

Impact Of Crm Practices Of Banks On Customer Satisfaction And Customer Retention

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ARTICLE INFO ABSTRACT

The main aim of this paper is to examine the influence of CRM practices of banks on customer satisfaction and customer retention. For this purpose, responses of 100 respondents are collected through a well framed questionnaire using survey method and analyzed using regression analysis. The results of the study shows that CRM strategies adopted by banks helps to create a satisfied customer base which in turn helps in customer retention.

Key words: CRM practices, customer satisfaction, customer retention.

1. Introduction

Customer Relationship Management (CRM) refers to the strategies, technologies, and practices that companies use to manage and analyse interactions with their current and potential customers. The goal of CRM is to improve business relationships, streamline processes, and enhance customer satisfaction, ultimately leading to increased sales and customer loyalty.

Customer relationship management, or CRM, is primarily concerned with managing the interactions between banks and their clientele. CRM is focused on consistently providing clients with high-quality services. In the current competitive environment, banks and other businesses are beginning to recognise the value of CRM strategies and their potential to assist them draw in clients and bring in new business that will increase profits for the banks and other businesses (Indrajit, 2019).

2. Importance of CRM in banks

Customer Relationship Management (CRM) is critically important in the banking sector for several reasons. As the financial industry becomes increasingly competitive and customer-centric, CRM systems help banks build and maintain strong relationships with their customers, ultimately driving growth and profitability. Here's why CRM is essential in banking:

1. Enhanced Customer Experience

- **Personalization:** CRM systems allow banks to collect and analyze customer data, enabling them to offer personalized services, products, and communication. This personalization enhances customer satisfaction and loyalty.
- **Omnichannel Service:** Customers interact with banks through multiple channels (online, in-branch, mobile apps). CRM helps integrate these channels, providing a seamless and consistent customer experience across all touchpoints.

2. Improved Customer Retention and Loyalty

- **Proactive Engagement:** CRM tools help banks monitor customer behavior and identify those who may be at risk of leaving. By understanding customer needs and concerns early, banks can engage proactively and address issues before they lead to churn.
- **Loyalty Programs:** CRM systems enable banks to design and manage loyalty programs that reward customers for their business, fostering long-term relationships.

3. Streamlined Sales and Marketing

- **Targeted Marketing Campaigns:** CRM allows banks to segment their customer base and create highly targeted marketing campaigns based on specific customer profiles, preferences, and behaviors. This leads to higher conversion rates and more efficient use of marketing resources.
- **Sales Management:** CRM helps banks manage the sales process more effectively by tracking leads, monitoring pipeline progress, and identifying cross-selling and upselling opportunities.

4. Regulatory Compliance and Risk Management

- **Data Management:** CRM systems help banks maintain accurate and up-to-date customer information, which is crucial for regulatory compliance, including Know Your Customer (KYC) and anti-money laundering (AML) regulations.
- **Risk Assessment:** By analyzing customer data, CRM systems can help banks identify potential risks associated with lending or other financial services, enabling better decision-making and risk management.

5. Operational Efficiency

- **Automation:** CRM systems automate routine tasks such as data entry, appointment scheduling, and follow-up reminders, freeing up staff to focus on more complex and value-added activities.
- **Centralized Information:** CRM provides a centralized platform for customer information, ensuring that all bank employees have access to the same data. This reduces errors, improves communication, and speeds up processes.

6. Increased Revenue

- **Cross-Selling and Upselling:** By having a complete view of customer data, banks can identify opportunities to offer additional products and services that meet customer needs, thereby increasing revenue.
- **Customer Lifetime Value (CLV):** CRM helps banks focus on maximizing the lifetime value of their customers by ensuring they receive relevant and timely products and services throughout their relationship with the bank.

7. Data-Driven Decision Making

- **Customer Insights:** CRM systems generate valuable insights into customer behavior, preferences, and trends. Banks can use this data to make informed decisions about product development, marketing strategies, and customer service improvements.
- **Performance Tracking:** Banks can use CRM to monitor and analyze the performance of various teams (e.g., sales, marketing, customer service), allowing for data-driven performance management and optimization.

8. Enhanced Customer Trust and Relationship Building

- **Consistency:** CRM systems help ensure that customer interactions are consistent and professional, regardless of who in the bank is handling them. This consistency builds trust and strengthens the customer relationship.
- **Timely Communication:** CRM allows banks to communicate with customers at the right time, whether it's for following up on a service request, sending a personalized offer, or reminding them of important actions they need to take.

