

**CUSTOMER RELATIONSHIP MANAGEMENT AND IT'S SIGNIFICANCE IN THE  
BANKING SECTOR**

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**ABSTRACT**

An organization can maintain positive client interactions by using customer relationship management, an all-encompassing business strategy. Customers are seen as the market's kings. Customers and banks have a special relationship. While some banks are adopting CRM to sustain profitable client relationships, others are still using traditional marketing due to a variety of factors, including financial targets, lack of training, new technology literacy, and failure risk. Because customers have many options in this cutthroat world and are typically not devoted to one company, CRM implementation in the banking industry can result in long-term customer retention. CRM aims to maximize the value of customers through the development, maintenance, and improvement of customer relationships. After CRM was implemented, the bank's culture shifted from being task-oriented to being result-oriented. Maintaining client happiness and boosting consumer loyalty are the goals of the CRM methodology. This paper aims to investigate the significance of customer relationship management (CRM) systems and

provide a comprehensive understanding of various methodologies and techniques. This study's primary concern is that CRM has developed into a multifaceted, intricate phenomena driven by a number of variables. Various factors have been employed to measure CRM because of its complexity, and these have been the subject of various previous research. The difficulties the banking industry faces are highlighted in this study. Examining CRM's applicability and influence in the Indian banking industry is the aim of this study.

**Keywords:** Customer relationship management, Types, Components, CRM in Banking sector, information technology, customer satisfaction, Positive effects CRM in banking sector.

### Introduction

The 1970s saw the introduction of the idea of customer relationship management. Through customer relationship management, banks are able to recognize and satisfy the demands and preferences of their customers. Let's first look at What does a customer mean? A client may be an individual, a group of people or an organization, the government, an agent, etc. A legal entity that has a financial relationship with a bank might be referred to as a customer. CRM stands for Customer Relationship Management. Creating clients by bringing together purchasers and suppliers of goods and services is one of the primary responsibilities of the bank's promotion and advertising department. Building and maintaining long-term relationships of cooperation and engagement between a firm and its consumers is incredibly challenging but crucial to the growth of any organization in an era where the philosophy of all enterprises cannot be limited to being customer-oriented. Since its successful implementation may boost customer happiness, loyalty, and retention—and consequently, sales and repeat business—customer relationship management, or CRM, has emerged as an essential approach for all businesses. CRM is designed to gather data on customer behavior via communication channels so that the appropriate product or service can be delivered at the appropriate time and location. For banks, tracking the ever-changing behavior of their customers is a challenge because identifying their conduct is a routine activity that varies constantly [1-6].



**Figure 1: Benefits & Importance of CRM in Banking**

Creating and preserving enduring relationships with clients is a multi-step procedure. Banks are crucial to the functioning of any economy because they encourage customers to save and offer merchants, business owners, and service providers financial support. Since customers are banks' primary priority, the banking industry is heavily focused on them. In order to provide

them with appropriate service, banks divide their clientele into several groups based on many factors such as individual demands and behaviors. Information technology today makes it simple to get data from specific clients in order to analyze and examine patterns of individual behavior and gain their trust, contentment, and loyalty. In order to maximize revenues, the banking industry is now beginning to understand how important CRM is for acquiring, retaining, and growing its client base.



**Figure 2: Need to know about Customer Relationship Management.**

CRM, or customer relationship management: -The fundamental business strategy of customer relationship management combines internal and external operations to generate and provide value for customers. CRM is a tactic used to gather data about a customer's needs and behavior in order to build profitable, long-term relationships. The banking industry uses CRM to assess each and every customer separately and uniquely in order to build customer happiness, trust, and enduring loyalty. Banks have made a commitment to customer relationship management to put the needs of their clients first. CRM is a customer-centric approach, and managing various customers through recognition and comprehension of their unique needs, behaviors, and preferences is its ultimate goal. Customer relationship management (CRM) is a customer-centric method whose main goal is to handle various customers by recognizing and comprehending their unique demands, behaviors, and preferences. The following difficulties should be considered by banks looking to expand their clientele and increase profitability:

- Obtaining new clients and keeping hold of current ones more economically.
- Regain the confidence of your lost clients.
- Boosting revenue from current clients.
- Lowering the selling price.

**CHARACTERISTICS OF CUSTOMER RELATIONSHIP MANAGEMENT (CRM):-**

Customer relationship management is an approach that may be tailored by a company to effectively manage and oversee its suppliers and customers in order to achieve business

excellence. It is primarily associated with the following characteristics:  
Client Needs:

