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Exploring the influence of CRM and service quality on customer value and satisfaction in Indian retail banking

¹Katherine James and ²Lokendra Vikram Singh

¹Research Scholar, Department of Commerce & Management, Madhyanchal Professional University, Bhopal, Madhya Pradesh, India

²Professor, Department of Commerce & Management, Madhyanchal Professional University, Bhopal, Madhya Pradesh, India

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Corresponding Author: Katherine James

Abstract

This study makes a significant contribution to the understanding of service quality by examining the effects of Customer Relationship Management (CRM) dimensions through the lens of Resource-Based View (RBV) theory. A quantitative approach was employed, gathering data from general bank users in India. The data were analysed using Partial Least Squares Structural Equation Modelling (PLS-SEM). The results revealed that CRM key customer focus, CRM knowledge management, and CRM-based technology positively influenced service quality. However, the CRM organization dimension was found to have a negative impact on service quality. These findings offer valuable insights into the Indian banking sector and may serve as a reference for global banks in similar situations aiming to enhance their service quality.

Keywords: Customer relationship management, customer experience quality, customer loyalty

Introduction

Banks play a crucial role in a country's economy. Over the past decade, the global banking landscape has undergone significant transformation. Regulatory changes, structural shifts, and technological advancements have created a level of competition and disintermediation that few in the banking industry could have anticipated. The Indian banking sector is no exception, facing unprecedented challenges due to deregulation, liberalization, and globalization of the economy. In recent years, many Indian banks have made substantial investments in Customer Relationship Management (CRM) technologies to build and sustain long-term, mutually beneficial relationships with their customers. Central to these customer-centric initiatives is the belief that by understanding customer needs and delivering greater value, banks can strengthen their competitive position and achieve superior returns for shareholders. However, despite these significant investments in CRM systems, critics remain sceptical about their effectiveness in driving

customer growth and achieving desired business outcomes. This scepticism arises from the fact that Indian banks often view CRM systems as isolated technology projects rather than as tools for integrating customer needs with the organization's strategy, people, and business processes. Moreover, research on the characteristics of successful CRM strategies and the metrics for evaluating CRM effectiveness is limited. The few studies that do exist typically measure CRM effectiveness (CRME) from the supplier's perspective. The banking sector, being closely tied to financial services, requires a strong foundation of trust and confidence among customers. However, numerous studies have highlighted the challenges in achieving satisfactory CRM performance, citing issues such as ineffective technology and the need for more reliable systems in this sector. Customer Relationship Management (CRM) can be analysed both qualitatively and quantitatively, and a wealth of research has explored its impact on various aspects such as sales and profit, customer

behaviours and retention, the acceptance of social CRM, and the relationship between e-service quality, ease of use, and CRM performance. Despite these studies, there has been limited research on the impact of CRM on customer loyalty, particularly in relation to factors like customer knowledge management, customer satisfaction, and customer trust. Recognizing this gap, the researchers have chosen to focus on this topic, with the primary objective of addressing this issue. To this end, the following research questions have been proposed. Many businesses are increasingly focused on seizing environmental opportunities to reduce air pollution, biodiversity loss, water pollution, and land degradation. However, a key challenge today is that companies often struggle to produce environmentally friendly products while still relying on traditional advertising methods, such as printed flyers, banners, and billboards, which are not sustainable. This raises the question of how social media (SM) can be leveraged for marketing and customer service to meet customer expectations, particularly when Social Customer Relationship Management (SCRM) contributes to reducing the ecological footprint. Since the introduction of SCRM, extensive academic research has explored its potential to enhance purchase intent and customer loyalty. These benefits can also extend to eco-friendly brands, particularly when investigating the role of social support in relationship quality and its impact on customer intent to engage in social commerce. Some studies have analysed microblogging platforms, providing evidence that loyalty and social commerce intention are crucial to understanding SCRM's role. While previous studies have focused on the value of influential customer factors within SCRM, many questions remain unanswered regarding the interaction between social customer behaviours and environmental factors. These gaps need to be addressed by organizations, marketing firms, and

