



**AN EMPIRICAL ANALYSIS OF FACTORS INFLUENCING
CUSTOMER RELATIONSHIP MANAGEMENT PRACTICES PURSUED BY
SELECT PRIVATE SECTOR BANKS IN TAMILNADU**

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1.1 ABSTRACT:

CRM (Customer Relationship Management) is a critical component in banking as it enables banks to build long-lasting relationships with customers by understanding their needs and providing tailored services. The key areas that are essential for CRM in banking includes (i)Personalization: By using data analytics and customer profiling, banks can create personalized experiences for their customers. This includes tailoring offers, promotions, and services to meet the individual needs of each customer. (ii)Cross-selling and upselling: CRM enables banks to identify opportunities for cross-selling and upselling products and services to existing customers. This can help banks to increase revenue and deepen relationships with their customers. (iii)Complaint handling: Effective CRM in banking involves timely and efficient handling of customer complaints. This can help to resolve issues quickly and maintain customer loyalty. (iv)Customer retention: By providing excellent customer service and personalized experiences, banks can improve customer retention rates. This is important as retaining existing customers is more cost-effective than acquiring new ones.(v)Marketing campaigns: CRM in banking can be used to create targeted marketing campaigns that are more likely to resonate with customers. This can help to improve the effectiveness of marketing efforts and increase customer engagement. Overall, CRM is essential in banking as it helps to build long-lasting relationships with customers, increase revenue, and improve

customer satisfaction and loyalty. In this aspect the present study assess the important factors influencing the CRM practises followed in selected nationalised banks in Tamilnadu.

Keywords: *Customer Relationship Management, Personalization, Cross-selling and upselling, Complaint handling, Customer retention, Marketing campaigns, Private sector banks.*

1.2 Introduction

Customer Relationship Management (CRM) is a strategy that businesses use to manage their interactions with customers and improve their overall experience. It involves collecting and analyzing customer data to create personalized experiences and build strong relationships with customers. CRM is important for businesses of all sizes, but particularly for larger companies with many customers. With CRM, businesses can keep track of customer interactions across multiple touchpoints, including phone, email, social media, and in-person interactions. By consolidating this data into a centralized database, businesses can gain a comprehensive view of their customers and use this information to provide more personalized and relevant experiences. There are several components to a successful CRM strategy, including:

Data collection: The first step in implementing a CRM strategy is to collect data about customers. This can include basic information such as name, contact information, and demographic data, as well as more detailed information about customer preferences and behavior.

Data analysis: Once data is collected, it must be analyzed to identify patterns and insights about customer behavior. This can involve using data analytics tools to analyze customer interactions and identify opportunities to improve the customer experience.

Customer segmentation: Based on the insights gained from data analysis, businesses can segment their customers into different groups based on their needs and behavior. This can help businesses provide more personalized experiences to each group of customers.

Personalization: Personalization is a key component of CRM, as it involves tailoring the customer experience to meet the individual needs and preferences of each customer. This can include customizing marketing messages, recommending products and services, and providing targeted promotions and offers.

Automation: To streamline CRM processes, many businesses use automation tools to manage customer interactions. This can include automated email campaigns, chatbots, and other tools that allow businesses to scale their customer service efforts.

Customer feedback: Finally, gathering and analyzing customer feedback is an important component of CRM. By soliciting feedback from customers, businesses can identify areas for improvement and make changes to improve the customer experience.

1.3 CRM in Banking

CRM is particularly important in the banking industry, where customer relationships are critical to success. Banks rely on long-term customer relationships to drive revenue, and CRM can help them build and maintain these relationships. One of the key benefits of CRM in banking is that it can help banks personalize their services and products to meet the

individual needs of each customer. This can include tailoring offers and promotions, recommending relevant products and services, and providing targeted customer service.

Another benefit of CRM in banking is that it can help banks identify opportunities for cross-selling and upselling. By analyzing customer data, banks can identify products and services that are likely to be of interest to each customer, and make targeted recommendations to increase revenue.