In the highly competitive and regulated banking industry, CRM is not just a tool but a strategic necessity. By effectively managing customer relationships, banks can improve customer satisfaction and loyalty, streamline operations, comply with regulations, and ultimately drive business growth. A well-implemented CRM system positions a bank to better understand and serve its customers, leading to a stronger competitive advantage in the marketplace.

3. Review of literature

Hassan et al., (2014) This study demonstrates that there is a favourable correlation between the two variables and that customer satisfaction is significantly impacted by customer relationship management. When a firm has a solid and dependable CRM, its customers will be happier and more likely to stick with it. An improvement in customer happiness will encourage repeat business, which will boost sales and boost organisational profit. There will be a rise in the quantity of devoted clients.

Chris Adalikwu, (2012) The empirical study's findings highlighted the most pertinent and essential theoretical frameworks for conceptualizing CRM in the banking industry. This study significantly contributes to the existing knowledge base in CRM. Furthermore, the study demonstrated that the implementation of CRM has a positive correlation with customer satisfaction. It also revealed a noteworthy interaction between IT capability and both contact rate management and recovery management in the context of enhancing customer

satisfaction. However, the moderating effect of IT investment was found to be insignificant. Finally, the moderating effect of customized-oriented alignment was also deemed insignificant.

Santouridis & Veraki, (2017) With a focus on the potential mediating role of relationship quality on the relationship between CRM tactics and satisfaction, this study explores potential relationships among customer relationship management (CRM) practices, relationship quality, and customer satisfaction. A questionnaire created by adopting pertinent work published in literature was used to conduct field research. A 4-item construct was used to measure customer satisfaction, while a 14-item scale was used to conceptualize CRM practices. Relationship satisfaction and trust were the two dimensions used to conceptualize relationship quality. The factors that make up CRM practices, customer care and communication were identified by the results. To investigate the connections between the dimensions of the emerging CRM practices, relationship quality, and customer satisfaction, regression analysis was used. Customer satisfaction was found to be significantly positively impacted by customer care. Furthermore, it was discovered that the dimensions of CRM practices significantly improved the quality of relationships. Lastly, there was further support for the full mediating role of relationship quality on the relationship between CRM practices and customer satisfaction.

Al-Hazmi, (2021) The purpose of this study is to determine how customer relationship management, or CRM, affects tourists' ability to stay customers. In this study, 200 members of the study sample population were given a questionnaire that was created using an analytical descriptive methodology. The study offered a number of recommendations, the most important of which was to try to offer programs and presentations to clients that can strengthen bonds and increase trust. A thorough analysis of travel and tourism, as well as the identification of the target market for the services provided by travel and tourism organizations in the governorate, are all important areas to focus on.

Das et al., (2018) According to the study, a company's vision and organizational collaboration practices will have a positive impact on customer retention. As a result, businesses need to focus on procedures linked to organizational collaboration and vision, like hiring a CRM leader, developing leadership, creating cross-functional teams, managing change, and comprehending how CRM is different and how it can benefit a team. The study also finds that the relationship between CRM practices and customer retention is mediated by customer satisfaction. While it fully mediates the relationship between organizational collaboration and customer retention, customer satisfaction only partially mediates the relationship between vision and customer retention.

4. Research hypothesis

The study has 2 hypotheses to prove:

Hypothesis 1:

H₀ – CRM practices do not have impact on customer satisfaction

H₁ - CRM practices have impact on customer satisfaction

Hypothesis 2:

H₀ – CRM practices do not have influence on customer retention

H₁ - CRM practices do have influence on customer retention

5. Material and methodology

Research design provides a blueprint for collecting, measuring, and analysing data. The design helps ensure that the research problem is effectively addressed and that the findings are valid and reliable. The present study is descriptive research focussed on analysing the impact of CRM practices of banks on customer satisfaction and customer retention. The study is conducted by taking sample of 100 respondents under convenient sampling method.

The study is based on both primary and secondary data. Primary data is collected through survey method. A well framed questionnaire is used to collect data from the respondents. To collect the secondary data books, articles and internet is depended on.

The collected data is properly analysed and hypotheses is tested using one way ANOVA.

