

The Effect of Customer Relationship Management Practices on Customer Satisfaction an Analysis Based On Banking Sector

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ABSTRACT

For many years, the banking industry has generally operated in a stable environment. However, in a newly deregulated climate, the business is currently up against a drastically aggressive level of competition. Companies must keep a good relationship with their customers in a market that is extremely competitive. The purpose of the study is to look into the impact of Customer Relationship Management practices on customer satisfaction in banking sector. It also analyse various approaches and techniques for building effective CRM to satisfy the customers. A survey questionnaire has been used to collect data from the customers and the top level executives of the private banks. Systematic random sampling is used to select the samples and regression analysis is used in order to determine the underlying connections between the dependent and independent variables. The results of this study give managers important information about how to properly implement a CRM strategy. It illustrates how managers can improve customer satisfaction and build a long-term relationship with customers along with retaining existing customers to accomplish organisational goals by implementing an effective CRM strategy. Therefore, one of the main goals for all bank managers should be to develop an effective CRM strategy. Additionally, banks that implement CRM strategies successfully and manage customer knowledge effectively will benefit from increased customer loyalty and long-term sustainable profit. CRM enables banks to have precise knowledge on who its customers are, what they need, how to satisfy and retain them.

Key words: CRM, Relationship Marketing, Banking, Customer satisfaction, service quality, regression analysis

I. INTRODUCTION

During the 1990s, many organizations and consumers experienced great movements and actions. Some key environmental factors provided the setting whereby companies changed their attention and orientation toward marketing and the consumer. Companies have recognized the fact that they must change and restructure their way of establishing and maintaining business relationships. For example, many manufacturers discovered, or more adequately, re-discovered that close relationships with customers are invaluable with constantly changing technology and increasing global competition(Zineldin, 2005).

The importance of CRM has increased over the past ten years for a variety of reasons. Due to increased market rivalry, it is now simpler for clients to transfer businesses if they are dissatisfied with the level of service they are

receiving. Maintaining clients is one of the main aims of CRM. A business can create a relationship with their customers that can last a lifetime when it uses it effectively.

Creating and maintaining relationships with business customers is referred to as customer relationship management. CRM is a competitive process for locating, luring, differentiating from competitors, and keeping customers. CRM integrates a company's complete supply chain to provide value for the customer at every stage, either by raising benefits or lowering costs. Through increased sales from a company's consumer base, it raises profitability. CRM refers to the seamless coordination of functions that contact customers, including sales, customer service, marketing, field support, and other functions(Hassan et al., 2015)

Relationship marketing is a concept that encompasses numerous contrasting ideas or viewpoints. According to Berry "Relationship marketing is attracting, maintaining and in multi-service organizations-enhancing customer relationships" (Berry et al., 1983). On the other hand (Berry et al., 1983) defines "The relationship marketing concept is emerging as a new focal point, integrating customer service and quality with a market orientation".

This definition is actually fairly thorough. It covers the essential concerns or elements involved in developing and preserving a relationship with the customer. These include; the relationship reflects the dynamic nature of today's market environment;

- the involved parties have mutually positive expectations from such a relationship;
- the interdependence is an important condition
- the emphasis on adaptation is also an important factor;
- the relationship's quality and nature depend on the effectiveness of the interaction process and its contents (e.g. prodserv social, financial and information).

The emphasis on relationship management, as opposed to organisational functions or departments, is on the organisation of marketing activities around cross-functional processes. Higher levels of customer satisfaction emerge from a greater connection between internal operations and consumer needs(Zineldin, 2005).