Finally, CRM can help banks improve customer satisfaction and loyalty. By providing personalized experiences and excellent customer service, banks can build long-lasting relationships with customers and reduce churn. Implementing a successful CRM strategy in banking is not without its challenges. One of the biggest challenges is managing the large volumes of customer data that banks collect. Banks must ensure that data is accurate, up-to-date, and stored securely to protect customer privacy. Another challenge is integrating data from different sources. Banks often have data stored in multiple systems, and integrating this data can be complex and time-consuming. Finally, ensuring that staff are trained and equipped to use CRM tools effectively can be a challenge. Banks must invest in training and support to ensure that staff are able to use CRM tools to their full potential.

1.4 Best practises

Collect and Centralize Customer Data

The first best practice for CRM in banking is to collect and centralize customer data. Customer data includes information such as name, contact information, demographic data, financial information, and more. Banks should ensure that they have accurate, up-to-date customer data stored in a centralized database. This data can then be analyzed to identify patterns and insights about customer behavior, preferences, and needs. By having a centralized database, banks can gain a comprehensive view of their customers and use this information to provide more personalized and relevant experiences.

Analyze Customer Data to Identify Opportunities

Once customer data is collected and centralized, it is essential to analyze this data to identify patterns and insights about customer behavior. Banks can use data analytics tools to analyze customer interactions and identify opportunities to improve the customer experience. For example, banks can analyze data to identify products and services that customers are interested in, and then make targeted recommendations to increase revenue.

Segment Customers Based on Behavior and Needs

Based on the insights gained from data analysis, banks can segment their customers into different groups based on their needs and behavior. This can help banks provide more personalized experiences to each group of customers. For example, banks can segment customers based on their income, age, credit score, and more. Banks can then provide targeted promotions, offers, and services to each group.

Personalize the Customer Experience

Personalization is a key component of CRM in banking. Banks must tailor the customer experience to meet the individual needs and preferences of each customer. This can include customizing marketing messages, recommending products and services, and providing targeted promotions and offers. Personalization can help banks build stronger relationships with their customers, increase customer loyalty, and drive revenue.

Use Automation to Streamline Processes

To streamline CRM processes, many banks use automation tools to manage customer interactions. This can include automated email campaigns, chatbots, and other tools that allow banks to scale their customer service efforts. Automation can help banks provide more timely and efficient service to their customers, while also reducing costs.

Gather and Analyze Customer Feedback

Finally, gathering and analyzing customer feedback is an important component of CRM in banking. By soliciting feedback from customers, banks can identify areas for improvement and make changes to improve the customer experience. This can include conducting surveys, analyzing social media interactions, and more. Banks must be willing to listen to feedback and make changes to improve the customer experience.

1.5 Review of Literature

Chaudhari, V. M. (2020) opined that Information technology has embraced banking services like any other industry. New generation service usage include use of ATMs, Internet Banking, Mobile Banking, Any where banking, customer Call center use and other internet bases customer service like E-banking etc. Through information technology uses we find there is an attempt to exceed customer expectation on service quality dimension. The most of the private and nationalized Indian banks have entered in the technology age and providing various types of electronic products and services to their customer. This paper explained the theoretical aspects of CRM and adoption of e-banking as CRM tools by leading Indian banks.

Lebdaoui, H., & Chetioui, Y. (2020) aimed to examine a model that uses customer service quality as an intervening mechanism in the relationship between customer relationship management (CRM) practices and organizational performance in two different banking structures: conventional and Islamic. The study focuses on organizational and technological practices of CRM, as both have been demonstrated to be critical to CRM success. Design/methodology/approach: The analysis is based on responses from 247 managers from conventional banks and 141 managers from Islamic banks operating in Morocco using a self-administered questionnaire. The partial least squares structural equation modeling (PLS-SEM) technique is employed for data analysis. Findings: Findings demonstrate that customer service quality plays a mediating role between CRM practices (organizational and technological) and organizational performance in both conventional and Islamic banks. Our results confirm the positive impact of CRM practices on organizational performance in the two banking structures. Practical implications: This study enhances our understanding of how CRM practices contribute to improving customer service quality and organizational performance in both conventional and Islamic banks. Bank managers, who aim to deliver superior service quality and achieve customer satisfaction and retention, should capitalize on the benefits of implementing CRM organizational and technological practices.