government agencies. It is expected that the benefits of SCRM, particularly in relation to eco-friendly brands, will contribute both to academic knowledge and environmental sustainability. However, while considerable research has been devoted to SCRM in various marketing contexts, less attention has been paid to its impact on eco-friendly brands. To our knowledge, no empirical studies have explored how the benefits of social media-based customer relationship management influence customer expectations of continued engagement with eco-friendly brands. Therefore, this study seeks to fill this research gap by investigating the benefits of SCRM and their relationship with customer expectations of continuity in the context of eco-friendly brands. The use of IT-based services has a positive impact on service quality, particularly in the banking sector. Big data generated from CRM systems helps banks in profiling their clients, allowing them to categorize users as first-time or repeat customers. This profiling enhances the bank's ability to tailor services to specific customer needs. The fourth dimension of CRM, known as CRM organization, involves embedding and practicing customer relationship values within the organization to meet customer needs effectively. Previous studies have shown a positive relationship between CRM organization and service quality, indicating that the application of CRM within an organization can significantly improve service quality. Based on this, the following hypotheses are proposed:

- H1:** CRM key customer focus has a positive impact on service quality.
- H2:** CRM knowledge management has a positive impact on service quality.
- H3:** CRM organization has a positive impact on service quality.
- H4:** CRM-based technology has a positive impact on service quality.

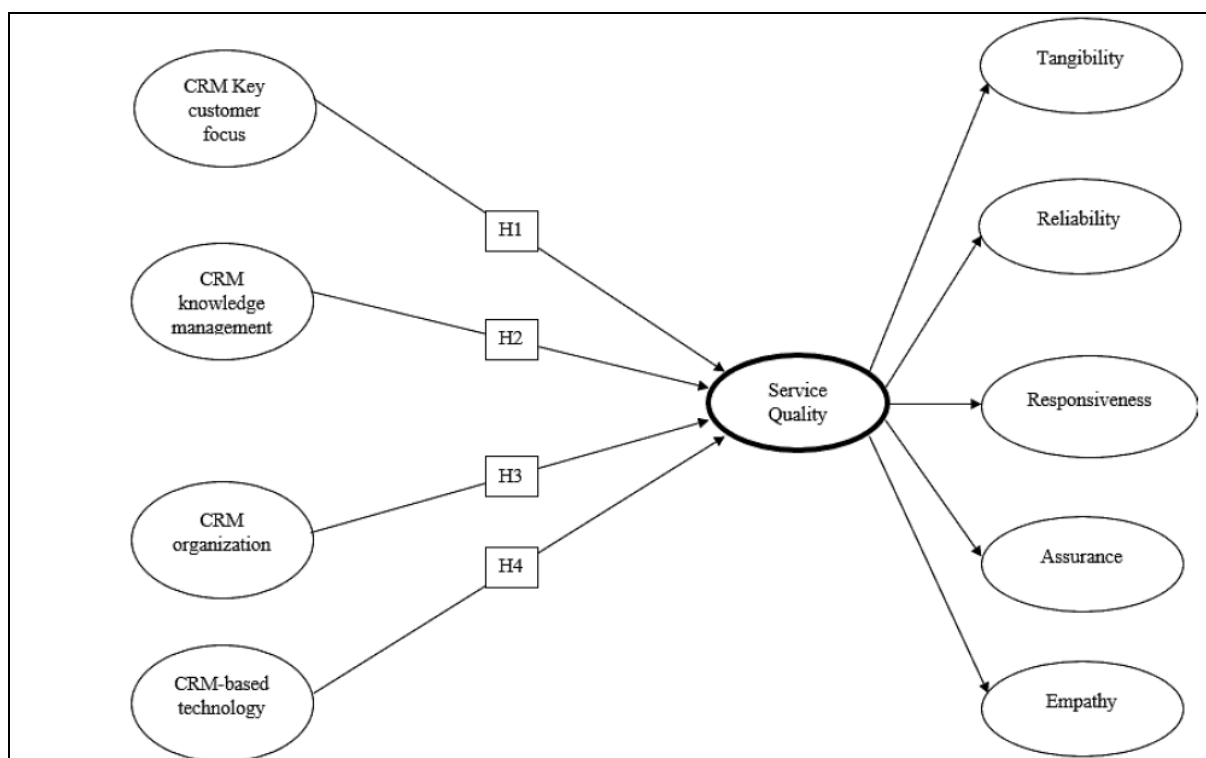


Fig 1: Research model of study

The rest of article explore in section 2 explores recent work in the area of customer satisfaction in retail banking, in section 3 describes Customer relationship management, in section 4 explores methodology of research and finally conclude in section 5.

