



---

**THE IMPACT OF CUSTOMER RELATIONSHIP MANAGEMENT (CRM)  
ON CUSTOMER LOYALTY  
(A STUDY OF PUBLIC SECTOR BANKS IN GHAZIABADDISTRICT)**

Sakshi, Research Scholar, Department of Management, Mewar University, Chitorghar  
Rajasthan

Dr. Pradeep Kumar Varshney, Supervisor, Faculty of Commerce and Management, Mewar  
University, Chitorghar Rajasthan

Dr. K. C. Gupta, Co-Supervisor, Ret. Principal and Professor in Commerce, Faculty of  
Commerce, Hindu College, Moradabad (UP)

**ABSTRACT**

CRM is basically a methodology and software that helps an enterprise manage its customer relationships in an efficient way. CRM includes all business processes like sales, marketing and service that serve the customer in everyday business activities. In the competitive business environment, customer has become an important constituent for success. Therefore, this paper focuses on determining the impact of CRM on customer loyalty. This paper has noticed that banks words and promises are reliable and the bank is fulfilling its obligation towards the customers. It is offering them valuable advice on how to invest is the prominent variable which has impact on customer loyalty. So the banking sector needs to focus more on these factors, thereby increasing customer loyalty. Hence the concept of CRM may be emphasized so that the customers are treated royalty in relation to banking services. Therefore, the banks need to improve customer satisfaction in the utilization of various modern banking services and must provide more customer friendly services to make modern banking activity a delight for the customer.

**Keywords**

CRM, Customer Loyalty, Public Sector Banks, Multiple Regression and Factor Analysis

**INTRODUCTION**

CRM is not a new concept but an age-old practice, which is on the rise because of the benefit it offers, especially in the present market scenario. CRM today is a discipline as well as a set of discrete software technologies, which focuses on automating and improving the business processes associated with managing customer relationships in the areas of sales, marketing, customer service and support. The rapid strides made in the information technology arena have tremendously impacted the way of banking is done worldwide. Service delivery systems have undergone a change, whereby the traditional brick and mortar system of servicing customer's requests have been replaced with a mix of brick and click model. The holistic service delivery mix comprises of service delivery methods like in-store banking, door to door banking and online banking intermediated by the complex interplay of human driven and information technology driven methods. Such is the quintessential influence on information



---

technology on banking that all major operations and decisions with regards to deposits, withdrawals, and investments can be made at the click of a mouse on a computer or at an Automatic Teller Machine (ATM) fostering customer confidence and convenience. As loyalty is becoming the mantra in every organization, customer's satisfaction rates are plummeting. Treating customers like cattle is the anti-thesis of CRM, the goal of which is to recognize and treat each customer as an individual. Many banks have recently appended their CRM or customer care initiatives with the goal of 'owning the customer experience'. In today's highly competitive business world, CRM is becoming the ultimate solution for both, customer as well as banks. Bank must have a clear idea as to why it loses its customers. This would help informing pro-active and re-active to minimize or avoid the same. Hence, adopting customer-centric strategies aimed at maintaining and enhancing relationship with existing customer is important for the survival of Indian Banks.

## **REVIEW OF LITERATURE**

Customer Relationship Management (CRM) is no longer a new term but a reality for many organizations. The long-term business relationships provide many potential benefits for banks and clients. It is generally less costly for any service firm (bank) to maintain and develop an existing client relationship (Berry, 1983). Customer satisfaction is a central element in the marketing exchange process, because it undoubtedly contributes to service providers' success (Darianet al., 2001), the higher the probability that consumers will repeat purchase establishment (Wong and Chan, 1999) and repurchase highlight the importance of identifying and explaining the conditions under which satisfaction develops (Bejouet al., 1998). The two key elements stand out in the literature of relationship marketing: customer loyalty and word-of-mouth (Henning – Thurau et al., 2002; Wong and Znou, 2006) and loyalty is one of the primary phases of relationship marketing especially in relation to profitability from a theoretical and empirical approach (Reichheld and Eart Sasser, 1990; Pnyne and Rickard, 1997; Oliver, 1999). The core of relationship marketing is customer relationships. According to Durkin and Howcroft (2003), a prevalent theme is the relationship marketing literature is the influence of technology in increasing channel efficiencies by lowering costs, or by facilitating more meaningful and profitable relationships between channel parties.

