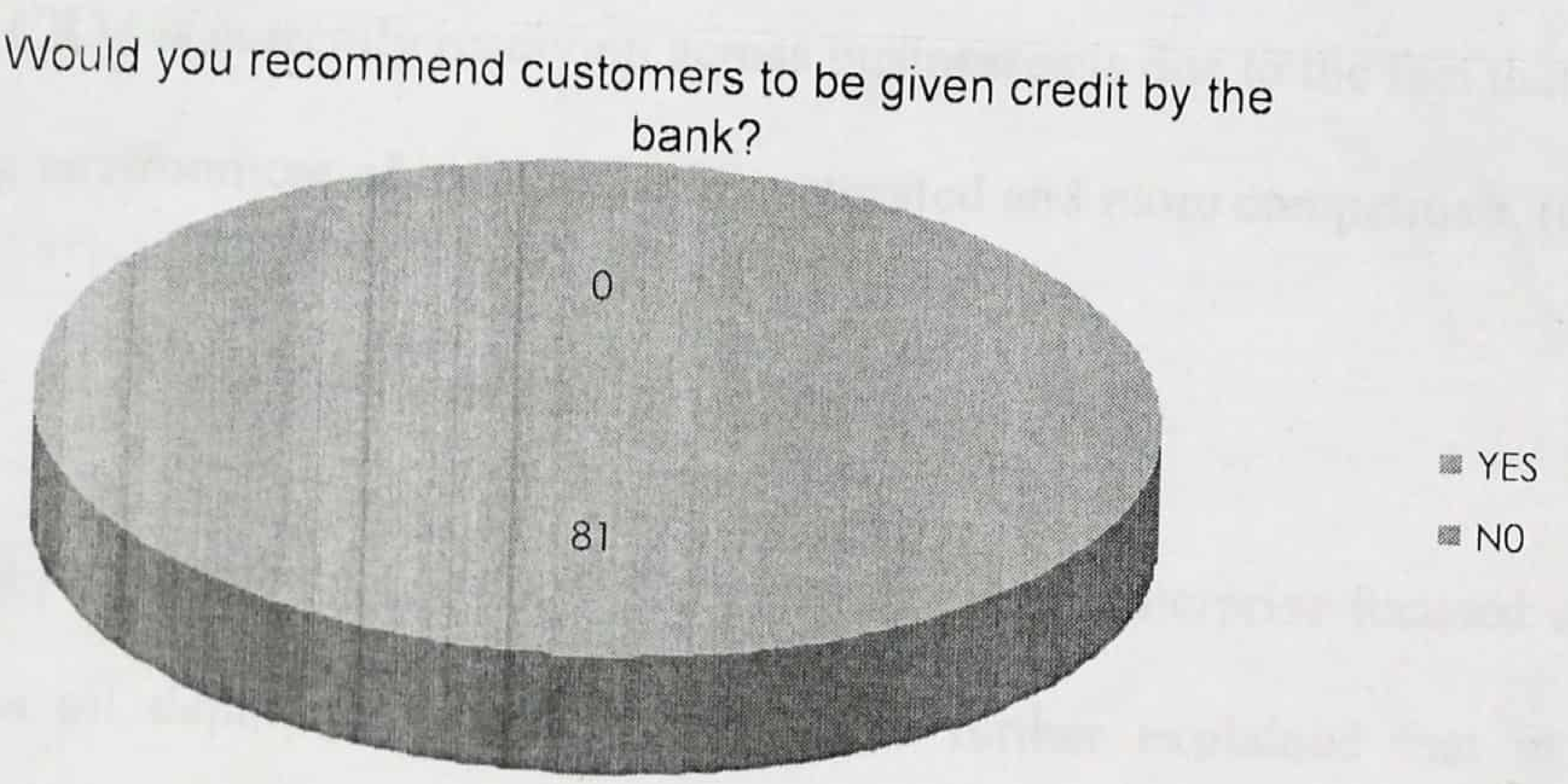
Figure 4. Provision of reliable information by customers.




From the diagram above with respect to provision of reliable information by customers surveyed, sixty-one (61) of the relationship managers/officers representing 75.31% said yes indeed customers provide accurate and reliable information while fifteen (15) of the relationship managers/officers representing 18.52% customer do not provide reliable information and the remaining four (5) representing 6.17% were not sure about that. The implication of this shows that the bank needs to put in place effective mechanism to gather reliable information about their customers because if reliable information is not collected from customers it might lead to less loan recovery rate.

This however, supports Peppers and Rogers (1999) view that other organizations view CRM as a tool, which has been particularly designed for one-to-one customer communications which is the function of sales, call centres or the marketing department. Accordingly Frow and Payne (2004), CRM stresses two-way communication from the supplier to customer and from the customer to the supplier to build the customer over time. The two-way communication has been enhanced greatly by advances in technology particularly the internet.

Figure 5. Recommendation of credit to clients.



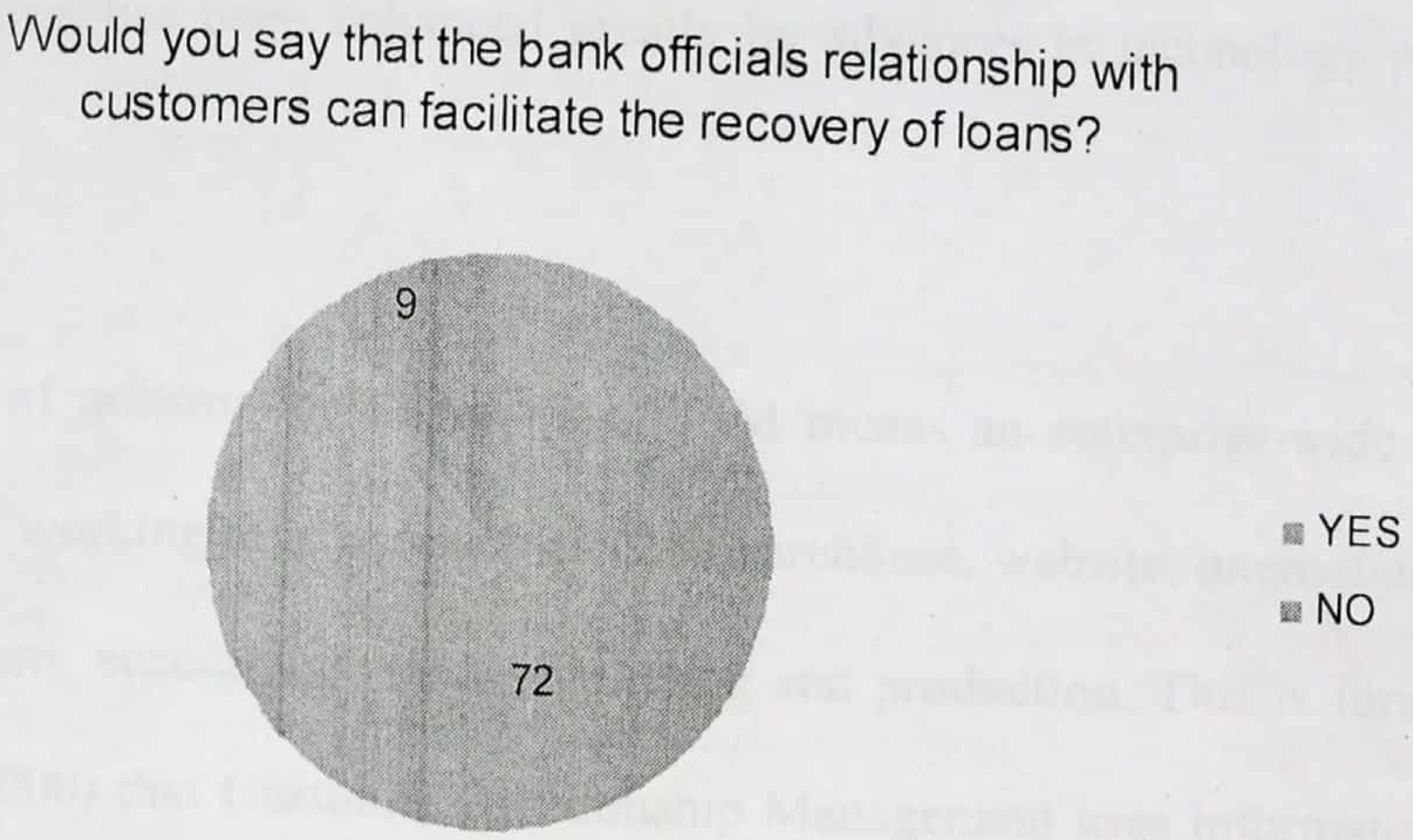

Based on the chart above, all the relationship managers/officers representing 100% responded that they will recommend their clients for consumer and retail loan as and when it becomes necessary, since the bank stands to make profit if it gives out secured loans to its numerous customers or clients, putting in place realistic measures to mitigate the extent of loss. The implication of this emphasizes the need to have good relationship with client of the bank so that they can recommend the clients to be granted loans facilities.