II. LITERATURE REVIEW

The term "customer relationship management" (CRM) initially appeared in the 1990s (Galbreath & Rogers, 1999; Ngai, 2005; Payne & Frow, 2005; Soltani & Navimipour, 2016; Stone et al., 1996), with a focus on the use of ICT to support the formation and maintenance of long-term customer connections. The concept of customer relationship management (CRM) has gradually evolved to take advantage of new technologies and emerging channels, moving from database-driven CRM to electronic CRM (eCRM), mobile CRM (M CRM), and, most recently, social CRM (SCRM) (Aldaihani et al., 2020; Choudhury & Harrigan, 2014); this has been fueled by developments in database technology (Jenkinson, 1995; Gronroos, 1999;)

CRM deployment is associated with improved firm performance (Boulding et al., 2005; Coltman, 2007;; Kim & Wang, 2019; Ngo et al., 2021) as well as firm-level capabilities (Cheng and Shiu, 2019 Harrigan et al., 2020; Trainor et al., 2014; Guha et al., 2018;). Others, on the other hand, have taken a more serious stance, suggesting that CRM technologies still have a long way to go before realising their full potential and that considerable adoption hurdles still exist (e.g., Gamage et al., 2021; Stoki'c et al., 2018; Zablah, 2004). Concerns have also been expressed regarding the possibility that CRM systems would determine the type and quality of the connection, with little regard for crucial relational components like customer commitment, trust, and satisfaction (Mitussis et al., 2006).

CRM's primary goal is to increase long-term customer value by concentrating corporate operations, marketing, and customer service on keeping up client relationships with the aid of information technology (IT) solutions (Chang, 2007). CRM's primary goals are to choose new clients who will be more profitable and to keep existing clients by boosting their loyalty (Hansotia, 2002). Businesses are seeking for ways to manage their relationships with customers more efficiently over time as a response to the growing competitiveness in the global market. Customer relationship management (CRM) has consequently become a crucial component of the majority of enterprises, and many organisations are putting CRM systems in place. CRM systems are a subset of organisational information systems that help businesses better manage their customer relationships, deliver services to customers, and collect and analyse customer data (Khodakarami and Chan, 2011).

In order to increase customer equity, many banks have made plans in recent years to build and manage stronger client relationships. In order to increase customer happiness, this requires creating and nurturing successful customer connections (Yao and Khong, 2011). One of the most crucial assets that a banking organisation should protect and consistently grow is its customer base. Because consumers are so important, it is crucial for banks to fulfil their requirements and desires. Target-group marketing segmentation approaches help banks and their clients build and sustain enduring trusting relationships (Mylonakis, 2009). In conclusion, CRM has become a focal point in banking services programmes and practises, especially in the context of retail banking services (Tamilarasan, 2011).

III. RESEARCH OBJECTIVE

The objective of the study is to look into the impact of Customer Relationship Management practices on customer satisfaction in banking sector. It also analyse various approaches and techniques for building effective CRM to satisfy the customers.

IV. RESEARCH HYPOTHESIS

H1: CRM practices have a positive effect on customer satisfaction

Proposed conceptual model

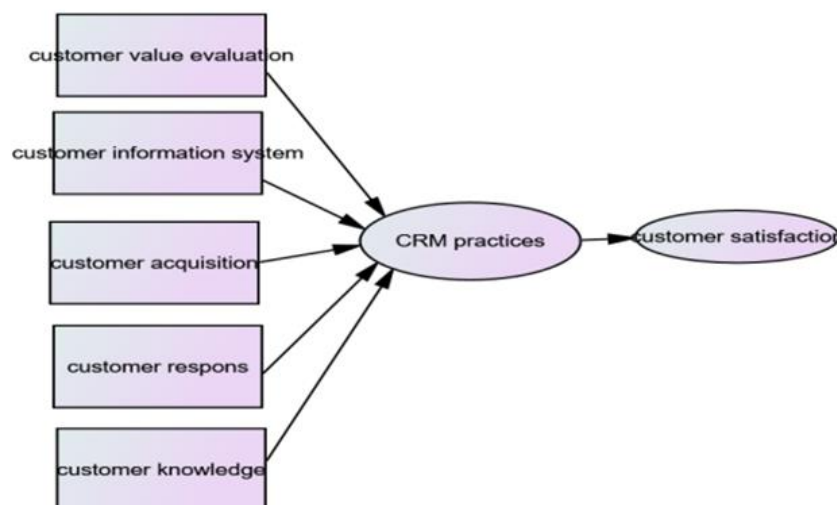


Figure 1. Conceptual model

Source: secondary data

V. RESEARCH METHODOLOGY

Research design: Descriptive research design is used; here descriptive research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way.