Originality/value: The present paper bridges a gap pertaining to key practices and factors that impact CRM success in the banking industry. It is the first of its kind to investigate the effect of CRM practices on organizational performance with customer service quality as a mediating variable. The study also contributes to the field of CRM literature, as CRM has rarely been addressed in an Islamic banking context.

Villanueva-Benites, L. A. (2021). Found The relationship between the organization and its clients is the life of every enterprise, whether it is a multinational corporation of several billion employees and a multi-million-deposit business or sole traders with a handful of daily customers. The relationship between the organization and its traditions is the key concern. Between these two cases, consumer relationship management (CRM) is the same in theory and may differ significantly. Both the company and consumers have some factors to meet, such as the desires and expectations of all sides, before forming a contract. We need to earn a profit to succeed and to improve clients expect excellent support, better goods and reasonable pricing. The implementation of a CRM program will impact consumer service and customer knowledge for various purposes. Likewise, adopting a CRM strategy would definitely affect consumer loyalty and awareness. CRM guarantees that consumers are happy and strengthens ties between the company and its clients. Such practices improve the partnership between customers and sales representatives. The study carried out the quantitative approach in the delivery of the questionnaire to more than 100 bank customers. In concise and inferential statistics, the data were handled using the SPSS statistical method. Data indicates that the strong relationship between consumer loyalty and customer happiness of CRM technologies occurs and the stronger the overall customer satisfaction score, the larger the volume of CRM technology deployed.

Pattnaik, S. C. (2022) examined the relationship between electronic customer relationship management (E-CRM) and customer satisfaction through the mediating role of customer experience in the banking industry. Design/methodology/approach: The data were collected from customers of 10 banks (5 public and 5 private sector banks) of Delhi, India. In total, 836 useable structured questionnaires were filled, and the data were analyzed using structural equation modeling (SEM) through AMOS. Findings: The results revealed that customer experience mediated the relationship between E-CRM and customer satisfaction confirming well with the hypothesized model. Research limitations/implications: The model was tested in the domain of banking industry; future results may be conducted in different domains for improving generalizability. A comparative study between public and private sector banks in terms of E-CRM, customer experience and customer satisfaction could also be conducted. Originality/value: The study was the first to unequivocally analyze the influence of the E-CRM on customer satisfaction through customer experience in the banking industry. The study also introduced stimulus-organism-response (S-O-R) model as a theoretical support to associate E-CRM to customer satisfaction through customer experience. Thus, this study will enhance the current knowledge base and will also aid E-CRM managers amid decision-making process.

1.6 Factors Influencing CRM In banking

The study considers the following Top 20 factors that are influencing the implementation of CRM in banking sector:

Organizational Culture: The culture of the bank should be customer-centric, and the employees should be willing to adopt a customer-first approach.

Customer Needs: The bank should have a thorough understanding of the customers' needs and preferences to provide personalized experiences.

Technology Infrastructure: The bank must have the necessary technology infrastructure to store customer data, analyze customer behavior and provide personalized experiences.

Regulatory Environment: The bank must comply with data privacy, security and other regulatory requirements to avoid any legal repercussions.

Employee Training and Buy-In: Employees should be trained and equipped to use CRM tools effectively, and they must also be on board with the CRM strategy.

Data Quality and Integration: The bank should ensure that customer data is accurate, up-to-date, and stored securely. It should also be integrated from different sources to provide a comprehensive view of the customer.

Data Analytics Capabilities: The bank should have strong data analytics capabilities to analyze customer data and gain insights into customer behavior.

Customer Relationship Management Software: The CRM software used by the bank should meet its specific needs and provide the necessary functionality to implement its CRM strategy effectively.

Budget and Resources: Adequate budget and resources should be allocated to implement a successful CRM strategy.

Competitive Landscape: The bank should be aware of its competitors' CRM strategies and ensure that its strategy provides a competitive advantage.

Top Management Support: The bank's top management should be supportive of the CRM initiative and provide the necessary resources and budget.

Customer Segmentation: The bank should segment its customers based on their needs and preferences to provide personalized experiences.