This seems to support Chen and Popovic (2003) view that, CRM is not a concept that is really new but rather due to current development and advances in information and enterprise software technology, it has assumed practical importance. The root of CRM is relationship marketing which has the objective of improving the long term profitability of customers by moving away from product-centric marketing. Bose (2002) noted that CRM was invented because customers differ in their preferences and purchasing habits. If all customers were alike, there will be little need for CRM. As a result understanding customer drivers and customer profitability, firms can better tailor their offerings to maximize the overall value of their customer portfolio (Chen and Popovic, 2003). The attention CRM is currently receiving across businesses is due to the fact that the marketing environment of today is highly saturated and more competitive. (Chou et al, 2002).

According to Greenberg (2004), CRM generally is an enterprise-focused endeavour to encompass all departments in a business. He further explained that in addition to customer service, CRM will also include manufacturing, product testing, assembling as well as purchasing, billing, human resource, marketing, sales and engineering. Chen and Popovic (2003) argued that CRM is a complicated application which mines customer data that has been retrieved from all the touch points of the customer, which then creates and enable the organization to have a complete view of customers. The results in that, firms are able to uncover and determine the right type of customers and predicting the type of their future purchases. CRM is also defined as an all embracing approach that seemingly integrate sales, customer service, marketing, field support and other functions that touch customers (Chou et al, 2002). They further stated that CRM is a notion regarding how an organization can keep their most profitable customers and at the same time reduce cost, increase in values of interaction which then leads to high profits.

### 4.2.3 The Impact of CRM on loan Recovery

Figure 6. Relationship with clients and recovery of loans.

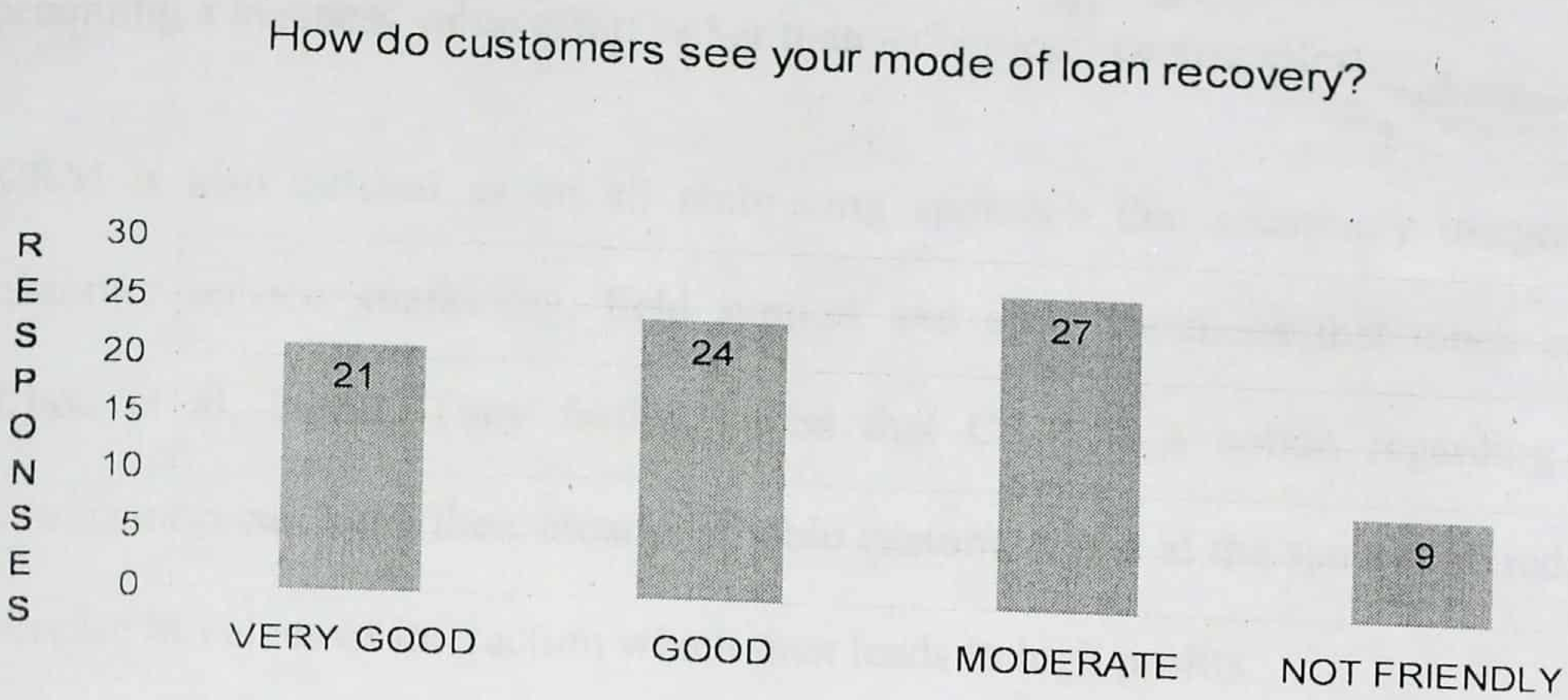



The above pie chart indicates out of eighty-one (81) officers sampled for the study with respect to the bank's relationship with client recovery of loan, seventy-two (72) representing 88.89% admit that the bank officials relationship with customers goes a long way to facilitate loan recovery, while the remaining nine (9) representing 11.11% think otherwise. On the part of the customers when their views were sampled as to whether they were assisted by the bank officials when they have problems with their loan repayment, majority of them responded to the effect that they are being assisted by the bank officials when they are confronted with problems regarding loan repayment, while the remaining few responded to the contrary. Moreover, the bank officials are in constant contact with them regarding loan repayment, in other words, their views are being solicited when it comes to loan repayment.

This seems to support Frow and Payne (2004) view that Customer Relationship Management stresses two-way communication from the supplier to customer and from the customer to the supplier to build the customer over time. The two-way communication has been enhanced greatly by advances in technology particularly the internet.

In the term of information technology, CRM means an enterprise-wide integration of technologies working together such as data warehouse, website, internet/extranet, phone support system, accounting, sales, marketing and production. This is further supported by Kotler (2000) that Customer Relationship Management uses information technology to gather data which can then be used to develop information acquired to create a more personal interaction with the customer. In the long term it produces a method of continues analysis and refinement in other to enhance customers lifetime value with the firms.

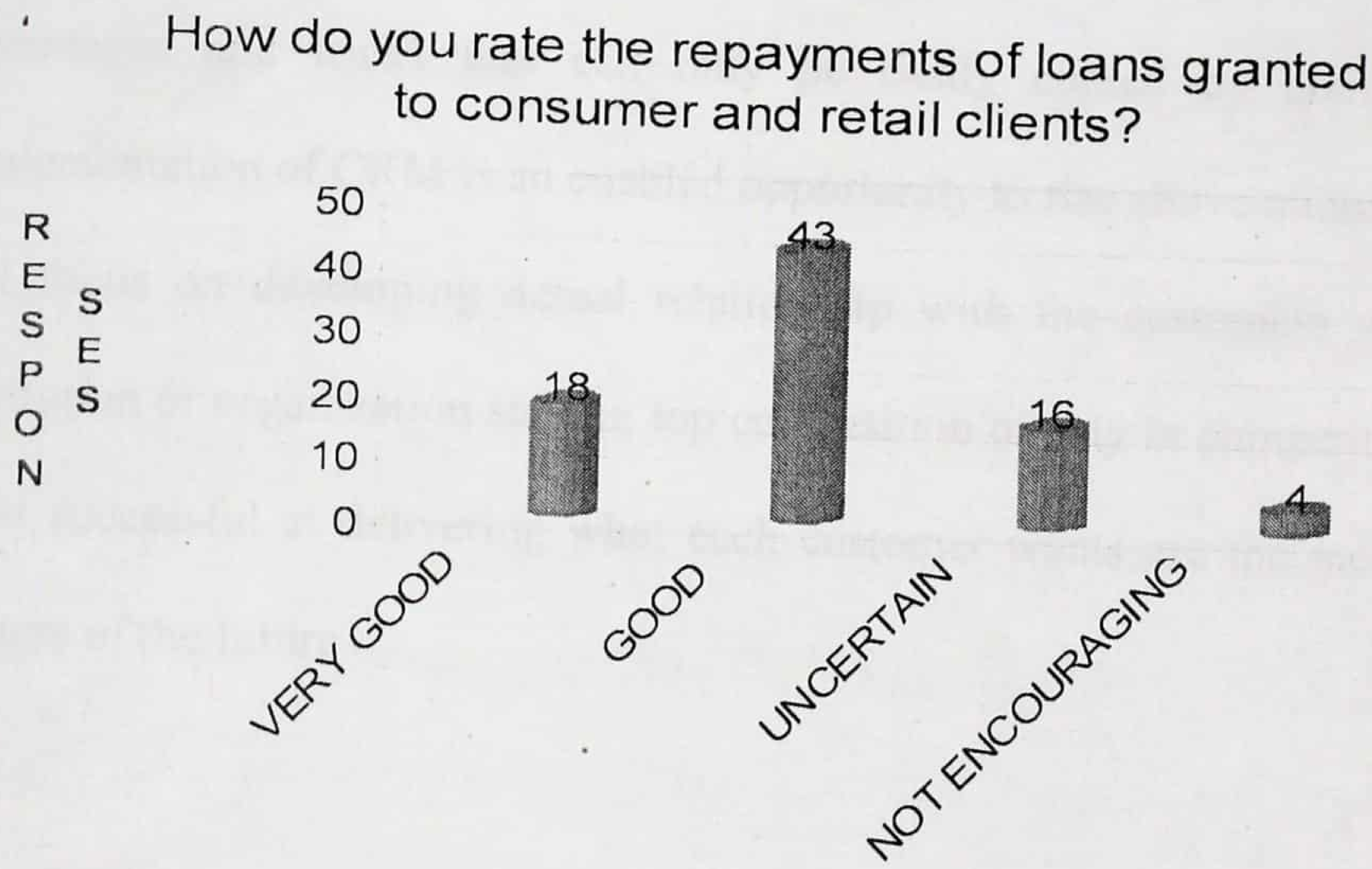
Figure 7. Customers view on mode of loan recovery.