2. Literature Review

Marketing is a social process that encompasses the activities required to help individuals and organizations acquire what they need and want through exchanges with others, while also fostering sustainable exchange relationships. It involves a range of activities, institutions, and processes aimed at creating, communicating, delivering, and exchanging value with customers, clients, partners, and the broader community. Service quality refers to the expected level of excellence and the ability to control that level to meet consumer desires. It is a critical factor that consumers consider when purchasing a product. Service quality is typically assessed across five main dimensions, ranked by their relative importance: Reliability, Responsiveness, Assurance, Empathy, and Tangibles. Since customers directly experience and consume services without intermediaries, they are the ones who ultimately determine the quality of the service. Customer Relationship Management (CRM) is a core business strategy that integrates internal processes and external networks to create and deliver value to target customers, thereby generating profit. CRM involves the process of acquiring, maintaining, and enhancing profitable customer relationships, with the goal of creating customer value. Satisfied customers, in turn, can help maximize a company's profits and provide a competitive advantage. Yunus, M., Saputra, J., and Muhammad, Z. (2022) ^[1] offer valuable insights for E-commerce enterprises. By leveraging these insights, businesses can enhance service quality through strategies such as building online trust, optimizing digital marketing, and improving Customer Relationship Management (CRM), ultimately driving revenue growth. Farida, Nur, and Anisa Virdatul Jannah (2022) ^[2] conducted a quantitative study using multiple linear regression analysis. The research sampled 102 respondents, utilizing questionnaires as the primary data collection method. Daulay, Raihanah (2022) ^[3] focused on analyzing the influence of customer relationship management and satisfaction on customer loyalty. The study employed multiple linear regression, hypothesis testing, and classical assumption testing to explore these relationships comprehensively. Rahayu, Sri, and Pandu Adi Cakranegara (2022) ^[4] employed the Lemeshow formula, resulting in a sample of 300 respondents. To ensure robust analysis, they applied validity and reliability tests, along with classical assumption tests. The collected data were quantitatively evaluated using simple and multiple linear regression analyses, as well as hypothesis testing. Samirudin, Ujianto, and Abdul Halik (2022) ^[5] conducted explanatory research using a quantitative methodology. Data collection methods included questionnaires, interviews, and documentation, with instrument measurements based on a five-point Likert scale. The Slovin method was employed to ensure statistical accuracy in sampling. Oluwajana, Dokun, and Gbolahan Olowu (2022) ^[6] explored correlations among customer commitment, trust, relationship satisfaction, quality, and continuity expectations. The study also assessed the

effectiveness of Social Customer Relationship Management (SCRM) benefits. Darianto, Darianto, and Mulyanto Nugroho (2022) ^[7] collected data from 306 participants through a questionnaire, using proportional random sampling. The data analysis was conducted using the Generalized Least Square Estimation method. Aloqool, A., and Alharafsheh, M. (2022) ^[8] employed a quantitative approach in their study. Out of 300 surveys distributed, 243 were returned. After excluding 17 incomplete responses, 226 valid questionnaires were analyzed using PLS-SEM software. Yacob, Haliso, and Omonori Abayomi Adedayo (2022) ^[9] aimed to enhance understanding of electronic customer relationship management within the commercial banks of Ondo State, Nigeria, through their study. Das, Saikat, and HM Kamrul Hassan (2022) ^[10] utilized a research instrument comprising 20 items. The assessment of research findings was conducted using SMART PLS 3.0, with data gathered from 93 executives in the supply chain management division of various organizations in Cartogram, Bangladesh. Al-Bashayreh, Mahmood, and Dmaithan Almajali (2022) ^[11] found limitations in the existing model and recommended further research to enhance it. They suggested incorporating cultural constructs for a more comprehensive analysis. Arivazhagan, B., and G. Vijaiprabhu (2022) ^[12] evaluated an upgraded procedure in the banking and telecom industries, focusing on key clients. The procedure was implemented with precautions within the data mining program RapidMiner. Al-Hazmi, N. (2021) ^[13] conducted a study using a questionnaire-based analytical-descriptive methodology, surveying 200 participants. The findings highlighted the significant influence of customer service on the evolution of client relationships in the travel and tourism industry. Ibrahim, Yasser, and Tamer Abbas (2021) ^[14] examined the correlation between eCRM elements on hotel websites and patron loyalty. The study aimed to elucidate the impact of eCRM on guest loyalty in the hospitality sector. Hannisa Ramadhinda and Munjiati Munawaroh (2021) ^[15] employed a quantitative approach using primary data collected through an online survey via Google Forms. Chikako, Teshita Uke, and Gemedi Tesfaye Hamu (2021) ^[16] used SPSS version 20 for data analysis, applying both descriptive and inferential statistics to establish a strong correlation among four CRM dimensions. Al-Gasawneh, Jassim Ahmad, and Marhana Muhamed Anuar (2021) ^[17] used a survey method, targeting general managers from 236 hotels in Jordan with star ratings ranging from 1 to 5. The key informant approach was utilized in this hospitality industry study. Haram Ahmed and Tarig Abdalkarim Abdalfadil (2021) ^[18] conducted an extensive review of recent publications from global databases, applying no exclusion criteria related to location or nationality. Rifelly Dewi Astuti and Yosman Bustaman (2021) ^[19] employed quantitative analysis to explore the mediating role of CRM quality and the moderating influence of corporate reputation within PT XYZ, focusing on their impact on customer loyalty. Lohanda, Trisha, and Agustinus Rusdianto Berto (2021) ^[20] utilized a survey methodology, distributing closed-ended online questionnaires via Twitter's direct messaging feature. The study also included literature reviews and observations of @gojekindonesia's Twitter activity.