6. Results and discussion

The "Results" and "Discussion" sections of the research paper are crucial components where the findings of the study are presented, interpreted, and contextualized. Here's a breakdown of this section:

- a. Demographic profile of respondents.
- b. CRM practices of banks.
- c. Customer satisfaction.
- d. Customer retention.

a. Demographic profile of respondents

		f	%
Age	UPTO 25	19	19%
	26-35	53	53%
	36-45	18	18%
	46 & above	10	10%
	Total	100	100%
Gender	Male	54	54%
	Female	46	46%
	Total	100	100%
Qualification	Below 10 th	1	1%
	10 th	2	2%
	Higher secondary	10	10%
	Graduate	44	44%
	Post graduate	36	36%
	Professional	7	7%
	Total	100	100%
Occupation	Private employee	50	50%
	Government employee	14	14%
	Agriculture	9	9%
	Others	27	27%
	Total	100	100%

Age of the respondents indicates that majority of the respondents i.e., 53% are under the age group 26-35 years followed by (19%) below 25 years. The least percentage is 10% who belongs to 46 years and above category.

Gender reveals that majority i.e., 54% of the respondents are male and 46% are female respondents.

Among the total respondents, 44% are graduate category followed by 36% respondents who belong to post graduation category. Only 1% of the customers are below 10th qualified.

Occupation of the respondents reveals that 50% of the respondents are private employees, 27% belongs to others category, 14% respondents are Government employees and 9% belong agriculture category.

Length of relationship with the bank

Time period	NO OF RESPONDENTS	PERCENTAGE OF RESPONDENTS
Less than 1 year	3	3%
1-5 years	28	28%
5-10 years	35	35%
More than 10 years	34	34%
TOTAL	100	100%

It is revealed from the above table that 35% of the respondents are connected with the bank from 5-10 years and 34% of respondents are linked with the bank from more than 10 years which is quite long time period. 28% are with the bank from 1-5 years and only 3% of the respondents are in relationship with the bank for less than 1 year.

Type of bank

BANK SECTOR	NO OF RESPONDENTS	PERCENTAGE OF RESPONDENTS
Public sector	57	57%
Private sector	43	43%
TOTAL	100	100%

Among the total 100 respondents, 57% are public sector bank respondents and 43% are private sector bank respondents.

Type of product or service availed from the bank

Product or Service	NO OF RESPONDENTS	PERCENTAGE OF RESPONDENTS
Deposit	22	21%
Loans	17	17%
Debit/Credit	20	20%
Insurance	8	8%
ATM	8	8%
Locker	10	10%
Internet banking	15	15%
TOTAL	100	100%

It is divulged from the above table that majority of the respondents are connected with the bank through deposits and the second major product/service that customers are linked is through Debit/Credit card followed by loans which is taken by 17% of the total respondents. The last category is ATM and insurance which is taken by 8% of the total respondents.

b. Customers perception regarding CRM practices

Attributes		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
Bank always uses new techniques of marketing for customer satisfaction	f	32	53	13	2	-	100
	%	32%	53%	13%	2%	-	100%
Bank provides secured net banking facilities.	f	39	58	3	-	-	100
	%	39%	58%	3%	-	-	100%
Bank employees always ensure the privacy of their customers	f	40	48	11	1	-	100
	%	40%	48%	11%	1%	-	100%
Bank has adequate working hours to ensure better services	f	32	51	15	2	-	100
	%	32%	51%	15%	2%	-	100%
Bank employees are ready to resolve the security issues while using online services	f	26	45	26	3	-	100
	%	26%	45%	26%	3%	-	100%
Bank provides quality in all services	f	31	52	16	1	-	100
	%	31%	52%	16%	1%	-	100%
Bank has proper grievance redressal mechanism	f	24	49	23	3	1	100
	%	24%	49%	23%	3%	1%	100%
Bank provides services of mutual funds to satisfy the customers	f	20	46	32	1	1	100
	%	20%	46%	32%	1%	1%	100%
Bank consistently maintains superior relationship with customers	f	26	59	14	1	-	100
	%	26%	59%	14%	1%	-	100%
Bank never makes the customers to wait for locker to operate	f	31	53	14	2	-	100
	%	31%	53%	14%	2%	-	100%
Bank always guarantees for ATMs in working condition to satisfy customers	f	40	48	9	2	1	100
	%	40%	48%	9%	2%	1%	100%
Bank employees are always willing to attend customers queries	f	24	55	18	2	1	100
	%	24%	55%	18%	2%	1%	100%
Bank adopts automated services to ensure prompt customer services	f	38	50	10	1	1	100
	%	38%	50%	10%	1%	1%	100%

The above table makes it clear that among the various CRM practices adopted by banks, bank provides secure net banking facility is agreed by majority (58%) of the respondents. Bank employees always ensure the privacy of their customers and bank always guarantees for ATMs in working condition to satisfy customers has got the highest (40%) strongly agreed rating. 32% of the respondents stayed neutral about the statement 'bank provides services of mutual funds to satisfy the customers. Only a least percent of customers expressed negative opinion about all the CRM practices.