Multi-Channel Integration: The bank should integrate its CRM across different channels like email, phone, and social media.

Mobile Optimization: The bank should optimize its CRM for mobile devices to provide a seamless customer experience.

Data Security: The bank should ensure that customer data is secure and protected from cyber threats.

Customer Feedback: The bank should seek regular feedback from its customers to improve its CRM strategy.

Artificial Intelligence and Machine Learning: The bank can use AI and machine learning to analyze customer data and provide personalized experiences.

Sales and Marketing Alignment: The sales and marketing teams should be aligned to provide a seamless customer experience.

Customer Journey Mapping: The bank should map the customer journey to identify pain points and improve customer experience.

Continuous Improvement: The bank should continuously improve its CRM strategy based on customer feedback and changing market trends.

1.7 SAMPLING DEFINITION

The present study uses stratified random sampling and have chosen 10 private sector bank branches and a total of 400 questionnaire have been issued in selected rural and urban areas in Tamilnadu for assessing the factors influencing the implementation of CRM practises in Tamilnadu. The following are the list of private sector banks selected for the study:

HDFC Bank,ICICI Bank,Axis Bank,IndusInd Bank ,Kotak Mahindra,Yes Bank,IDBI Bank,IDFC First Bank,Bandhan Bank,Federal Bank.

1.8 STATISTICAL TOOL USED FOR ANALYSIS:

The author used reliability analysis and factor analysis for conducting the present study to assess factors influencing the implementation of CRM practises.

1.9 ANALYSIS AND INTERPRETAION:

Table 1.1
RELIABILITY FOR FACTORS IMPLEMENTATION OF CRM IN BANKING SECTOR

S.NO.	ITEMS	SCALE MEAN IF ITEM DELETED	CRONBACH'S ALPHA IF ITEM DELETED
1	X1-Organizational Culture	48.27	.775
2	X2-Customer Needs	48.38	.763
3	X3 -Technology Infrastructure	48.59	.770
4	X 4-Regulatory Environment	48.60	.752
5	X 5-Employee Training and Buy-In	48.68	.752
6	X6 -Data Quality and Integration	48.64	.745
7	X 7-Data Analytics	48.68	.741

8	X 8-Customer Relationship Management Software.	48.52	.750
9	X9 -Budget and Resources	48.51	.746
10	X10 -Competitive Landscape	48.50	.739
11	X 11-Top Management Support	48.51	.740
12	X12 -Customer Segmentation	48.51	.745
13	X 13-Multi-Channel Integration	48.49	.748
14	X 14-Mobile Optimization	48.51	.747
15	X15 -Data Security	48.68	.752
16	X16 -Customer Feedback	48.64	.745
17	X17 -Artificial Intelligence and Machine Learning	48.68	.741
18	X 18-Sales and Marketing Alignment	48.52	.750
19	X19 -Customer Journey Mapping	48.68	.752
20	X 20-Continuous Improvement	48.64	.745
	MEAN		52.26
	VARIANCE		33.458
	STD. DEVIATION		5.784
	CRONBACH'S ALPHA		0.765
	NO. OF ITEMS		20

It reveals that all the ten measurement scale items are reliable as the Cronbach alpha coefficient of 0.765. It is greater than the threshold level of 0.70. It's provided good estimates of internal consistency reliability and also coefficient alpha values ranged from 0.739 to 0.775 for all the constructs. It is indicating that the scales used in this study were reliable. It clearly indicates that above scale items are consistent with each other and they are reliable, so that it can be used for next analysis.