3. Customer Relationship Management (CRM)

Customer Relationship Management (CRM) refers to a strategy and set of practices used by businesses to manage and analyse interactions with current and potential customers. The goal of CRM is to improve customer relationships, enhance customer satisfaction, and increase customer loyalty, ultimately driving sales growth and profitability. CRM involves the use of technology to organize, automate, and synchronize sales, marketing, customer service, and support activities. By collecting and analysing customer data, businesses can better understand customer needs and preferences, allowing them to tailor their products, services, and communications to individual customers or customer segments. Key components of CRM include:

- 1. Customer Data Management:** Storing and organizing customer information, such as contact details, purchase history, and interaction records, in a centralized database.
- 2. Sales Force Automation:** Streamlining the sales process by automating tasks such as tracking leads, managing opportunities, and forecasting sales.
- 3. Marketing Automation:** Automating marketing tasks like campaign management, email marketing, and customer segmentation to deliver personalized marketing messages.
- 4. Customer Service and Support:** Enhancing customer service by providing tools for managing customer inquiries, support tickets, and service requests, ensuring timely and effective responses.
- 5. Analytics and Reporting:** Analysing customer data to gain insights into customer behaviours, preferences, and trends, helping businesses make informed decisions.
- 6. Integration with Other Systems:** CRM systems often integrate with other business tools, such as enterprise resource planning (ERP) systems, to provide a comprehensive view of customer interactions across the organization.

4. Materials and Methods

This study aims at investigating the CRM model, particularly private and public bank in retail sector. The objective of this study is to understand the factors that influence the CRM adoption among the banks of major cities such as Bhopal, Indore and Jabalpur. The sub-contracting units were taken as the unit for analysis and a survey was conducted to bring about their opinion on adopting the online business with their customer. Penetration of computers in the small industry it had been successful and the users of email for communication has been well established. The order and other documents are received through email. The data collected through a survey is processed and analyzed. At first, the data are described to elaborate the characteristics of the respondents. Then the data are checked for its reliability and validity. For further analysis of data uses regression testing and neural network-based testing models. The following steps were followed for questionnaire design. First researcher identified related and validated scale from earlier studies. Then, those identified scales were finalized with the help of TAC, IS and MSME experts. Total of 500 questionnaires were distributed to sample medium enterprises of electronics good and fashion

sector. Data collection was conducted from September 2020 to April 2021. Out of 500 distributed questionnaires; 460 filled questionnaires were got. Out of these 460 filled questionnaires; 322 filled questionnaires (70% response rate) were usable, therefore meeting the sample size requirement. There were two returned questionnaires which were largely incomplete and therefore removed from data set. Finally, from these 500 questionnaires; we got 460 were valid filled questionnaires for this research study to infer conclusions (70% of total). In all segment of questioner consist of 20 questions.