Based on the diagram above when relationship managers/officers views were sought as to how their clients see the mode of the bank's loan recovery. Out of the eighty-one (81) officials sample for the study twenty-one (21) representing 25.93% think that the customers view the bank's loan recovery as very good, twenty-four (24) representing 29.63% also think that the bank's loan recovery is good, while the remaining twenty-seven (27) and nine (9) representing 33.33% and 11.11% respectively think that the bank's loan recovery appears moderate and sometimes not friendly. Majority of the customers feel that the bank's mode of loan recovery is friendly and as such more clients will be willing to apply for loan. This appears to agree with Goldenberg (2000) view that CRM is not merely technology applications for marketing, sales and services but rather when it is successfully implemented it enables firms to have cross-functional, customer-driven technology-integrated business process management strategy that maximizes relationships and minimizes the extent of losses accruing to the business. Chin et al, (2003) stated that, due to many technological solutions available for CRM automation, it is often misconstrued as a piece of technology but they maintain that in recent times many companies have released the strategic importance of CRM and as a result it is becoming a business value effort rather than technology-centric effort.

CRM is also defined as an all embracing approach that seemingly integrate sales, customer service, marketing, field support and other functions that touch customers (Chou et al, 2002). They further stated that CRM is a notion regarding how an organization can keep their most profitable customers and at the same time reduce cost, increase in values of interaction which then leads to high profits.

Figure 8. Rating of loan repayments.

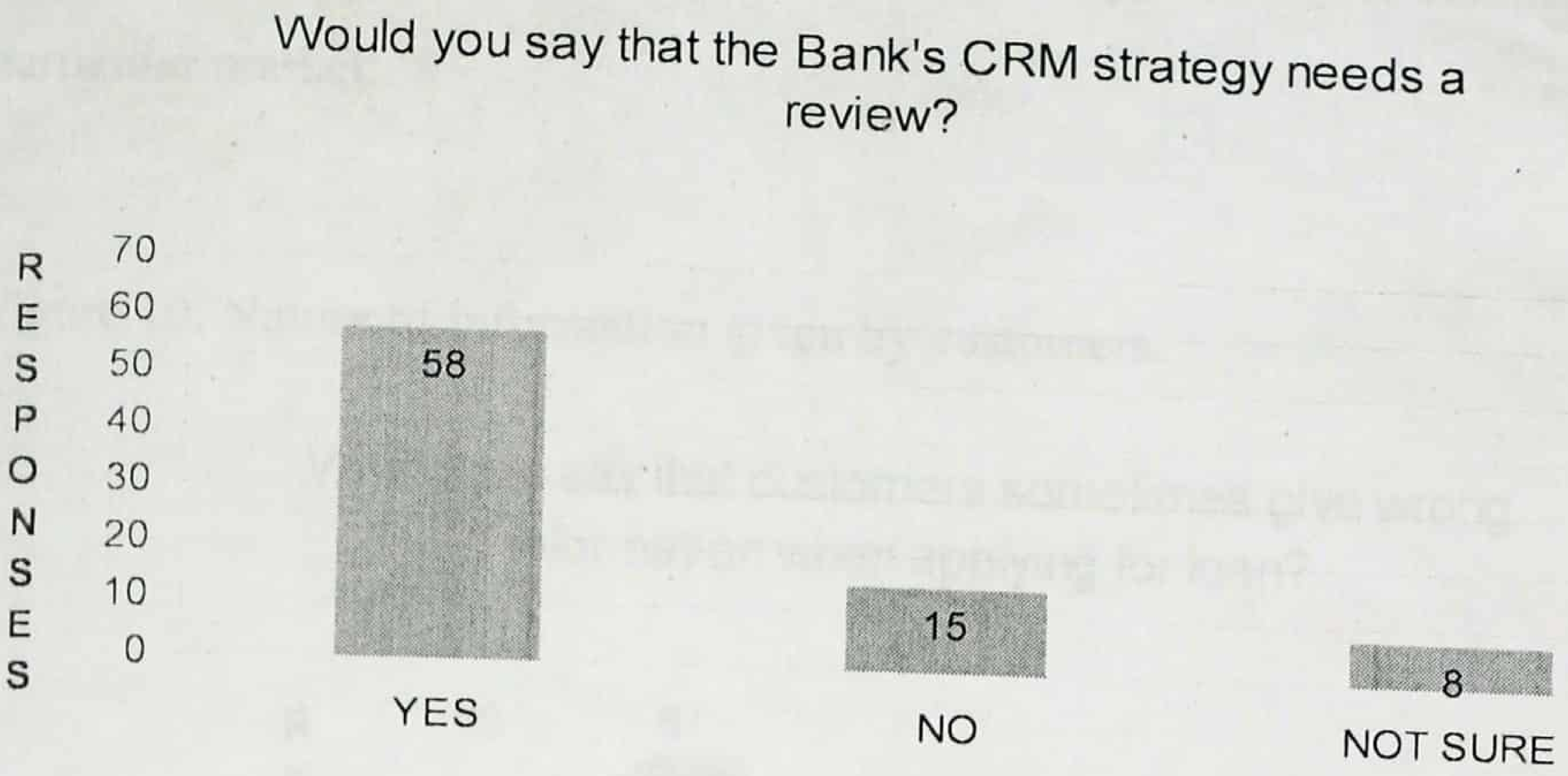



The bar chart above shows that out of the eighty-one (81) relationship managers/officers interviewed, eighteen (18) of them representing 22.22% see the rate at which customers repay back the loan they have assessed as very good, forty-three (43) of them representing 53.1% also see the repayment of loan by customers as good, while the remaining sixteen (16) and four (4) representing 19.75% and 4.94% respectively rate the

level of customers repayment as uncertain and abysmal. The finding indicates that the rate of recovery is encouraging which will increase the bank's profitability ratio.
This is in line with Gulati and Garino (2002) view that, for customers, CRM offers customization, simplicity and convenience for completing transactions irrespective of the kind of channel of interaction used. Many businesses today realize the importance of CRM and its potential to help them achieve and sustain a competitive edge (Peppard, 2000).

This view was further boosted by Bose (2002) that as a result of changing nature of the global environment and competition, firms cannot compete favourably with only minor advantages and tricks that can only be easily copied by competing firms. The implementation of CRM is an enabled opportunity to rise above minor advantages with a real focus on developing actual relationship with the customers who will help that institution or organization stay on top competition or stay in competition. Firms that are most successful at delivering what each customer wants are the most likely to be the leaders of the future.