1. A company can never presume to know what a consumer truly needs. Therefore, it is crucial to interview a consumer to learn about all of their likes and dislikes in order to determine and prioritize their true needs. It is difficult to provide good customer service and uphold a long-term agreement without adapting to the real needs.
2. Customer response refers to how the company responds to the questions and actions of its customers. Appropriately responding to these questions is crucial since even minor miscommunications might lead to disparate interpretations. The ability to comprehend and analyze these questions, as well as come up with the best answer, is essential for success.
3. Customer happiness: A key performance factor and fundamental way that business strategies differ in today's cutthroat business environment is customer happiness. Therefore, greater customer satisfaction leads to increased business and stronger customer relationships.
4. Customer Loyalty: The propensity of a customer to continue doing business with and routinely purchase from a specific supplier is known as customer loyalty. This typically occurs when a customer is so pleased with a supplier that he returns to the company for business transactions or when the supplier tends to encourage him to buy a specific product or brand repeatedly. Customer loyalty is therefore a determining factor in CRM and is always essential for company success.
5. Customer retention is a strategic strategy aimed at keeping current customers loyal to one's firm and preventing them from going to other suppliers or organizations. As long as his fundamental demands are met, a devoted consumer is typically inclined to persist with a specific brand or product. He does not choose to try a new product and take a chance. The greater the likelihood of net business growth, the greater the potential to retain clients.
6. Customer complaints: Resolving complaints from consumers is a constant source of difficulty for suppliers. Typically, the act of a client voicing a complaint signifies their unhappiness. There are multiple reasons why a customer might file a complaint. Customers may sometimes be unsatisfied for legitimate reasons, but complaints can also be filed because of a misinterpretation of the terms of the agreement that the supplier supplied when purchasing any good or service.
7. Customer Service: A customer's happiness with a supplier is based on the caliber of service they receive. The company must not only specify and make clear the specifics of the services that will be rendered to the client, but also adhere to the terms. The corporation should have good customer relations if the quality and trend of service exceeds the expectations of the clients.

### **Literature Review**

One of the most interesting and exciting technology subjects of the new millennium is customer relationship management, or CRM. Some firms, according to Peppers and Rogers (1999), see CRM as a technology that is specifically made for one-on-one customer communications, which are handled by marketing, sales, and call centers. As a result of the financial institutions' widespread use of technology to substitute human interaction in various application areas, Puccinelli (1999) sees the financial services sector

entering a new era marked by a decline in personalized attention. The banking sector has been significantly impacted by technological advancement in recent decades.

CRM was created because clients have different tastes and buying habits, according to Bose (2002). CRM wouldn't be necessary if all of the clients were the same. According to Chen and Popovich, companies can enhance their client portfolio value by customizing their services based on a deeper understanding of customer drivers and profitability.

CRM is not a particularly new idea, according to Chen and Popovich (2003), but it has gained practical significance as a result of recent developments and advancements in enterprise software and information technology. CRM is rooted in relationship marketing, which aims to shift away from product-centric marketing in order to increase customers' long-term profitability. According to Greenberg (2004), CRM typically involves all divisions within a company and is an enterprise-focused project. He goes on to say that CRM will encompass not just customer service but also purchasing, billing, design, manufacturing, product testing, assembly, human resources, and sales. To develop a long-term relationship with a supplier, CRM emphasizes two-way communication between the provider and the client, according to Frow and Payne (2004). Technology advancements, especially the Internet, have significantly improved two-way communication.

Researching the use of customer relationship management in the banking sector is the study's goal, assess the benefits of CRM adoption in the banking sector, to investigate how the performance of commercial banks is affected by technology. To comprehend the challenges that the banking sector encounters in providing better services and maintaining a positive customer relationship.

### **Research Methodology**

All secondary sources of data for this study, including news articles, books, journals, magazines, and online sites, were used.

Bringing in new business is the aim of customer relationship management.

To keep up with current clients.

### **Help increase client trust in the banking industry.**

Maintaining a personal relationship with customers is important to banks, as they treat each one differently and uniquely.

To engage in numerous forms of communication with clients in order to add value for them.

To treat clients with consideration, decency, and courtesy.

Customer life cycle: -Consists of four key components: customer development, acquisition, retention, and satisfaction. Obtaining Customers: -

Getting new consumers is a difficult task in this cutthroat market. Customer relationship management is an excellent business approach to seize the opportunities in the market. We should employ various techniques to draw in new clients. One aspect of customer development is making products available to customers based on their preferences and needs. Providing the appropriate goods at the appropriate time and location can lead to customer development.

### **Client Contentment and Allegiance**

While the goal of conventional marketing was to increase profits through the sale of goods and services, customer pleasure has become equally vital in modern marketing strategies in addition to product sales. CRM is helpful in increasing client satisfaction and loyalty in the banking

industry. The expense of obtaining new customers is significantly more than that of keeping hold of current ones when it comes to client retention. Every business should work to attract and keep clients for an extended amount of time.

#### **TYPES OF CUSTOMER RELATIONSHIP MANAGEMENT:**

1. Operational CRM: - This method provides you with an overview of every customer journey. To identify which leads require nurturing with automation, Operation CRM can automate lead scoring and increase profitability. Automating processes like marketing, sales, and service is made possible with operational CRM. Operational CRM has the following benefits:
2. Streamlining internal communications; improving market procedures; and raising revenue and customer satisfaction.
3. CRM analytics: -Customer data is analyzed, maintained, and made available for reports by Analytics CRM. Today, gathering vast amounts of client data is made simpler by information technology. Through the analysis of this collected data, we are able to determine what issues consumers are dealing with, what factors contribute to customer retention, and what aspects help increase sales.