c. Customer satisfaction

Attributes		Highly satisfied	Satisfied	Neutral	Dissatisfied	Highly dissatisfied	Total
Banking products and services	f	46	42	11	1	-	100
	%	46%	42%	11%	1%	-	100%
Employees professional competence	f	35	45	18	2	-	100
	%	35%	45%	18%	2%	-	100%
Safety and security of transactions	f	63	32	4	1	-	100
	%	63%	32%	4%	1%	-	100%
	f	36	50	14	-	-	100

CRM strategies of banks	%	36%	50%	14%	-	-	100%
Fulfilling customer expectations	f	39	44	17	-	-	100
	%	39%	44%	17%	-	-	100%
Evaluation of customer feedback	f	34	46	17	3	-	100
	%	34%	46%	17%	3%	-	100%
Timely services of banks	f	54	35	7	4	-	100
	%	54%	35%	7%	4%	-	100%
Technology upgradation/adoption	f	63	29	7	1	-	100
	%	63%	29%	7%	1%	-	100%

The above table depicts that majority (63%) of the respondents strongly agreed that they are satisfied about safety and security of transactions and technology upgradation/adoption of their banks. 50% of the respondents are satisfied about the CRM strategies of their banks. 18% stayed neutral about the employee's professional competence and only 4% of the customers are dissatisfied about the timely services of banks.

d. Customer retention

Attributes		Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Total
Willingness to invest time, money and resources into the relationship with the bank	f	37	47	16	-	-	100
	%	37%	47%	16%	-	-	100%
Loyalty towards my bank is growing from the first day	f	37	55	7	1	-	100
	%	37%	55%	7%	1%	-	100%
I suggest my bank to others	f	30	41	26	3	-	100
	%	30%	41%	26%	3%	-	100%
I place my bank first among others	f	25	41	32	2	-	100
	%	25%	41%	32%	2%	-	100%
The bank performs better than others	f	32	42	23	3	-	100
	%	32%	42%	23%	-	-	100%

It is understood from the above table that willingness to invest time, money and resources into the relationship with the bank and loyalty towards my bank is growing from the first day has got the highest positive response for the statements. I place my bank first among others has got the highest neutral response and only 3% of the respondents have rejected to suggest their banks to others.

7. Testing of hypotheses

Hypothesis 1:

H₀ – CRM practices do not have impact on customer satisfaction

H₁ - CRM practices have impact on customer satisfaction

This hypothesis is tested using **regression analysis** and the results of the test are as under.

Regression Statistics	
Multiple R	0.71
R Square	0.50
Adjusted R Square	0.49
Standard Error	0.41
Observations	100.00

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	16.39	16.39	97.95	0.00
Residual	98	16.40	0.17		
Total	99	32.80			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	0.92	0.34	2.68	0.01
mean CRM	0.83	0.08	9.90	0.00

The above table reveals that the P value is less than 0.05 and hence the null hypothesis – CRM practices do not have impact on customer satisfaction got rejected and the alternate hypothesis – CRM practices have impact on customer satisfaction is accepted.

Hypothesis 2:

H₀ – CRM practices do not have influence on customer retention

H₁ - CRM practices do have influence on customer retention

This hypothesis is tested using **regression analysis** and the **results** shows that,

Regression Statistics	
Multiple R	0.69
R Square	0.47
Adjusted R Square	0.47
Standard Error	0.42
Observations	100.00

ANOVA					
	df	SS	MS	F	Significance F
Regression	1.00	15.27	15.27	87.83	0.00
Residual	98.00	17.04	0.17		
Total	99.00	32.31			

	Coefficients	Standard Error	t Stat	P-value
Intercept	0.81	0.35	2.29	0.02
mean CRM	0.80	0.08	9.37	0.00

The above table reveals that the P value is less than 0.05 and hence the null hypothesis – CRM practices do not have influence on customer retention got rejected and the alternate hypothesis – CRM practices do have influence on customer retention is accepted.

Conclusion

The intention of CRM practices / strategies of banks is to help it in understanding and responding in a positive way to customers needs and behaviour. As this forms the main pillar for building long term relationship of customers with banks. Having sound CRM practices in place is crucial for customer retention. By fostering deeper relationships, increasing satisfaction, and using data to inform strategic decisions, companies can not only retain their existing customer base, but also turn satisfied customers into brand advocates, contributing to long-term business success. This paper turns to be strongest evidence in proving the importance of CRM practices in customer retention.

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