Xu and Walton (2005) propose that analytical CRM provides real time information about customer's buying patterns, pre- and post - sales behavior and factors for customer retention. They further argue that an analytical CRM should provide customer profiling and customer segmentation functions with the capability to identify strategically significant customers. Customer behavior modeling is a process that includes segmenting target customer groups, establishing criteria for measuring behavior, monitoring and tracking behavior changes, generating behavior patterns, and predicting possible future behavior. According to Peppers and Rogers Group (2006) where they argued that by utilizing customer relationship management business practices, companies can affordable weather the storms of a down economy by providing cheap growth opportunities fresh strategic capabilities and incremental process changes.



## OBJECTIVES

This research paper indicates on gaining a better understanding on how and in what respect the CRM systems are effective in enhancing the effectiveness of the banking business in the Indian context. The main objectives of this research paper are:

- to explain how the public banking sector can use a common repository of customer data;
- to identify aids for the internal customers who help them to cross sell effectively and convert the initiative into banking business; and
- to suggest the best possible CRM system for giving effective customer oriented services.

## HYPOTHESES

Following two hypotheses have been framed for the fruitful of this research paper:

- CRM has no importance in converting various initiatives of Indian public sector banks into new business areas; and
- there is insignificant relationship between CRM and customer orientation in Indian public sector banks

## RESEARCH METHODOLOGY

This research paper is based on descriptive research design using questionnaire as the key research instrument. The data has been collected from the customers of three public sector banks (Punjab National Bank, Indian Bank and Canara Bank because they have the leading banks in Ghaziabad district) across the branches located at Ghaziabad district. For this research paper, 150 customers (50 customers of each public sector bank i.e., Punjab National Bank, Indian Bank and Canara Bank) have been selected. The data has been collected by using a structured questionnaire with a Five Point Likert Scale. Statistical tools such as multiple regression and factor analysis have been used for data analysis.

Causal research design has been used to indicate the possible relation between the variables (dependent variable: customer satisfaction and its component and independent variable: CRM tools) and to explain their contribution in the performance of the development of the banks in the terms of benefits achieved by implementing the tools by applying parametric statistics (f-test, correlation and regression) and non-parametric statistic (chi-square).



## ANALYSIS AND RESULTS

A correlation matrix was drawn between the component of customer satisfaction (dependent variable) of the three public sector banks(Punjab National Bank, Indian Bank and Canara Bank) and the CRM system tools (independent variable) implemented by the bank to look the relationship among the variable as per Table 1 and then the impact of the independent variable to dependent variable have been analyzed.

**Table 1: Correlation coefficient of the measurement of customer satisfaction and its component with CRM system tools**

(N=150)

Customer satisfaction measurement component CRM Tools	Use of any CRM tool for measuring customer satisfaction by banks	Contact former customers to obtain information as to why they left	Communication tracking with in all departments	Personalized marketing and sales campaigns	All the stated component of customer retention/ loyalty strategy
Do bank use any CRM tool for identifying customer requirement for new products ranges	0.293	0.180	0.052	-0.162	0.109
Do bank uses any CRM tool for up-scaling customers by indentifying gap in customers current product	0.120	-0.245	-0.165	0.079	0.015
Best medium to contact existing customers-email	-0.223	-0.018	-0.141	0.133	-0.055
Best medium to contact existing customers-phone	0.167	0.107	0.052	0.033	0.064
Best medium to contact existing customers-existing staff	0.348	0.212	0.144	0.380	-0.326
Best medium to contact existing customers-mailer	-0.060	-0.082	0.180	-0.316	0.063
Best medium to contact existing customers- SMS	-0.306	-0.253	-0.204	-0.322	0.266

(significant at 0.05)

On the basis of correlation matrix further the impacts of independent variables on the individual dependent variables have been examined using the regression. Table 2 indicates the summary of the correlation and regression matrix (as per Table 1) explaining the percentage of customer satisfaction components (dependent variable) and CRM tools (independent variable)



**Table 2: Correlation matrix ( $r^2$ ) describing the percentage of dependent variable (customer satisfaction and its component) and independent variable (CRM tools)**