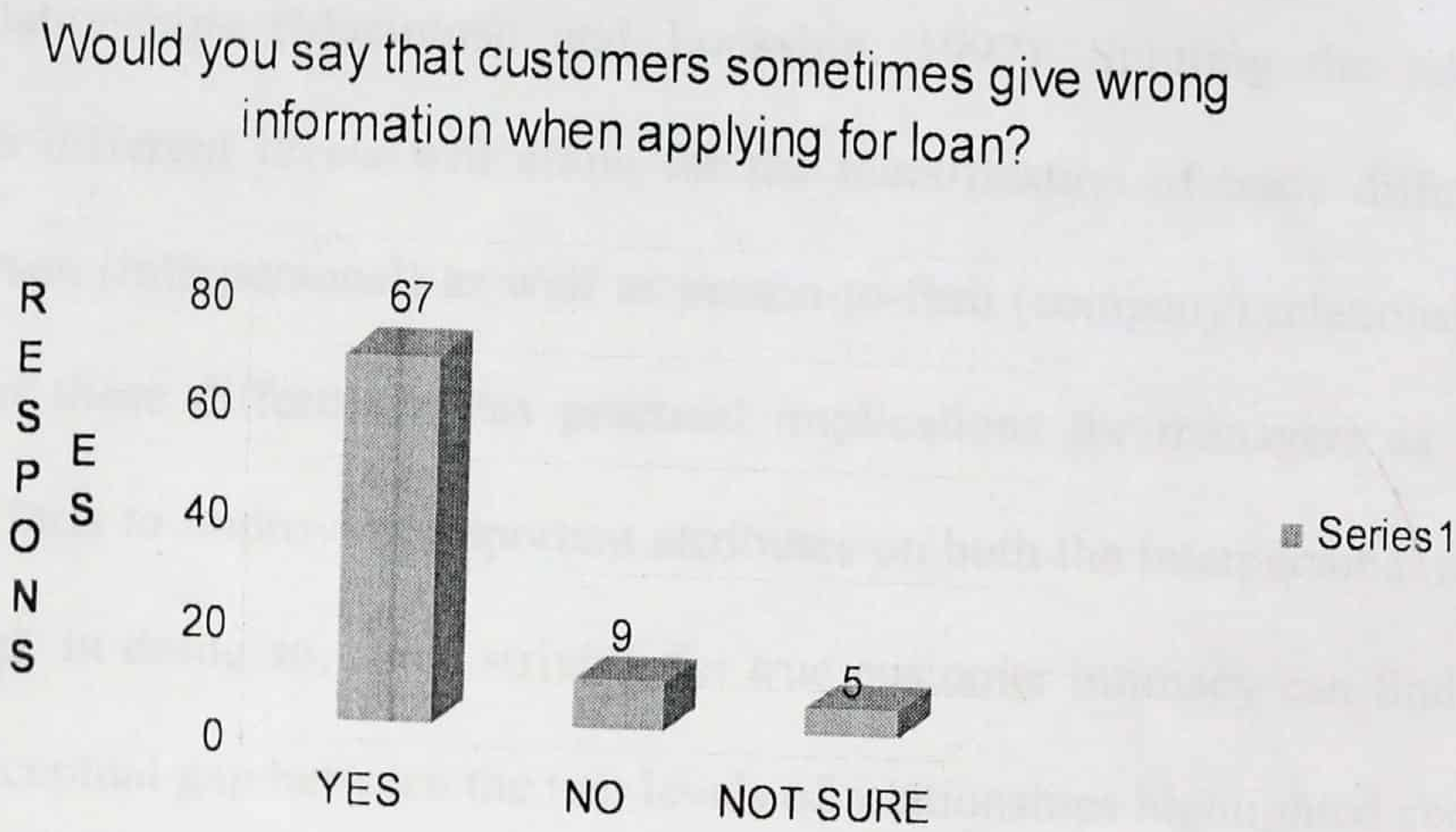
Figure 9. Review of the bank's CRM strategy.




The various views as to whether the bank's customer relationship strategy needs review were solicited. This attested to the fact that out of the eighty-one (81) sample for the study, fifty-eight (58) of them representing 71.60% are of the believe that yes the customers relationship strategy needs constant review considering the unpredictable nature of human being and the fact that the survival of every business rest on the customer, fifteen (15) of the officials representing 18.52% think that the bank's customer relationship strategy does not need any review, while the remaining eight (8) of the officials representing 9.88% is not sure whether the bank's customer relationship strategy needs review or not.

This seems to support Devlin (2000), view for the need on the part of businesses to constantly and periodical put in place measures to satisfy customers so that it can stay on top of competition. Few can further argue against the importance of customer satisfaction being essential for customer loyalty within banking. However, to achieve customer satisfaction, a superior level of service and customer orientation is required. In addition, delivering offerings which comprise a competitive bundle of benefits, or value, to the consumer is seen as crucial to an organization's ability to compete effectively in a particular market.

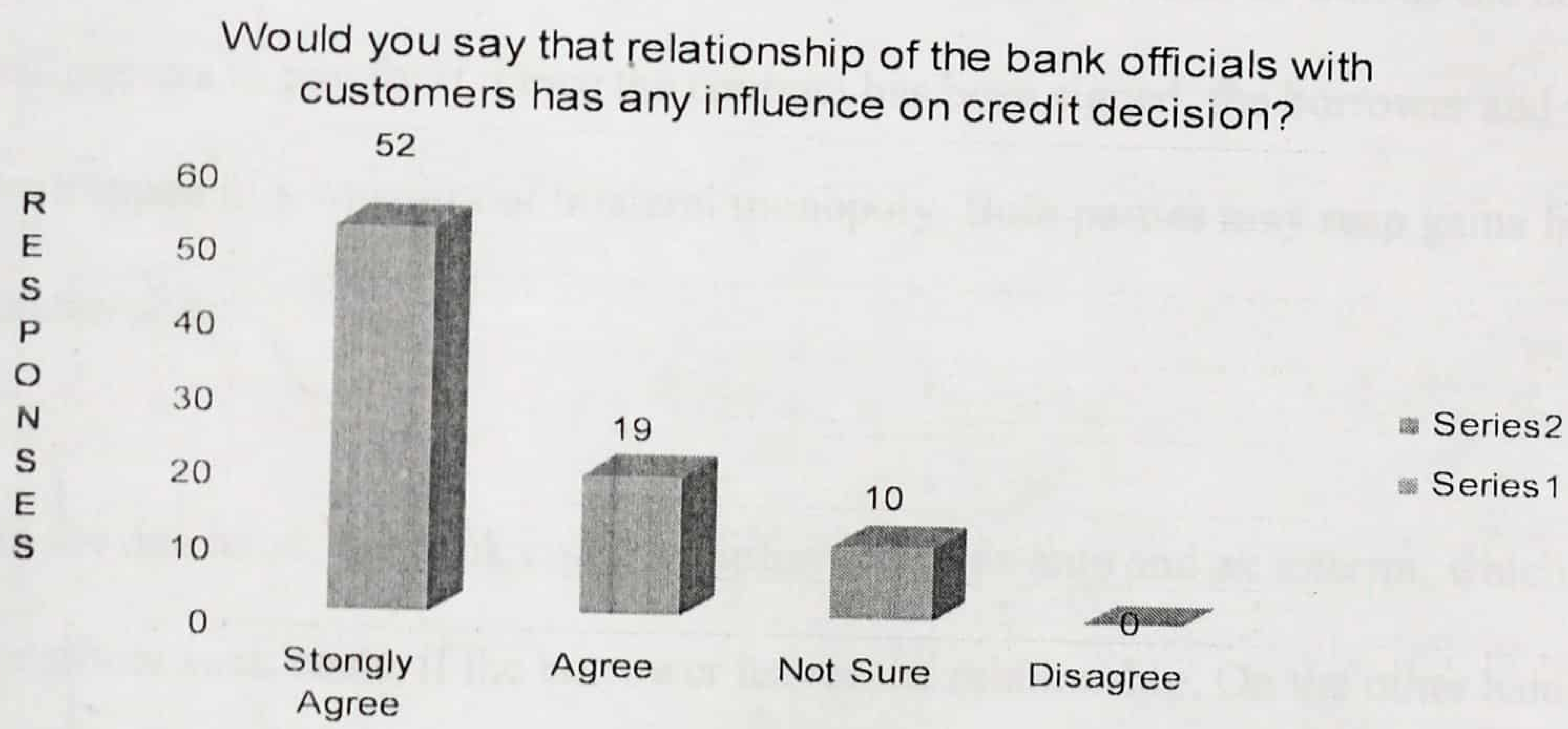
Figure 10. Nature of information given by customers.




Based on the bar chart above the researcher sought to sampled banks officials' views with respect to whether or not customers sometimes give wrong information about themselves. Out of the eighty-one (81) officials sampled for the study, sixty-seven (67) of them representing 82.72% admitted that sometimes customers in a desperate attempt to secure loan from the bank give wrong information about themselves, while nine (9) and five (5) officials representing 11.11% and 6.17% respectively declined. The implication of this finding does not look good for the bank, since such a situation could cause the bank operating cost or expense to increase thereby reducing the profit of the bank and also the bank reputation could be affected.

This runs concurrent with Perssey and Mathews (2000) view that, despite the growing importance and emphasis on relationship, the operationalisation of this concept is still unclear. While much work has been focused on generic issues, little concentrates on areas that are influenced by the nature of the industry or transaction concerned. In addition, there has been a lack of studies that examined relationship variables at different levels of relationships (Macintosh and Lockshin, 1997). Splitting the relationship variables into different levels will allow for the identification of basic differences in person-to-person (interpersonal) as well as person-to-firm (company) relationships. The recognition of these differences has practical implications for managers as they can direct their efforts to improving important attributes on both the interpersonal as well as company level. In doing so, firms striving for true customer intimacy can find ways to bridge the perceptual gap between the two levels of relationships highlighted above

Figure 11. Influence of relationship of bank officials on customers credit decision.



