

Mediating Role of CRM in Building Customers Perception, Satisfaction and Loyalty

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Abstract

Effective CRM (Customer Relationship Management) strategies enhance the banks share in the financial market. It also mediates the bank's commitment to meet the customers demand /expectation. Private sector banks operating in India realise number of benefits by adopting right CRM practices. This article aims to assess the perception of customers towards SQD (Service Quality Dimension) of private sector bank operating in Tirupur district, to measure the customers perception toward CRM of their bank and to explore mediating role played by CRM in enhancing customers interaction (service value), satisfaction towards service value of the bank and loyalty towards the bank. Data were collected from 300 private bank customers living in Tirupur district. The investigation and inferential analysis declared that there exists relationship between private sector banks customers perception towards CRM practice of their bank mediates their perception on customers interaction (service value) maintained by the bank (35.30 per cent), their perception towards SQD of the bank (53.70 per cent), satisfaction towards the same (49.40 per cent) and loyalty towards the bank (47.20 per cent). The authors suggests the private sector banks to understand their strength and weakness, based on which they should strategically design their services, enhances its quality that is suitable different segment of customers who are differently educated or digitally literate, as the dominance of public sector banks are slowly diminishing and the future of banking are going to be in the hands of private sector banks.

Keywords: Private Sector Bank, Customers Relationship Management (CRM), Service Quality Dimension (SQD)

Introduction

Today banks are operating in a highly competitive environment. Bankers' juggles to find perfect balance between huge data management, customers expected demand meeting, staying competitive cum technologically upgraded and being a base for accepting different payment options (Mishra, 2024). Effective CRM (Customer Relationship Management) strategies enhance the banks share in the financial market. It also mediates the bank's commitment to meet the customers demand /expectation (Kumari and Singh, 2024). Private sector banks operating in India realise number of benefits by adopting right CRM practices. Private sector banks aim to focus on CRM to stay competitive, meeting their customers demand and offer them best-of-best services, as their nature of services and product offered by them are homogenous in nature i.e., similar of any public or foreign banks (Verma and Gupta, 2024). CRM supports the banks to earn high profit, reduce operational cost, enhance their operational efficiency and retain their customer satisfied (Dhokadia et al., 2022).

Theme of Article, Aim and Hypotheses

Customers satisfaction absolutely influences their feel of loyalty towards bank (Kumar and Kaur, 2022). In the ever-changing banking environment (supported by CRM) constant researcher on customers expectation, satisfaction and loyalty towards services offered by banks will supports the bank to known about their status in meeting the customers expectation, fulfilling their needs, retaining them satisfied and loyal (Mishra, 2024). Thereby, the banks can plan their future strategies, identify the area to be focused and make all possible attempts to retain their customers pleased, happy and satisfied, turning them into loyal to the bank. Based on this concept, the article aims:

- To assess the perception of customers towards SQD (Service Quality Dimension) of private sector bank operating in Tirupur district.
- To measure the customers perception toward CRM of their bank.
- To explore mediating role played by CRM in enhancing customers interaction (service value), satisfaction towards service value of the bank and loyalty towards the bank

To draw enough justification towards the aims focused in this article, the hypotheses are framed and its validated through construct of SEM model.

- Private sector banks customers perception towards CRM practice of their bank mediates their perception on
 1. customers interaction (service value) maintained by the bank
 2. their perception towards SQD of the bank,
 3. satisfaction towards the same and
 4. loyalty towards the bank.

Literature Discussion

Literatures collected by researchers in understanding the nature of mediating role played by establishing relationship with bank customers through CRM and support banks in retaining their customers satisfied cum loyalty.

Limbad and Patel (2020) with the support of SE-Model the study established prevalence of association between service quality of banks, customers satisfaction and loyalty. Kumar and Mokha (2021) drew association between customers experiences with the services offered by the banks, their perception towards E-CRM, their satisfaction and loyalty. Kumar et al.,'s (2022) quantitative data collected from 836 bank customers analysis revealed that customers experiences with the bank services act as mediated relationship between their perception towards E-CRM and their satisfaction level. Sahoo et al., (2024) disclosed that customers attitude towards CRM and their satisfaction towards bank services are linked with the customers loyalty. Priyadharshini and Ganesan (2025) claims that give importance to the quality of digitalised services offered to the customers, resolving issues faced by the customers, managing every single transaction, ensuring security of customers information and transaction, customers preferences of services, these service dimensions are linked with the CRM practices of the bank.