Independent variable	dependent variable			
	Use of any CRM tool for measuring customer satisfaction by banks	Contact former customers to obtain information as to why they left	Communication tracking with in all departments	Personalized marketing and sales campaigns
	17%	19%	20%	54%
Do bank use any CRM tool for identifying customer requirement for new products ranges	YES	YES	YES	
Do bank uses any CRM tool for up-scaling customers by indentifying gap in customers current product offering		YES		YES
Best medium to contact existing customers- email				YES
Best medium to contact existing customers- phone				
Best medium to contact existing customers- existing staff	YES			YES
Best medium to contact existing customers- mailer			YES	
Best medium to contact existing customers- SMS				YES

As per Table 2, it has been noticed that 54 percent CRM tools are utilized in personalized marketing and sales campaign which is at least a good sign but banks can more effectively utilize this to increase the customer base as well as to retain the existing one by knowing exactly what the customer want. It has also been observed that 17 percent CRM tools utilized in measuring customer satisfaction significantly. So banks have to really to lot of hardship in this because this is one of the very important factors in selling more products to the existing customers. 19 percent of the CRM tools in terms of up-scaling customers by identifying gap in customers' current product offering help to find out the customers who have left the bank due to any of the reason. Banks again have to re-exercise on this issue



because the overall strategy of the banks is to retain the customers and if they are leaving, it is the responsibility of the banks to know why is the customer no more the customer of the bank. 5 percent of the overall CRM tools significantly are utilized in communication tracking within all departments to find out the gap in service quality of the banks.

If the overall component is looked in one go then 25 percent CRM tools are utilized in customer retention and loyalty strategy significantly. Therefore, it explains that CRM tools are utilized in terms of customer orientation in the banks by looking the overall satisfaction of the customers.

**Table 3: Comparison of Customer Satisfaction Components for Measuring Customer Satisfaction of the Bank Customers Among the Punjab National Bank, Indian Bank and Canara Bank**

(N=150)

	<b>Punjab National Bank</b>	<b>Indian Bank</b>	<b>Canara Bank</b>	<b>Total</b>	<b>Chi-square</b>	<b>Result</b>
Use of is any CRM tool for measuring customer satisfaction by banks	37 (82.2)	29 (82.9)	33 (76.7)	99 (80.5)	45.73	Rejected
<b>Measuring of customer satisfaction</b>						
On a regular basis	24 (53.3)	24 (68.6)	30 (69.8)	78 (63.4)	51.07	Rejected
Less than every six months	14 (31.1)	3 (8.6)	10 (23.3)	27 (22.0)		
Never / don't know	7 (15.6)	8 (22.9)	3 (7.0)	18 (14.6)		
<b>Components of customer retention / loyalty strategy</b>						
Contact former customer to obtain information as to why they left	6 (13.3)	2 (5.7)	6 (14.0)	14 (11.4)	73.37	Rejected
Communication tracking with in all department	2 (4.4)	7 (20.0)	4 (9.3)	13 (10.6)	76.79	Rejected
personalized marketing and sales campaign	11 (24.4)	8 (22.9)	7 (16.3)	26 (21.1)	40.98	Rejected

(significant at 0.05)





As per Table 3, independent chi-square tests have been applied on components of customer satisfaction (dependent variable) and the CRM tools (independent variable) adopted by the banks (Punjab National Bank, Indian Bank and Canara Bank) to look the relationship among the banks.

Table 3 depicts that there is significant difference among the banks regarding the use of CRM tools for measuring customer satisfaction. The analysis shows that there is significant difference in the opinion of the three banks regarding time of measuring customer satisfaction. Components of the customer satisfaction also show the significance difference between the opinions of the three banks.

**Table 4: Use of CRM Measurement Tool for Customer Orientation**

CRM measurement tool	Frequency	Percentage	Chi-square	Result
Brand Building	79	64.2	9.96	Rejected
Customer behavior modeling	23	18.7	48.20	Rejected
Customer value management	41	33.3	13.67	Rejected
Marketing operations	109	88.6	73.37	Rejected
Sales force operation	99	80.5	45.73	Rejected
Service center operation	41	33.3	13.67	Rejected
Field service operation	67	54.5	0.98	NS
Supply chain and logistic operation	43	35.0	11.13	Rejected
Web site operation	96	78.0	38.71	Rejected
Customer knowledge management	38	30.9	17.96	Rejected

(significant at 2.05)

All the three banks use CRM measurement tools for customer orientation in terms of brand building, customer behavior, modelling, customer value management, marketing operations, sales force operation, field service operation, supply chain, logistic operation, web site operation, customer knowledge management. From the above analysis (as per Table 4) it is observed that use of effective CRM tools can help to explore and explain the banks to use a common repository of customer data. Therefore, CRM and customer orientation in all the three banks does have relationship.