The above bar chart shows the influence of bank officials' relationship with customers on credit decision. Out of the eighty-one (81) officials sampled for the study, fifty-two (52) of them representing 64.2% strongly agree that the relationship existing between bank officials and customers has influence on credit decision. Nineteen (19) of the officials representing 23.46% also agree that the relationship has influence on credit decision, while the remaining ten (10) representing 12.35% are not sure whether bank's officials relationship with customers has influence on credit decision.

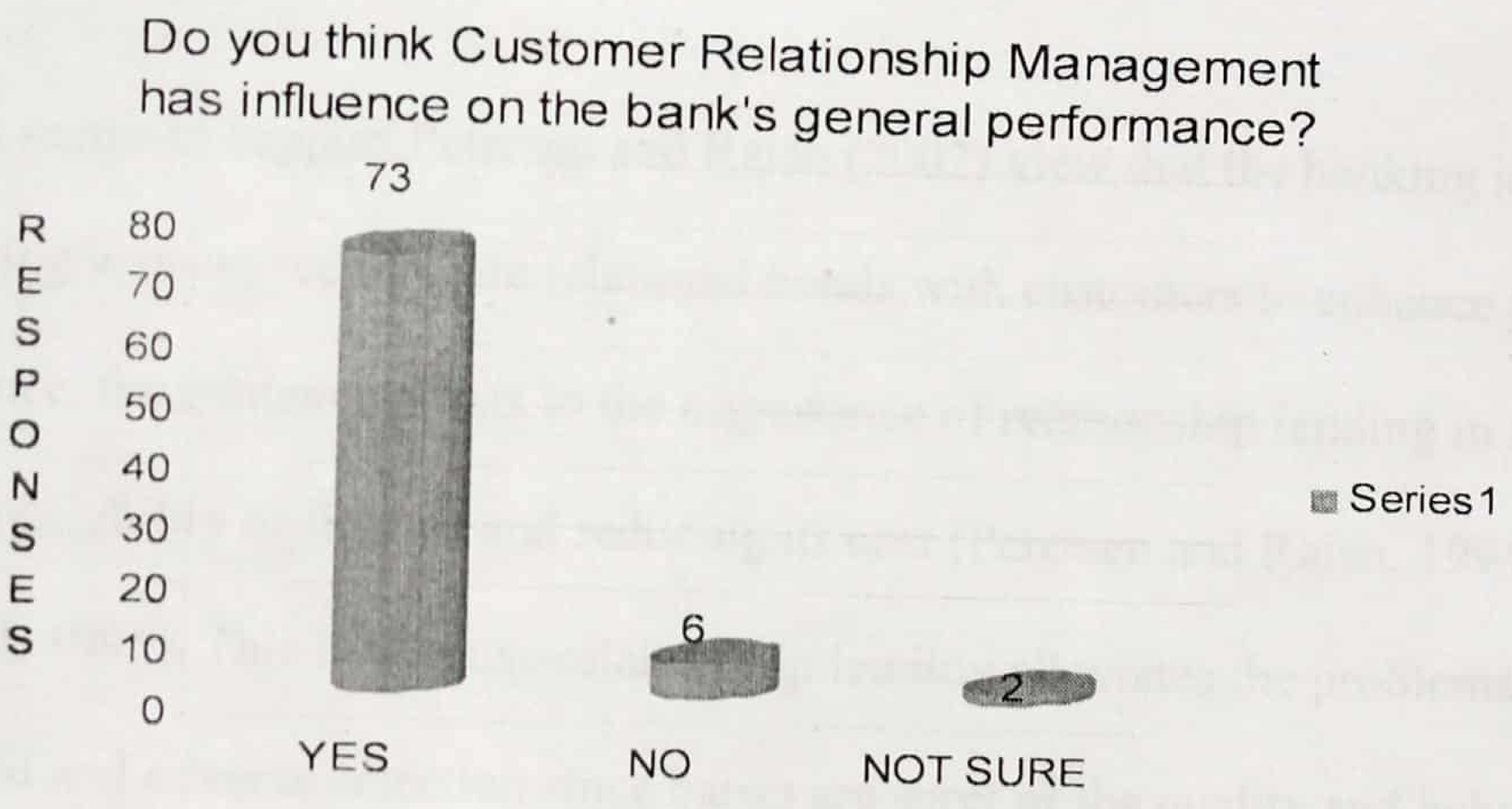
The above indicates that majority of the respondents agree that the relationship of bank officials with customers has influence on credit decision. Furthermore, majority of the customers of the bank share the opinion that the establishment of good relationship has strong influence on granting of credit.

This is in line with Von Thadden, (1998) view that unlike the case of standardized transactions, the signing of a loan contract does not represent the end of the relationship between the contracting parties. During the bank–borrower relationship, many events may occur, which alter the bank's cost of providing the credit as well as the borrower's willingness to pay for it. Once the contract has been signed, the borrower and the bank are trapped in a situation of bilateral monopoly. Both parties may reap gains from this relationship.

On the one hand, the bank collected information ex ante and ex interim, which would constitute sunk costs, if the borrower leaves the relationship. On the other hand, the ending of the relationship by the borrower is likely to convey a negative signal about its quality to outside banks. The value generated by the continuation of the relationship represents a quasi-rent which needs to be divided between both parties ex post.

One possibility is an implicit contract of liquidity insurance to small and medium sized firms. Since they are often liquidity constrained, they should be willing to pay a premium for the continuation of the relationship in the hope of further loans or assistance in future times of distress (see Elsas and Krahnen, 1998). On the other hand, small and medium-sized enterprises (SMEs) are of vital importance for banks, especially in Germany, despite the high cost of gathering information about their creditworthiness (see Dufey and Hommel, 1999).

Figure 12. Influence of CRM on the bank's performance.



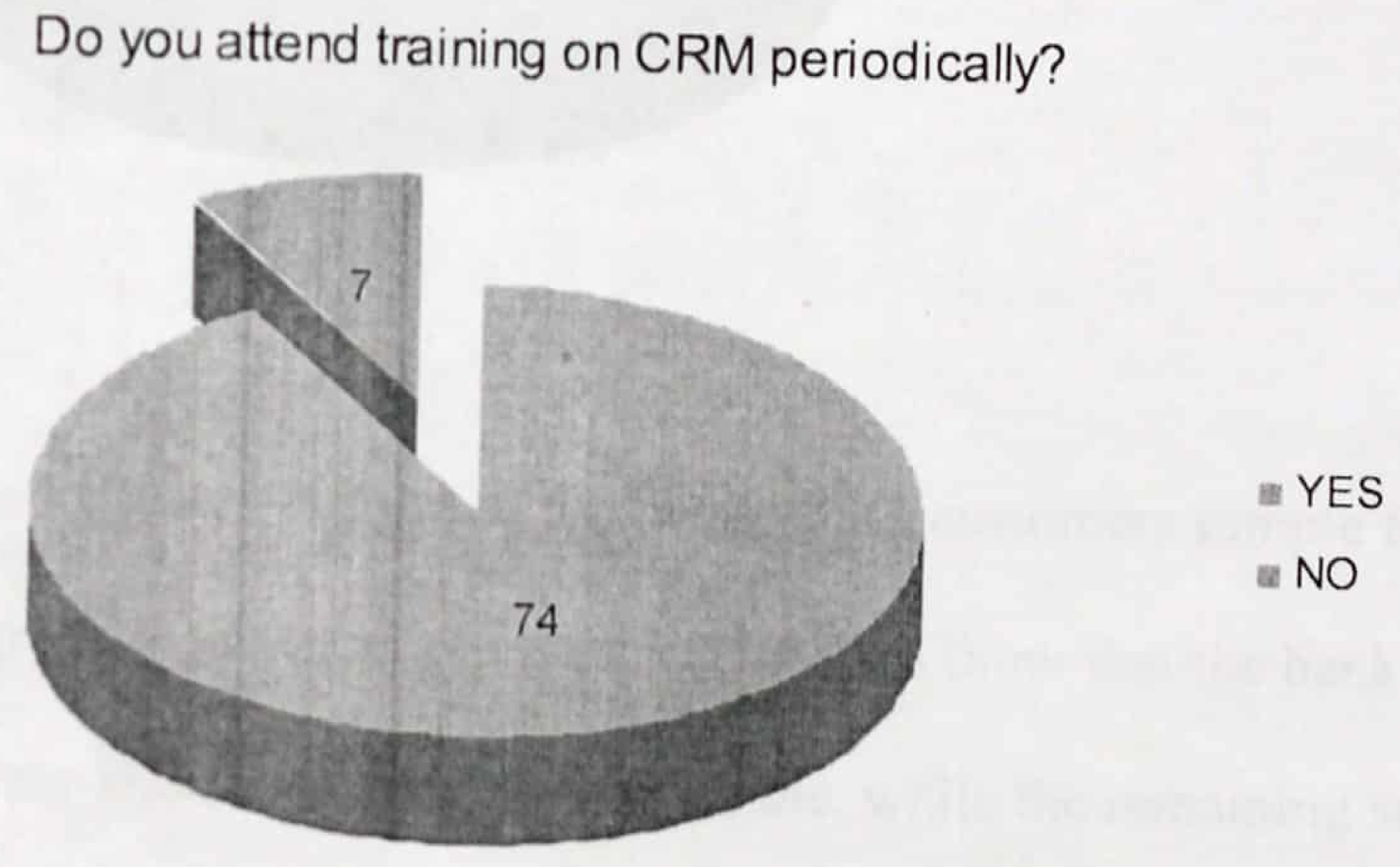

Based on the bar chart above, the researcher sought to find out from the bank officials whether there is a correlation between the bank's customer relationship strategy and the general performance of the institution. Out of the eighty-one (81) officials, seventy-three (73) representing 90.12% think that there is indeed correlation between the bank's customer relationship strategy and the general performance of the bank. If the bank's customer relationship strategy is friendly it will go a long way to positively affect the overall performance of the bank, while six (6) officials representing 7.41% do not think that there is a correlation between the bank's customer relationship strategy and the general performance of the bank and the remaining two (2) representing 2.47 is not sure whether there is a correlation between the bank's customer relationship strategy and the general performance of the bank. The customers sampled for the study are of the opinion that good relationship between them and bank officials improves the performance of the bank. The implication of this finding indicates that special attention to customer relationship management strategy of the bank will position the bank to either stay in competition or on top of competition if its performance is anything to go by.