Data nature and resource: Both primary data and secondary data will be used for this study. **Secondary data:** The secondary data is collected from extensive review of existing TQM literatures, and from the other published sources such as various standard text books, articles, journals, websites, published and unpublished PhD and post-doctoral thesis, online databases like jstor, proquest etc.

Primary data: Primary data for this study will be collected from the top level executives of healthcare organizations in Kerala with the help of semi-structured interview schedule, pre-tested questionnaire, and direct personal observation.

Sampling strategies: The population of this study consisted of customers of federal bank in Kerala. Data is collected from 41 respondents who are customers of the bank. The samples are selected by simple random sampling method. Email was used to disseminate the questionnaires. The questionnaire was created in a way that allowed for the collection of a great deal of data on the respondents' demographic characteristics as well as data on the impact of CRM practises on customer satisfaction. The statistical programme SPSS 26 was used to analyse the data. Using simple linear regression, the impact of CRM practises on customer satisfaction is calculated.

VI. RESULTS

Table 1 shows the descriptive statistics of age of respondents. 90% of the respondents have an age below 30.

		Age			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 30	37	90.2	90.2	90.2
	30-40	1	2.4	2.4	92.7
	Above 40	3	7.3	7.3	100.0
	Total	41	100.0	100.0	

Table 1

Table 2 describes the occupation of respondent's significant portion of the employees works in private sector

		Occupation			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Private employee	14	34.1	34.1	34.1
	Govt employee	2	4.9	4.9	39.0
	Others	25	61.0	61.0	100.0
	Total	41	100.0	100.0	

Table 2

A simple linear regression was conducted to examine the effectiveness of CRM practices on customer satisfaction. Table 3 shows the R value is .471 which indicates that there is a positive correlation between CRM and customer satisfaction. The R² value indicates how much of the total variation in the customer satisfaction can be explained

by the CRM practices. Here 22.22% can be explained which is moderate. The Durbin-Watson test detects the interdependence of errors or auto correlation. This value ranges from 0 to 4. A value of 1.683 means that there is no auto correlation detected in the sample.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.471 ^a	.222	.200	.382	1.683

a. Predictors: (Constant), CRM

b. Dependent Variable: customer satisfaction

Table 3

F test indicates whether your linear regression model provides a better fit to the data. Here P value is less than .05, therefore the model is significant to predict the value of customer satisfaction from the value of CRM practices. CRM practices significantly contribute to change in customer satisfaction.

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	1.498	1	1.498	10.246	.003 ^b
Residual	5.265	36	.146		
Total	6.763	37			

a. Dependent Variable: customer satisfaction

b. Predictors: (Constant), CRM

Table 4

The results showed that the relationship between CRM practices and customer satisfaction is positive and linear and did not reveal any significant outliers. The scatter plot showed that there is a positive linear relationship between the two, which was confirmed with a Pearson's correlation coefficient of .471. The r^2 for this equation was .222; that is 22.2% of the variance in customer satisfaction was explained by the CRM Practices. Thus, the simple linear regression depicts a significant relationship between CRM Practices and customer satisfaction.

VII. DISCUSSIONS

As was already said, the purpose of this study was to determine how CRM procedures affected customer satisfaction in the banking industry. The findings were consistent with the idea that CRM procedures increase customer satisfaction. This outcome is consistent with earlier research. (Karahana & Kuzu, 2014), (Hassan et al., 2015). The results of the correlation analysis show a strong association between CRM practices and customer satisfaction. Additionally, the regression study shows that CRM strategies improve customer satisfaction. That indicates that customer satisfaction increases when the bank places greater focus on CRM operations. In order to promote adaptability and enhance CRM results, the customer-centric strategy should penetrate the organization's culture and be shared with staff members across all divisions. Staff employees with authority should deal with guest complaints. Employees that are rewarded for having a customer-centric perspective will be more likely to adapt to client needs and achieve better CRM results since healthy competition is encouraged.