1.10 DIMENSIONALITY OF THE MULTI-SCALE ITEMS (FACTOR ANALYSIS)

Factor Analysis is a set of technique which by analyzing correlations between variables reduces their numbers into fewer factors which explain much of the original data, more economically. Even though a subjective interpretation can result from a factor analysis output, the procedure often provides an insight into relevant psychographic variables, and results in economic use of data collection efforts. The subjective element of factor analysis is reduced by splitting the sample randomly into two and extracting factors separately from both parts. If similar factors result, the analysis is assumed as reliable or stable

**TABLE No 1.2 KMO AND BARTLETT'S TEST FOR FACTORS
IMPLEMENTATION OF CRM IN BANKING SECTOR**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy	0.7456
Bartlett's Test of Sphericity: Approx. Chi-Square	2342.12
Sig	0.000**
S/NS	S

**P<0.001 *P<0.05 S-Significant

From the above table 1.2 two tests namely, Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) and Bartlett's Test of Sphericity have been applied to test whether the relationship among the variables has been significant or not. The Kaiser-Meyer-Olkin Measure of sampling adequacy shows the value of test statistics is 0.7456, which means the factor analysis for the selected variable is found to be appropriate or good to the data. Bartlett's test of sphericity is used to test whether the data are statistically significant or not with the value of test statistics and the associated significance level. It shows that there exists a high relationship among variables.

**TABLE No1.3
ROTATED COMPONENT MATRIX FOR FACTORS IMPLEMENTATION OF
CRM IN BANKING SECTOR**

Variable code	Component			
	I	II	III	IV
x10	.757	.232	.063	.041
x12	.720	.210	.042	-.032
x8	.651	-.151	.372	-.005
X9	.554	.159	.302	.111
X20	.501	.042	-.032	.210
X16	-.151	.766	-.005	-.151
x13	.166	.752	.119	-.096
X11	.458	.647	-.035	.059
X4	.029	.602	.294	.197
X14	.412	.550	.209	-.283
X19	.054	.523	.111	.033
X6	.143	.090	.741	.072

X7	.157	.315	.695	-.180
X5	.114	.046	.643	.211
X15	.157	.315	.599	-.180
X2	.054	.062	.111	.796
X1	.111	-.180	-.017	.786
x3	-.287	.393	.180	.579
X18	0.115	.119	-.096	.543
X17	0.127	-.035	.059	.504

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Rotation converged in 12 iterations.

Table 1.9 represents the Rotated Component Matrix, which is an important output of principal component analysis. The coefficients are the factor loadings which represents the correlation between the factors and the fourteen variables (X₁ to X₂₀).

From the above factor matrix it is found that coefficients for factor-I have high absolute correlations with variable X₁₀(Competitive Landscape) ,X₁₂(Customer Segmentation) , X₈ (Customer Relationship Management Software) and X₉ (Budget and Resources) ,X₂₀(Continuous Improvement)that is, 0.757, 0.720, 0.651 and 0.501 respectively.

Similarly factor-II has high absolute correlation with variable X₁₆(Customer Feedback) X₁₃(Multi-Channel Integration) , X₁₁ (Top Management Support), X₄ (Regulatory Environment) and X₁₄ (Mobile Optimization) ,x₁₉(Customer Journey Mapping) respectively.

Next, factor III has high absolute correlation with variable X₆(Data Quality and Integration), X₇(Data Analytics) and X₅ (Employee Training and Buy-In)and X₁₅(Data Security) that is, 0.741,0.695 and 0.643 and 0.599 respectively.

Factor-IV has high absolute correlation with variable X₂(Customer Needs), X₁(Organizational Culture) and X₃(Technology Infrastructure) ,x₁₈(Sales and Marketing Alignment) and X₁₇(Artificial Intelligence and Machine Learning).

1.11 Conclusion:

Because of the advancement of technology, the banking industry is now contributing more to economic growth. CRM is the core component that makes it easier to collect data on customer information, analyse consumer requirements, and meet those needs. The information about management. A system is urgently needed to combine data from numerous sources and allow the banking industry to identify clients and determine whether they are future customers. To provide clients better, higher-quality services and achieve a competitive advantage in the market, information is required. In order to attract and keep consumers for a

long time, greater focus has to be placed in this research on the customer information system. Due to the information system vulnerability, restrictions have emerged in the form of internet-based apps. Therefore, banks must exercise caution and vigilance and provide their clients a degree of security that ensures the confidentiality of their data. As a result, it will raise consumer satisfaction, which in turn raises customer loyalty. In conclusion, there are several advantages to information systems. Along with the advantages, there are obstacles that must be handled concurrently. Customer retention and happiness will be transformed by the efficient use of CRM practises.

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