Based on the above discussion authors understood the importance of retaining customers satisfied and loyal in this pursuit CRM. As CRM is a technology that aims to identify the customers, target them, acquire them and retain them satisfied, it involves number of process and systematics updation of data

Methodology and Design

The article is descriptive in nature and has designed both qualitative and quantitative techniques. Needed

-data were collected from 300 private bank customers living in Tirupur district, data collected through supply of questionnaire. The article applied S-O-R model designed by Mehrabian and Russell (1974) and was updated modified by Jacoby (2002). This model used in the study as banking service marketing effectiveness measure tool. SOR (Stimulation-service features CRM), O (Organism) -Internal factors of the bank i.e., its evaluating customers demand, expectation etc., i.e., influence of stimulation on customer delight/ pleasure /satisfaction towards services offered by the bank and R(Response) related to loyalty towards bank i.e., measure of stimulation on retaining customers loyal (Kumar and Kaur, 2022). Authors used Likert's five-point scales to measure the bank customers level of perception on service quality dimension, CRM practices, customers satisfaction and loyalty towards private sector bank.

Grouping and Naming the Variables

For construct of SEM the data collected under various head and purposes were divided into different section through grouping and clubbing of the variables. Customers perception towards SQD (16 variables grouped into 5 heads) were abbreviated as: BSEM- Bank Staff's Empathy, BSRE- Banking Service Reliability, TFBR- Tangibility Features of Bank Branch, EMRE- Employees Responsiveness and TRBA- Trust with the Bank.

Customers perception towards service value maintained by bank (16 variables grouped into 6 heads) were abbreviated as: PSEFE- Perception on Service Features, PCOTE- Perception on Competency Technical, PSTAF- Perception on Staff, PTRUS- Perception on Trust, PCRM- Perception on CRM and POTHS- Perception on Others.

Customers perception towards CRM practices of banks (59 variables grouped into 9 heads) were named as KCCC-Key Customer Centric Culture (grouped six variables related customers services offered by the bank), KNAS-Knowledgeability Aspect (summarised five variables related to bank employees knowledge about various services offered to the clients and its features), TEAS- Technological Aspect (concentrated 10 variables that related to technology dimension, its operation and timing etc), INAS- Informative Aspect (contains eight variables based on the nature of communication established by the bank through informing on it operation, service and updation), ATAS- Attitudinal Aspect (comprises six variables related to bank employees attitude towards their clients), CUAS- Cultural Aspect (contains five variables related ethical and fair practice of the bank), OPAS- Operating and Procedural Aspect (contains 11 variables related to the functioning of bank with the support of technology), PRAS-Pricing Aspect (grouped four variables cost of services offered to the customers), PDAS- Product and Distribution Aspect (bank's infrastructure and service delivery features).

Private bank customers level of satisfaction was measured with the support of 16 variables grouped in six segments. SSEFE- Satisfaction towards Service Features (three variables related to proficiency, promptness and software), SCOTE- Satisfaction Competency Technical (contains three variables- capability, ability and technology adopted by the bank in service delivery), SSTAF- Satisfaction Staff (two variables -satisfaction with staff knowledge and behaviour), STRUS- Satisfaction Trust (three variables- level of satisfaction related safety, security, authentication and cost of services), SCRUM- Satisfaction CRM (contains three queries related to CRM) and SOTHS- Satisfaction Others (conveniences of bank and various other satisfaction features are grouped in this section -two variables). Private bank customers level of loyalty - seven variables were grouped into three factors such as: COLO- Continue to be Loyal (three variables – nature of commitment exhibited current and in future by the customers), INPB- Intention to

Adopt Promote Rank Product (two variables related to future intention to recommend the bank to others) and INSW- Intention to Switch (two variables -prefer switch to a competitor bank).

Demographic Profile of the Private Bank Customers

Demographic status of the bank customers surveyed were divided as 55.64 per cent men and 44.36 per cent female. Respondents were found to be fairly educated and mostly employed in private entities and 92.36 per cent were in the working age group of 21 years to 55 years. Samples were predominantly clients of three private sector banks ICICI Bank, Indusland Bank and Karur Vysya Bank. The samples stated that they selected specific private sector banks as it is nearer to their living place, their salaries are credited and influenced by the technology advancement of specific private sector bank.

Empirical Discussion

Through assessment of five service quality dimension, it has been inferred that customers are found to be highly influences trust towards bank (91.20 per cent), employees' responsiveness towards (80.40 per cent), service reliability (78.40 per cent), tangible features of branch (76 per cent) and staff's empathy (74.80 per cent). The samples private sector bank customers surveyed highly appreciate service provision and its distribution (94.80 per cent), operating and procedural of their bank (92.80 per cent), supportive attitude of the bank staff (88.40 per cent), service charges and interest on loans /deposits (86 per cent) and staff's knowledge about various services (85.20 per cent).

Primarily sample customers expressed very high degree of satisfaction towards technical competency of private sector banks (92.40 per cent). The samples have expressed satisfaction towards trust built by the bank among the customers (90.20 per cent), CRM practices (87.60 per cent), service features of the bank (86.40 per cent), staff behaviour towards customers (83.20 per cent) and various other services offered by the bank (82.40 per cent). Through investigation of data, it was observed that 87.60 continue to be loyal and 89.60 per cent of the bank customers have intention to adopt and promote service of bank. Whereas 60.40 per cent of the customers intention to switch to competitor bank, as they are found to be dissatisfied with certain services offered by the private sector banks.