The respondent opinion on each item has been measured to the extent (extremely poor to excellent) on benefits of information technology. In this reference parametric test (f-test) has been performed to compare the three banks (Punjab National Bank, Indian Bank and Canara Bank) along with multiple range tests to look the relationship among the three banks. Under the Table 5, firstly, the correlation matrix has been established to look the association between the CRM practices (independent variable) and the extent of benefit what the customer has received from the implementation of information technology by all the three banks



(dependent variable) and later on the impact of independent variable to the dependent variable have also been examined.

**Table 5: Correlation Coefficient of CRM Practices (Independent Variable) with the extent of Information Technology (Dependent Variable)**

(N=150)

IT benefits CRM tools	Payment system	Provider better access channels (ATM, Net Banking, Mobile Banking)	Provide account information	Collection of cheques to customer account	Other related services
ATM	-0.281	-0.194	-0.204	-0.287	0.377
Internet banking	0.044	0.046	0.148	-0.089	0.036
Phone banking	0.047	-0.134	-0.109	0.027	0.013
Mobile banking	0.049	-0.180	0.051	0.047	0.093
Updated information regarding other products of the banks	0.347	0.230	0.186	0.101	0.109
Tele-calling	0.250	0.267	0.269	0.068	0.193
Email	0.174	0.092	0.024	0.114	0.054
Letter	0.151	0.074	0.088	0.114	0.036
Personal visit	0.006	-0.069	0.017	0.053	0.054
Tele-calling	-0.208	0.140	0.103	-0.126	0.056
Email	0.292	0.133	0.212	0.070	0.109
Letter	0.417	-0.409	-0.430	-0.068	0.208
Personal visit	-0.165	-0.231	-0.095	-0.014	0.094

(Significant at 0.05)

On the basis of the correlation matrix, the impact of independent variables on the individual dependent variables has examined using the regression. Table 6 indicates the summary of the correlation and regression matrix explaining the percentage of information technology benefits.

Under table 7, a correlation matrix has also been established to describe the association between cross selling opportunities to the existing customers (dependent variable) and CRM tools (independent variable) from the officers' point of view of all the three banks and thereafter on the impact of the independent variable to the dependent variable have also been analyzed.





**Table 6: Correlation Matrix Explaining the Percentage of Information Technology Benefits (Dependent Variable) and CRM Tools (Independent Variable)**

Independent variable (CRM tools)	Dependent variable (extent of benefits from information technology)				
	Payment system	Provider better access channels (ATM, Net Banking, Mobile Banking)	Provide account information	Collection of cheques to customer account	Other related services
	49%	35%	41%	18%	26%
ATM	YES	YES	YES	YES	YES
Internet banking	YES			YES	
Phone banking			YES		
Mobile banking	YES	YES	YES	YES	YES
Tele-calling	YES	YES	YES	YES	YES
Email					YES
Letter	YES	YES	YES	YES	YES
Personal visit			YES		
Updated information regarding other products of the banks	YES				

**Table 7: Correlation Coefficient of Cross Selling to the Existing Customers with the CRM Systems**

Cross selling criteria / CRM tools	Is it easier to sell new products to existing customers	Existing customers know policies of banks hence are more demanding, so selling them other products is advisable
Do bank use any CRM tool for identifying customer requirement for new products ranges	0.179	0.410
Do bank use any CRM tool for up-scaling customers by identifying gap in customers current product offering	-0.072	2.89
<b>Best medium to contact existing customers</b>		
Email	0.081	-0.171
Phone	-0.090	0.030
Existing staff	-0.156	0.164
Mailer	0.071	-0.062
SMS	0.131	-0.008

(significant at 0.05)



On the basis of correlation matrix, the impact of independent variable on the individual dependent variables has also been analyzed using the regression. Table 8 indicates the summary of the above correlation and regression matrix explaining the percentage of cross selling opportunities (dependent variable) and CRM tools (independent variable)

**Table 8: Correlation Matrix Describing the Percentage of Cross Selling Opportunities (Dependent Variable) and CRM Tools (Independent Variable)**