This seems to support Petersen and Rajan (2002) view that the banking industry is seeking ways to reconfigure relational bonds with customers to enhance performance. In essence, the evidence points to the importance of relationship lending in improving both the availability of finance and reducing its cost (Petersen and Rajan, 1994; Berger and Udell, 1995). This is because relationship lending alleviates the problems of moral hazard and adverse selection since banks are surer of the quality and behaviour of loan applicants. This means they can potentially increase the availability and quantity of loans to their business customers (Degryse and Ongena, 2005) since the collection of information is easier and cheaper (Ang, 1991).

Companies try to segment their customers by identifying groups of persons with need structures that are as homogeneous as possible within each group and significantly heterogeneous between groups (Smith, 1956). These groups can then be addressed with a specially designed but also standardised strategy (Kotler, 1980). The goal is to solve the conflict between the intentions to satisfy customer needs as individually as possible but also to allocate marketing resources as economically as possible (Wind, 1978).

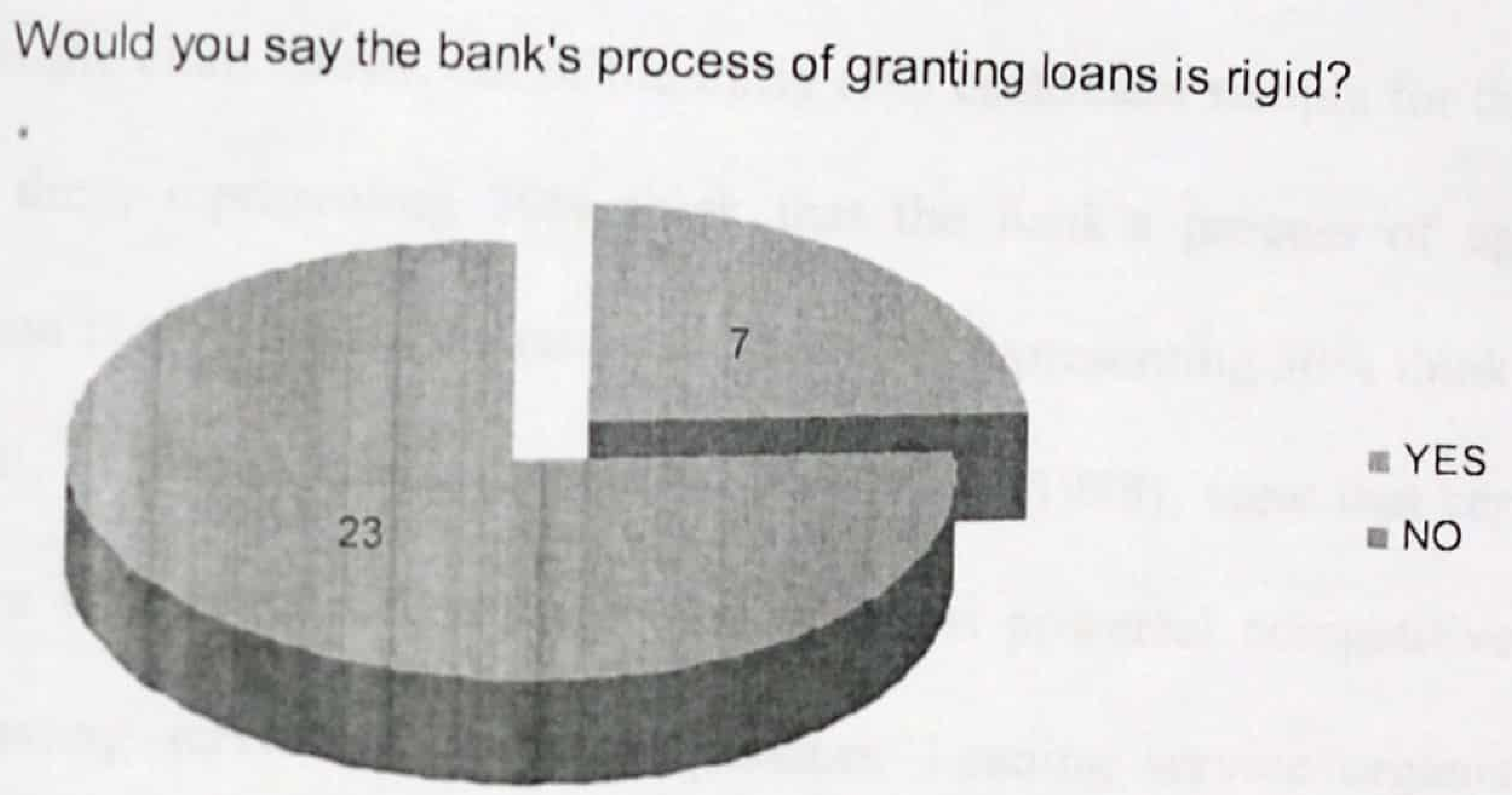
The competitiveness of the banking/financial services industry combined with therelative homogeneity of banking/financial services products and services creates a challenge to the industry. How do banks/financial services provide distinguished and distinguishing customer service and satisfaction in the sea of sameness? What is great service? How can they provide it? (Chakravarty *et al*, 1995, 1996, 1997)

Figure 13. Training on CRM.