VIII. LIMITATIONS AND SCOPE FOR FURTHER STUDIES

Our conclusions are based on case the customers of federal bank in Kerala. This limits the generalizability of our findings. However, our findings can act as a springboard for other academics looking into metrics for CRM system evaluation. Measures for the assessment of CRM systems can be improved and validated by future studies. The stronger and more dependable the company's CRM, the more delighted and loyal its customers will be to the banks. Because the consumer will be more satisfied, they will utilise the bank's services more frequently, which will boost the bank's profit. There will be more devoted customers overall. In this way, bank managers will genuinely benefit from the findings. Managers must take into account customer preferences when creating and implementing CRM programmes. Another limitation of the study is Due to the study's results having an extremely small sample size, the entire population might not be represented.

IX. SUGGESTIONS

To compete with other top banks, the bank must put in more effort to satisfy customer expectations regarding employee response, more standardised services, and better customer services. It's crucial to make efforts to boost client satisfaction. Periodic customer satisfaction surveys must be carried out, along with gap analyses to determine the differences between customers' expectations and perceptions and to use the results as a basis for developing strategies and action plans. Advertising efforts that target family and friends should be aggressively run in order to attract new clients for the business through word-of-mouth recommendations from current clients of Federal Bank. The goal of customer education is to first alleviate their security worries before enlightening them about the numerous products and services that are accessible to them.

Given the increasing competition, it is imperative to put special emphasis on the development of E-channels, including giving easy access to such channels. In order to earn the trust of their consumers, banks must provide comprehensive information on all of their products and services. Customers are given full disclosures regarding the appropriate fees, etc. There shouldn't be any extra fees or the like. The bank personnel receive adequate training, notably in good communication and soft skills, in order to draw in new clients and keep hold of existing ones. Along with excellent online-only services, enough physical infrastructures should be supplied. To improve the banks' corporate image, a focus on selflessly addressing major societal challenges is placed. Because CSR has grown in importance, the government recently made CSR expenditure an obligation under some circumstances. It is important to continually monitor customer feedback, build reactive and proactive customer response strategies that delight customers, and update online and offline customer response methods. The banks must consider Suggestions from their staff. To maintain continued growth, banks should constantly roll out new services.

X. CONCLUSIONS

Today's firms are forced to switch from making traditional marketing decisions to strategic marketing programmes as a result of economic liberalisation, rising competition, demanding customers, a wide range of consumer choices, and a greater emphasis on quality. It necessitates developing individualised, long-lasting relationships with clients that add value. According to the study's findings, Federal is using CRM tools much more frequently when making strategic marketing decisions about products and services, coordinating with

customers, expanding into new markets, providing pre- and post-sale customer services, and preserving market share. Through CRM, the study has also demonstrated how clients perceive and are satisfied with the quality of the services. The overall results of this study show that all banks can persuade their clients to support their CRM initiatives using a tech-based approach. Customer service is mostly influenced by the employees' responsiveness, which is in addition to the tangibility and dependability criteria. The success of the banks will depend on how well-mannered and willing the bank personnel are. Therefore, the bank must focus even more on the hiring, performance, and politeness of the staff in order to boost client satisfaction and loyalty. The CRM tools are now being used by banks in their operations. Priority banking, phone banking, SMS alert services, e-banking, contact centres, and email marketing are examples of concepts that are increasingly used by banks today. To keep clients, banks must make additional technology investments. Additionally, in order to maintain the enthusiasm of the bank's staff and clients as well as the bank's competitiveness in the market, new services should be continuously launched. As customers began to accept online and internet banking more generally, the bank needed to place greater emphasis on ICT and technological advancements.

XI. REFERENCES

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