Independent variable (CRM tools)	Dependent variable (cross selling opportunities)	
	Is it easier to sell new products to existing customers	Existing customers know policies of banks hence are more demanding, so selling them other products is advisable
	7%	19%
Do bank use any CRM tool for identifying customer requirement for new products ranges	YES	YES
Do bank use any CRM tool for up-scaling customers by identifying gap in customers current product offering		YES
<b>Best medium to contact existing customers</b>		
Email		
Phone		
Existing staff	YES	
Mailer		
SMS		

## INFERENCE

After analyzing results, it has been found that CRM has no relevance in converting various initiatives of all the three banks into new banking business opportunities. 9 percent of CRM tools like letters to the customers, tele-calling, internet banking, mobile banking etc. indicate a significant difference in running the payment system more effectively in banking. 35 percent of the CRM tools help in better access channel. 41 percent of the CRM tools help in providing account information to customers and serve the purpose of communication link between banks and customers. 18 percent of the CRM tools help in collecting of cheques is back end job of banking and does not indicate strong relationship.

It is also observed in financial sector that obtaining new customers are always more expensive and riskier than offering product range to existing customers. As per Table 8, seven percent



---

efforts are utilized in offering new products to old customer by using CRM tools which is not a good sign. 19 percent efficiency is exhausted in this case i.e. selling to the existing customers who are already aware with the bank policies. A lot of scope is there for banks to exercise on it.

On the basis of above analysis it can be concluded that use of effective CRM tools helps to identify aids for the internal customers in terms of indentifying and up-scaling the requirements of the existing customer and knowing the use of CRM tools which help them to cross-sell effectively and convert the initiatives into banking business opportunities. Therefore, CRM does not have relevance in converting various initiatives of all the three banks into new banking business opportunities.

## **CONCLUSION**

CRM is a new-age marketing or business strategy' aimed at winning customers forever, where banks greet the customers, create products to suit their needs, work hard to develop life-time customers through the principles of customer delight, customer approval, customer enthusiasm, customization, customer service, customer satisfaction, customer loyalty, customer retention, etc. From this research paper, it can be concluded that CRM is a strategy that is being implemented by the banks in India for effective service delivery to their customers to achieve higher levels of customer satisfaction, retention, and strive for customer delight. The challenge is about integrating customer strategies and capabilities across the broad and complex organization structures of 21<sup>st</sup> century banks to derive effective execution at the front line between banks and their customers.

In future, the research can be developed by analyzing the impact of CRM dimensions of public, private and foreign sector banks in a comparative manner.

## **REFERNCES**

- Roy S. K. and Shekhar. V. (2010). Dimensional Hierarchy of Trustworthiness of Financial Service providers, International Journal of Bank Marketing, Vol.028, No.1, PP.47-64.
- Berry L.L. (1983). Relationship Marketing, in Berry, L.L. Shustack G.L. and Upaki, G.D. (Eds), Emerging perspective of Service Marketing, American Marketing Association, Chicago, IL, PP.25-28.
- Dariah, J.C., Tucci, L.A. and Wiman, A.R. (2001). Perceived Salesperson Service Attributes and Retail Patronage Intentions, International Journal of Retails and Distribution Management, Vol.29, No.4/5, PP.205-213.
- Wong, Y.H.S. Chan, R.Y.K. 1999. Relationship Marketing in China: Guanxi, Favoritism and Adaptation, Journal of Business Ethics, Vol.22, PP.707-108.



- Bejou, D., Ennew, C.T. And Palmer,A. 1998. Trust, Ethics and Relationship Satisfaction, International Journal of Bank Marketing, Vol.16 , No.4, PP.170-175.
- Henning-Thurau, T., Gwinner, K.P. And Gremler, D.D. 2002. Understanding Relationship Marketing Outcomes: An Integration of Relational Benefits and Relationship Quality, Journal of Service Research, Vol.4, No.3, PP.230-247.
- Reichheld,F.F. and Earl Sasser, W. Jr. 1990, Zero Defections: Quality Comes To Services, Harvard Business Review, Vol.68, September-October, PP.105-111.
- Payne,A. And Rchard J. 1997. Relationship Marketing, Customer Retention and Firm Profitability, Working Paper, Cranfield School of Management.
- Durkin M.G., Howcroft, B. 2003. Relationship Marketing in the Banking Sector: The Impact of New Technologies, J. Mark. Intel. Plan, 21(1), PP.61-71.
- Peppers & Roggers. 2006. CRM in a Down Economy Revisited – Weathering the Economics Storm through Customers Relationship Strategies, White paper.