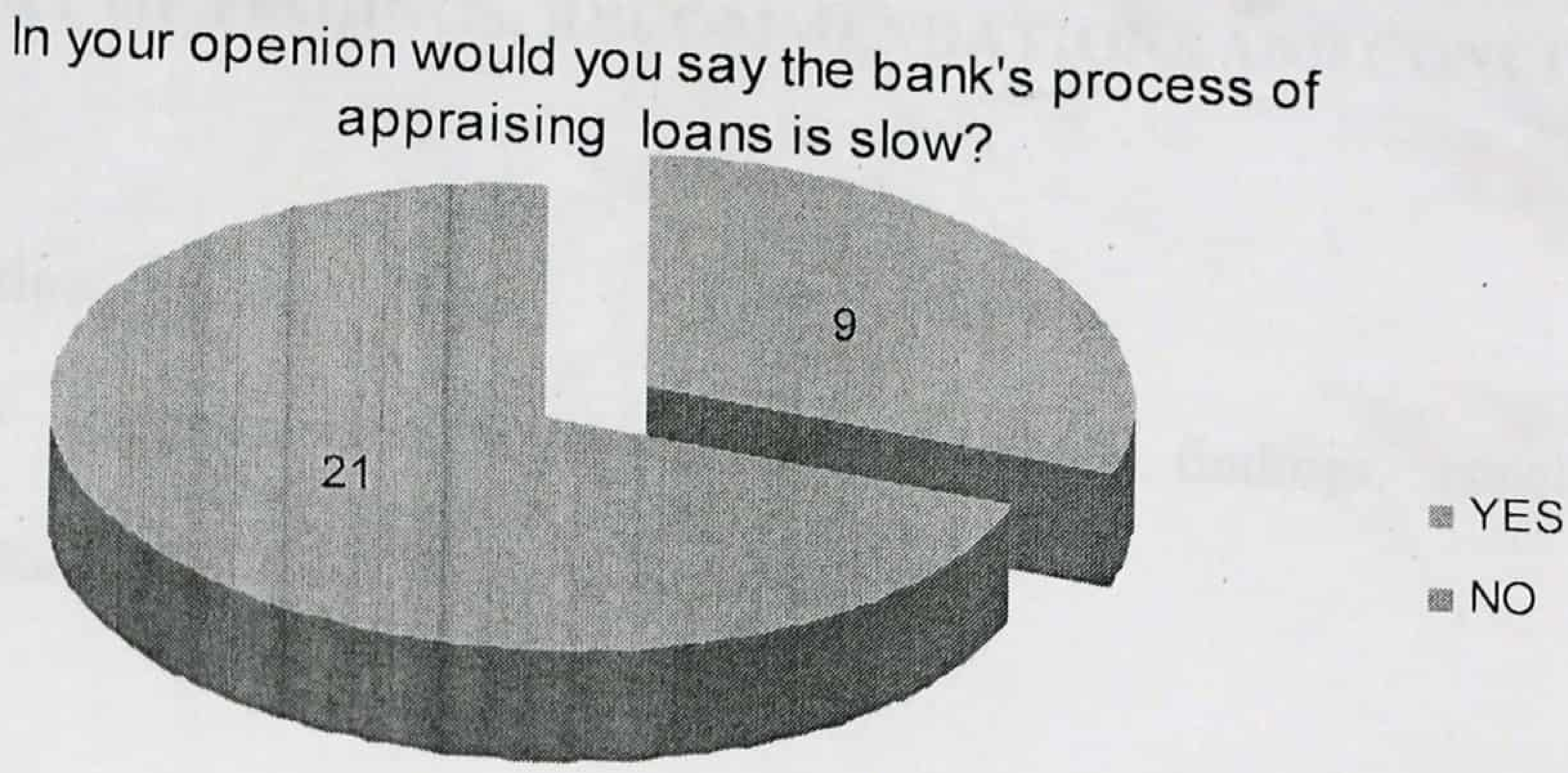

The above pie chart indicates that out of the eighty-one (81) officials sample for the study with respect to whether they attend training periodically. Seventy-four (74) officials representing 91.36% said that they have not been attending training on CRM, while the remaining seven (7) representing 8.64% think they have been receiving training on CRM. The above indicates that those who have not attended training specifically on CRM form the majority and therefore gives credence to the fact that something needs to be done about it. Periodic training of officials of the bank implies more skills acquisition and increase in the bank's customer base due to the good customer relation.

Figure 14. Rigidity of loan process.




The chart above indicates that out of the twenty (30) customers sample for the study,twenty-three (23) of them representing 76.67% think that the bank's process of granting consumer and retail credit is not flexible, while the remaining seven (7) representing 23.33% think that the process is flexible. This seems to support Taylor and Baker (1994) view that understanding of the relationship between customer satisfaction judgments and service quality perceptions remains a problematic issue.

Figure 15. The rate of loan appraisal.




Based on the chart above, out of the thirty (30) customers sample for the study fourteen (21) of them representing 70% think that the bank's process of appraising a loan application is slow, while the remaining nine (9) representing 30% think that the process is normal. This run concurrent with Berry *et al.* (1988), view that service quality has become a significant differentiator and the most powerful competitive weapon which many leading service organisations possess. Leading service organisations strive to maintain a superior quality of service in an effort to gain customer loyalty (Zeithaml, 1996), therefore, a service organisation's long-term success in a market is essentially determined by its ability to expand and maintain a large and loyal customer base. Despite the fact that customer loyalty is essential for business survival (Reichheld, 1993), the relationship between perceived service quality and customer loyalty remained relatively underdeveloped (Bloemer *et al.*, 1999; Gremler and Brown, 1996).

# CHAPTER FIVE

# SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

## 5.1 Introduction

This chapter discussed the summary of the major findings, conclusions and recommendations.

## 5.2 Summary of findings

The following are the principal findings of the study which seek to answer the stated objectives.

### 5.2.1 Findings on review of the bank's customer relationship management strategy.

Upon careful review of the bank's CRM strategy, it was found out that even though the bank's customer relationship strategy was friendly and human, it strictly focuses on the clients at the business level only. It does not take into account personal issues that affect the clients which go a long way to affect the businesses of the clients. Such a situation was seen to be worrisome on the part of the customers and as a result it may be necessary for the bank to review her strategy periodically to include programmes that would let the bank's customer relationship extend beyond just the business level.

This notwithstanding, the review of the bank's customer relationship management strategy proved to be potent and effective and needs to be sustained to keep the bank in business.

It was again found out that the bank's relationship with her customers end at the business level. However, there are several personal problems that affect clients business if not checked.

The implication of the finding shows there is still room for improvement as far as the bank's customer relationship management strategy is concern. Again the bank should periodically review her customer relationship management strategy to enable her remain competitive and increase her market share. Furthermore failure on the part of the bank to periodically review her customer relationship management strategy will cause the bank to be overtaken by competitors thereby causing the bank to lose customers which will in turn reduce the profit of the bank.

### 5.2.2 Findings on review of the bank's process of granting consumer and retail credit

The review of the bank process of granting consumer and retail credit brought to the fore the numerous challenges facing the process. It was found out that, the process was not flexible to enable most customers of the bank apply for credit and this was a source of worry to the customers. It was again realized that the documentation the bank requires from applicants to enable them qualify for credit is simply too much which requires that something is done about it to attract more customers to apply for credit. If was further realized that the procedure that the application process go through is simply too slow and as such by the time an application is approved to the time the funds will be disbursed to the applicant, the need for the funds would be gone or lost or the customer will have no need for the loan he/she requested from the bank.

The implications of these findings suggest that, the bank would have to do so much to keep her customers if such a situation is not reversed because the customers will not be attracted to apply for a loan and will be relying on other service of the bank to be satisfied, thus affecting the profitability rate of the bank. There is also a possibility of the bank losing some of its customers because they may feel disappointed and disenchanted. Again such a situation creates an impression that the bank is not serious to do business and as such will be overtaken by her competitors.

### 5.2.3 Findings on establishing how customer relationship management affects the granting of consumer and retail credit.

It was found out that good relation between officials of the bank and customers of the bank has increased the granting of loans to the clients of the bank. This was made possible because if the bank knows everything about the client it will not hesitate to give out loan to such a client especially when the relationship with the client reveals that the client is credit worthy.

The clients on the other hand would feel comfortable revealing credible information the bank needs if his/her relationship with the bank is cordial and this will speed up the process of granting loans to such a client or attending to the needs of the clients as early as possible. Managing customer relations has direct correlation or impact on granting of consumer and retail credit or loans because the bank has enough information about the client to enable her make a decision with respect to loan application or a service a client is requiring and also the client on the other hand is privy to the necessary information with respect to the loan agreement he/she is entering into. Based on the finding it is important to note that customer relationship management has indeed direct correlation with granting of consumer and retail credit to customers because if a bank trust that information a client has provided will enable it recover credit facilities it gives to a client, it would not hesitate approving a loan to such a client, since the bank is placed on a good stead to minimize the risk of default and make profit.

The implication of this finding shows that the bank will be in a position to recover most of the loans it sells to its clients because of the good relationship it has with them and the clients would feel bad defaulting a loan he/she has assessed.

Again this finding seems to suggest that majority of the customers feel satisfied since their needs are been addressed by the bank as and when they approach the bank for assistance and as result would remain loyal to the bank which will in turn increase the bank's profitability. This is so because the bank officials will not hesitate to recommend customers they have good relationship with for loans and when the bank sell more loans they stand a better chance of getting more profit.

**5.2.4 Findings on assessing the impact of customer relationship management on recovery of consumer and retail credit granted.**

It was again found out that the bank can only minimize the level of loan default only if her relationship with her clients is very good. This can be made possible when there is constant interaction with the clients of the bank and the officers of the bank visit the clients regularly to ascertain the state of the business and their personal activities. Moreover when good and healthy relationships exist between the bank and her clients, the clients would feel very uncomfortable defaulting payment of a loan he/she has secured from the bank. So effort should be put in place by the bank to sustain and strengthen the relationship between herself and her clients.

The implication of the finding clearly indicates the extent of good relationship the bank has with her customers and how comfortable it will be to the clients to repay back the loan because if the clients fail to honour their part of the agreement it will reduce the profit margin of the bank thereby affecting the general performance of the bank.

**5.3 Recommendations**

The findings of the study produced several suggestions for management of CAL Bank Ltd:

1. The researcher would want to suggest that the relationship existing between the bank and her customers should extend beyond business level because there are

several personal problems of the customers which can affect them at the business level if not resolved. The relationship managers/officers however should help identify and solve potential problems of customers as and when they come up since such an effort will minimize the default rate and maximize the recovery rate of loans granted by the bank.

2. Again the researcher would want to suggest that the relationship managers/officers should spend more time with the customers. This is to say that the officials of the bank should spend enough time with the clients/customers rather spending more time at the offices. Furthermore, when bank officials spend more time with the customers, they will feel comfortable giving out reliable and accurate information about themselves and this will go a long way to minimize the level of loan default on the part of the customers.

3. The researcher would want to suggest that there should be periodic review of the bank's customer relationship strategy to respond to the dynamism and unpredictable nature of customers. The constant review of the bank's customer relationship management strategy should be in line with the constantly changing environment in the corporate world and also to position the company to be able to stay on top of competition or stay in competition.