Table 1: Area of industry distribution for the collection of data

Bank	City	Total intake of industry	Cover
Private	Bhopal	50	20
Public	Indore	60	25
	Jabalpur	30	10

Table 2: The results of construct validity and reliability

Construct	Items	Loadings	AVE	CR	Alpha
Customer Saving (CS)	KCS1	0.891			
	KCS2	0.872			
	KCS3	0.873	0.781	0.948	0.934
	KCS4	0.871			
	KCS5	0.912			
Information Management	IL1	0.856			
	IL2	0.854			
	IL3	0.832	0.706	0.924	0.898
	IL4	0.826			
	IL5	0.831			
CRM Organization (ORG)	ORG1	0.876			
	ORG2	0.951	0.807	0.955	0.908
	ORG3	0.871			
	ORG4	0.826			
	ORG5	0.959			
CRM-based Technology (CBT)	CBT1	0.802			
	CBT2	0.846			
	CBT3	0.857	0.693	0.919	0.892
	CBT4	0.845			
	CBT5	0.816			
Reliability (RL)	RL1	0.854			
	RL2	0.861	0.715	0.908	0.872
	RL3	0.868			
	RL4	0.798			
Responsiveness (RS)	RS 1	0.840			
	RS 2	0.857	0.696	0.902	0.857
	RS 3	0.841			
	RS 4	0.799			
Assurance (AS)	AS 1	0.807			
	AS 2	0.826	0.631	0.873	0.808
	AS 3	0.814			
	AS 4	0.728			
Empathy (EM)	EM 1	0.836			
	EM 2	0.885	0.751	0.924	0.891
	EM 3	0.891			
	EM 4	0.856			

Table 3: The results of construct validity and reliability for second order

Construct	Items	Loadings	AVE	CR	Alpha
Service Quality (SQL)	Reliability	0.858			
	Responsiveness	0.840	0.729	0.931	0.952
	Assurance	0.778			
	Empathy	0.892			

Table 4: The results of discriminant validity (using HTMT)

	KCF	KLM	ORG	SQL	CBT
KCS					
KLM	0.822				
ORG	0.753	0.802			
SQL	0.695	0.671	0.883		
CBT	0.790	0.707	0.732	0.649	

Table 5: The results of hypotheses testing

Path	S. β	S. D	t-value	P-value	VIF	R ²
KCS -> SQL	0.391	0.082	4.820	0.002	3.153	0.514
KLM -> SQL	0.219	0.067	3.319	0.002	2.418	
ORG -> SQL	0.166	0.079	2.121	0.051	1.070	
CBT -> SQL	0.189	0.072	2.645	0.005	2.163	

The objective of this study is to assess the impact of CRM dimensions on service quality. The findings indicate that when banks prioritize key aspects of CRM, such as focusing on customer needs and feedback, they can enhance and sustain their service quality. This emphasis on key customers is also vital for improving service quality in the bank industry. By addressing the needs and desires of both existing and potential customers, banks can meet the service quality expectations demanded by their clientele. Additionally, the study reveals that CRM knowledge management has a positive impact on service quality, supporting the findings of previous research. In the context of the bank industry, a focus on knowledge management enables bankers to gather crucial information about customers and competitors. This information can then be transformed into actionable insights, helping to improve the overall quality of services provided by the bank.

5. Conclusion & Future Scope

The analysis of the relationship between customer satisfaction and CRM in the Indian banking sector revealed a significant and positive correlation, as indicated by an estimate of 1.025 and corresponding critical ratio values. Additionally, when examining the impact of customer relationship management on customer loyalty through the lens of customer satisfaction, it was found that the direct effect of satisfaction on loyalty was 0.945, while the indirect effect of CRM on loyalty via customer satisfaction was 0.972. This suggests that increases in CRM and customer satisfaction lead to increases in loyalty by 94.5% and 97.2%, respectively. These findings align with previous studies that have shown a positive impact of relationship marketing on customer satisfaction, even at lower levels of CRM implementation. Our results also concur with research indicating that CRM enhances satisfaction and boosts profits by reducing the costs associated with customer engagement. Furthermore, our findings support earlier studies that identified a moderating effect of respondents' income level on the relationship between satisfaction and loyalty. Finally, our study agrees with research suggesting that CRM elements are key drivers of customer satisfaction and loyalty, particularly through effective problem-solving and complaint resolution.

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