#### **Why Analytics CRM is beneficial are:**

1. Improves client loyalty; Accurate financial forecasts and planning; and a deeper understanding of customer behavior
2. Collaborative customer relationship management (CRM): Also referred to as strategic CRM, collaborative CRM prioritizes customer retention, customer service, and satisfaction over client acquisition. Banking industry should invest in collaborative CRM to handle customer service and business activity management. A number of organizational departments, including the marketing, sales, and finance departments, exchange information with one another in an effort to boost revenue, customer happiness, and royalty.
3. The marketing team can recommend more appropriate products or services to customers based on feedback from customers that the technical support team has gathered.

#### **In the CRM process, there are five steps:**

Create awareness of your brand: CRM begins with creating brand awareness as a means of introducing potential customers to your company. Because the market is crowded with competitors, the marketer needs to raise consumer awareness of the existence of this specific brand. This usually involves introducing your company to potential clients.

Get leads: Exposing your brand to prospective clients is the first step in the CRM process. Marketers that are introducing their brands should urge consumers to find out more about them in order to draw them in. In order to influence clients, marketing initiatives are also helpful. Convert leads into customers: Converting leads into customers is the next phase in the customer relationship management process. At this point, the benefits of a successful CRM strategy start to become evident. When consumers express interest in your brand, it's time to convert those leads into paying clients.

Deliver excellent customer service: - Providing excellent customer service is a crucial step in maintaining customer relevancy. Comprehending the necessary modifications to enhance the consumer experience holds paramount significance. Make an upgrade and loyalty

investment: - The last phase in the CRM process is to assist clients in order to increase their loyalty. Focusing on improving client retention through a shift in buying patterns to include more upscale goods and services is an additional strategy to boost earnings in addition to keeping existing consumers. Elements of Customer Relationship Administration: 1. Human Resource Administration: With employees regarded as vital assets, human resource management is a critical part of customer relationship management (CRM). Employee skill analysis in various organizational contexts is made easier with the aid of human resource management. Accordingly, HRM helps ensure that CRM is implemented successfully [7-9].

Customer Service: This department compiles and communicates pertinent data with relevant departments regarding the requirements and desires of customers as well as their purchasing patterns. Goodwill toward the customer is cultivated in this way.

Sales Force Automation: Forecasting sales and recording sales procedures are made possible by sales force automation, an integral part of CRM. It is quite simple to identify prospects for income production with the use of sales force automation.

Marketing: By successfully putting promotion plans into action, customer relationship management supports marketing efforts. In an effort to increase client loyalty and comprehension, marketers constantly monitor data about each individual customer.

The banking sector benefits from CRM in the following ways: The establishment, maintenance, and retention of customers are critical functions of customer relationship management in the banking industry. Among the positive outcomes are: The information acquired via CRM is accurate and timely.

Gaining insight into the behavior, wants, and preferences of customers in order to tailor a product or service to meet their needs. CRM is beneficial in the sale of various bank products, including investments, credits, and deposits. CRM additionally facilitates the enhancement of positive customer connections and robust consumer loyalty. The process of choosing profitable consumers is aided by customer relationship management. The efficiency and efficacy of sales can be enhanced with the help of customer relationship management. Banks may provide their clients new technologies like mobile banking, ATMs, E-cards, and so on by utilizing CRM. Customer information from CRM aids in market segmentation.

#### **CRM-related issues in the banking sector:**

Notwithstanding CRM's many advantages, the banking industry nevertheless faces a number of issues. These include:

For the banking industry, effectively assessing client perception is one of the most difficult tasks. It takes a lot of money to build and maintain consumer loyalty. Moving customers across banks to take advantage of better interest rates when one bank offers a higher interest rate is the most frequent problem. The regular turnover of operational staff has an impact on CRM as well. One additional issue is that not all consumers are prepared to establish a relationship with any business because they believe the latter has amassed an excessive amount of personal data about them.

#### **Conclusion**

Investigating the effects of CRM in the banking industry was the goal of this study. In recent years, CRM has become more and more important in modern marketing. In order to draw in new business and keep hold of current clientele, the Indian banking industry relies heavily

on CRM research. Consumer behaviour is greatly impacted by new technology. As a result, consumers' perceptions and behaviours have evolved, and they are now looking to manufacturers and service providers for more satisfying products. Serving and preserving positive client connections is one of a business's biggest challenges in the modern era of globalization and liberalization because it has just one solution—CRM. Technology is currently playing a major role in the Indian banking industry. In order to meet their objectives, banks must recognize the value of CRM, even though they all wish to employ good, efficient technology. CRM enables banks to quickly and affordably meet consumer demands. To help staff members adopt a positive customer-focused mindset, banks should offer training. The bank's culture shifts from being task-oriented to being result-oriented with the introduction of CRM [10-11].

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