4. The researcher would want to suggest that the bank should organize periodic training programmes specifically on customer relationship management. This

will equip the relationship managers/officers the necessary skills and techniques to relate well with customers. The training programme should emphasize on the importance of customer relationship management and its positive impact on the general performance of the bank.

5. Management can also set up an outfit to liaise and call customers of the bank to remind them of what they need to do and if possible follow up with visits to acquaint themselves with problems of the clients. Management can also send a Christmas card through the email to wish customers well of the occasion. When this is done customers would feel a part of the bank and would not engage in any acts that will jeopardize the activities of the bank.

## 5.4 Conclusion

Research have shown that, despite the springing up of more financial institutions in the country and the high rate of people switching banks as and when they please couple with high temptation of loan default on the part of customers, customers relationship management strategies have become one of the most reliable tools used by most banks including CAL Bank Ltd to grant retail and consumer credit to their customers. This is so because a well managed customer by the bank will forestall or minimize the rate of loan default that may come up when consumer and retail credit is granted to such a client.

It is without doubt that, there is indeed strong and positive impact of customer relationship management on the granting of loans to clients/customers. If customers are well managed by the bank they will feel more comfortable and secured giving out loans to their clients/customers since the bank may have access to reliable and accurate information about such clients which will facilitate and speedy up the decision they will have to take on clients' loan applications.

Customer Relationship Management is therefore an effective weapon for CAL Bank Ltd to build and develop a good relationship with customers. Under current circumstance, new customers are hard to acquire by most banks in the country and CAL Bank Ltd is no excéption because of the keen and fierce competition brewing among the banks in an attempt to mobilize customers. An alternative way to prospect new customers is to attract the customers from the competitors. As a result, CAL Bank Ltd has to prevent their customers from being attracted by their competitors. Though Customer Relationship Management has come into existence for more than ten years, the application of Customer Relation Management in CAL Bank Ltd is still a new topic to study.

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**Other Internet Resources (Assessed between 16/11/2007 to 13/12/2008)**

www.businessweek.com

www.calbank.net

www.financialtimesmagazine.com

www.rapidloans.com/loanprocess.htmt (4k assessed 13/12/2008, Thur 1:35pm)

## APPENDIX A

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**
**SCHOOL OF BUSINESS**

**QUESTIONNAIRE ON THE IMPACT OF CUSTOMER RELATIONSHIP MANAGEMENT ON THE GRANTING OF CONSUMER AND RETAIL CREDIT OF CAL BANK LIMITED**

This study seeks to gain information from relationship managers/officers of CAL Bank Limited about how customer relationship management impact on the granting of both consumer and retail credit. Please note that this study is purely academic and your frank and accurate response is key. Your answer will therefore be treated very confidential. Please remain anonymous in your response to the items on the questionnaire.

Thank you for your cooperation.

1. Would you say you know your clients or customers?
Yes ( ) No ( )
If yes How well?
Quite Well ( ) Vęry Well ( ) Rarely

2. How often do customers feel satisfied with the service you provide them?
Always ( ) Sometimes ( ) Rarely ( ) Not at All ( )

3. How would you grade your relationship with customers who visit the bank?
Very Good ( ) Good ( ) Quite Good ( ) Bad ( )

4. Would you say customers provide enough and reliable information about themselves?
Yes ( ) No ( ) Uncertain ( )

5. Would you recommend customers to be given credit by the bank?
Yes ( ) No ( ) Uncertain ( )

6. Would you say that the bank officials' relationship with customers can facilitate the recovery of loan?
Yes ( ) No ( ) Not Sure ( )

7. How do customers see your mode of loan recovery?
Very Good ( ) Good ( ) Moderate ( ) Not Friendly

8. How do you rate the repayment of consumer and retail credit of clients?
Very Good ( ) Good ( ) uncertain ( ) Not encouraging ( )

9. Would you say that the Bank's CRM strategy needs a review?
Yes ( ) No ( ) Not Sure ( )

If yes, to what extent would the review be necessary?
Bank officials should spend more of their time on the customers and provide them advices as to how best to operate their businesses......................................................................................................
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10. Would you say that customers sometimes lie about themselves when applying for credit?
Yes ( ) No ( ) Not Sure ( )
If Yes, How does it affect your operations? **Tick as appropriate**
Delays administrative procedure ( )
Leads to mistrust of other genuine customers ( )
Delays decision making of clients loan application ( )

11. Would you say relationship of bank officials and customers have any influence on credit decision.
A. Strongly Agree
B. Agree
C Not Sure
D. Disagree

12.Do you think Customer Relationship Management has influence on the

Bank's general performance?

Yes [ ] No [ ] Not Sure [ ]

Give reasons for your answer..........................................................................
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13. Do you attend training on CRM periodically?

Yes [ ] No [ ]

## APPENDIX B

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS

QUESTIONNAIRE ON THE IMPACT OF CUSTOMER RELATIONSHIP MANAGEMENT ON THE GRANTING OF CONSUMER AND RETAIL CREDIT OF CAL BANK LIMITED

This study seeks to gain information from the consumer and retail loan clients of CAL Bank Limited about how customer relationship management impact on the granting of both consumer and retail credit. Please note that this study is purely academic and your frank and accurate response is key. Your answer will therefore be treated very confidential. Please remain anonymous in your response to the items on the questionnaire.

Thank you for your cooperation.

**QUESTIONAIRE DESIGNED FOR THE LOAN CLIENTS OF CAL BANK LTD.**

**The effects of customer relationship management on loans recovery**

1.0 Would you say the bank's process of granting loans is rigid?

Yes [ ] No [ ]

2.0 In your opinion would you say the bank's process of appraising loans is slow?

Yes [ ] No [ ]

3.0 Have your views ever been solicited concerning the loan repayment?

Yes [ ] No [ ]

4.0 Have you ever had problems in paying your loans?

Yes [ ] No [ ]

5.0 If Yes, were you assisted by the bank officials?

Yes [ ] No [ ]

6.0 Do you think your relationship with the credit officers help you to pay your

Loans on time without difficulties?

Strongly agree ( ) Agree ( ) Disagree ( ) Strongly Disagree ( )

7.0 Have you ever defaulted in repayment of loans?

Yes [ ] No [ ]

8.0 If yes, was it a result of the poor relationship you had with the credit officers?

Yes [ ] No [ ]

9.0 Does your relationship with the credit officers encourage you to continue

to be a loan client?

Strongly agree ( ) Agree ( ) Disagree ( ) Strongly Disagree ( )

10.0 Were you attracted to CAL Bank Loan Scheme by the nature of relationships

displayed by the bank's officials?

Strongly Agree ( ) Agree ( ) Disagree ( ) Strongly Disagree ( )

11.0 How will you rate your relationship with the credit officers?

Very Good ( ) Good ( ) Poor ( ) Very Poor ( )

12.0 Does your relationship with the bank officials extend beyond the business level?

Yes [ ] No [ ]

If No would you recommend that to the management of the bank

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APPENDIX C

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS

INTERVIEW GUIDE ON THE IMPACT OF CUSTOMER RELATIONSHIP MANAGEMENT ON THE GRANTING OF CONSUMER AND RETAIL CREDIT OF CAL BANK LIMITED

This study seeks to gain information from consumer and retail loan clients of CAL Bank Limited about how customer relationship management impact on the granting of both consumer and retail credit. Please note that this study is purely academic and your frank and accurate response is key. Your answer will therefore be treated very confidential.

Thank you for your cooperation.

**INTERVIEW GUIDE DESIGNED FOR THE CONSUMER AND RETAIL LOAN CLIENTS OF CAL BANK LTD.**

**The effects of customer relationship management on loans recovery**

1.0 Would you say the bank's process of granting loans is rigid?

Yes [ ] No [ ]

2.0 In your opinion would you say the bank's process of appraising loans is slow?

Yes [ ] No [ ]

3.0 Have your views ever been solicited concerning the loan repayment?

Yes [ ] No [ ]

4.0 Have you ever had problems in paying your loans?

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5.0 If Yes, were you assisted by the bank officials?

Yes [ ] No [ ]

6.0 Do you think your relationship with the credit officers help you to pay your loans on time without difficulties?

Strongly agree ( ) Agree ( ) Disagree ( ) Strongly disagree ( )

7.0 Have you ever defaulted in repayment of loans?

Yes [ ] No [ ]

8.0 If yes, was it a result of the poor relationship you had with the credit officers?

Yes [ ] No [ ]

9.0 Does your relationship with the credit officers encourage you to continue to be a loan client?

Strongly agree ( ) Agree ( ) Disagree ( ) Strongly disagree ( )

10.0 Were you attracted to CAL Bank Loan Scheme by the nature of relationships displayed by the bank's officials?

Strongly agree ( ) Agree ( ) Disagree ( ) Strongly disagree ( )

11.0 How will you rate your relationship with the credit officers?

Very Good ( ) Good ( ) Poor ( ) Very Poor ( )

12.0 Does your relationship with the bank officials extend beyond the business level?

Yes [ ] No [ ]

If No would you recommend that to the management of the bank

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