SE-Model was constructed to measure association between bank customers perception, satisfaction and loyalty towards private sector banks. Above presented literature discussion provided enough literature knowledge base for construction of SE-model.

EXHIBIT: 1

CONFIRMATORY FACTOR ANALYSIS

ASSOCIATION BETWEEN PRIVATE BANK CUSTOMERS PERCEPTION, SATISFACTION AND LOYALTY TOWARDS PRIVATE SECTOR BANKS

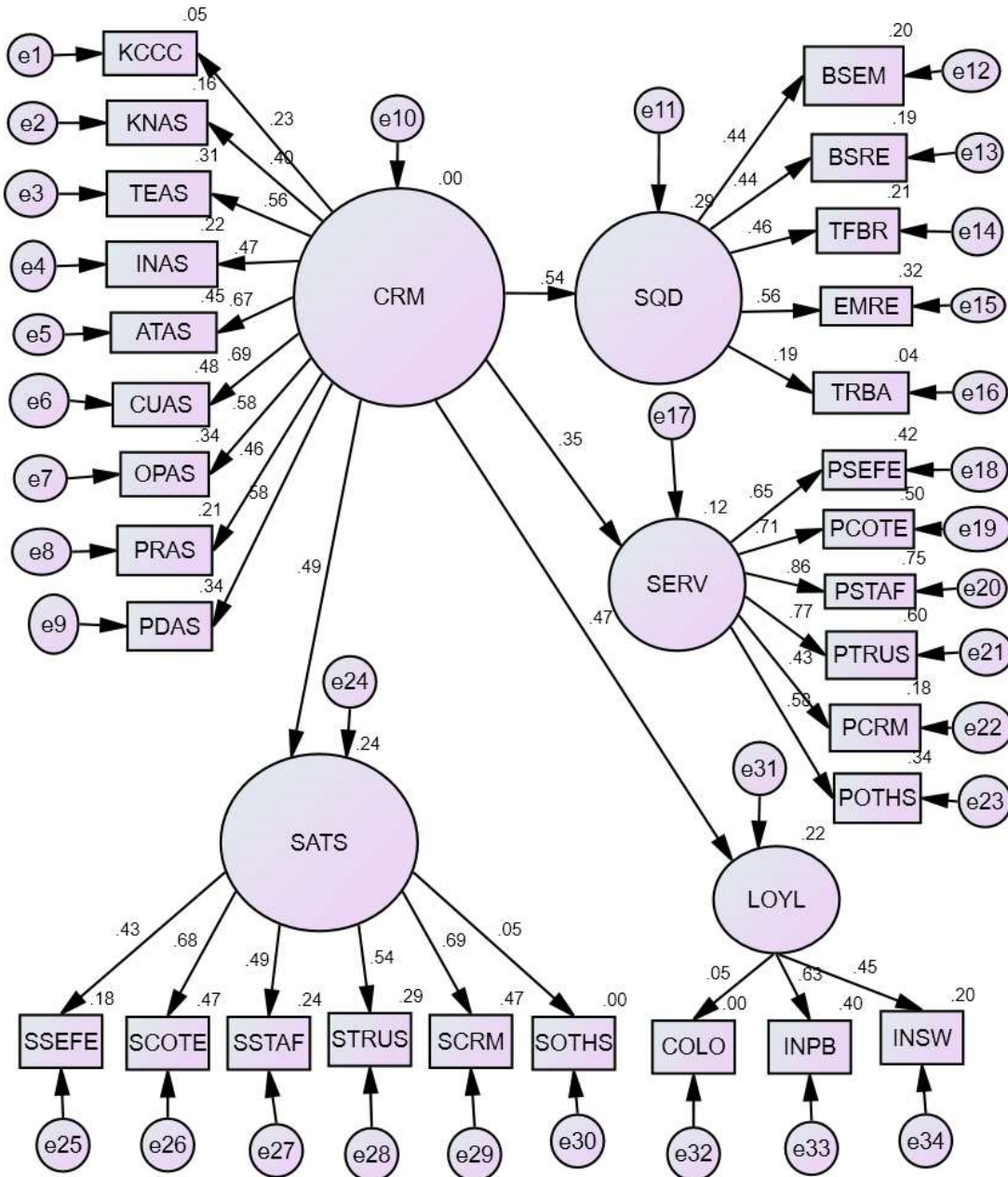


TABLE: 1
GOODNESS OF FIT STATISTICS

Goodness of Fit Statistics		Results
Absolute fit	Chi square (χ^2) of the Estimate model	1084.876
Incremental fit	RMSEA	.003
	TLI	.982

	IFI	.921
	CFI	.916
Parsimonious fit	Parsimony fit (χ^2 /df)	2.909

Level of Significance: 5 per cent

For hypothesis testing, the proposed model with all measurement items from the CFA was estimated. The results in Table 1 revealed acceptable fit indices of the model; $\chi^2 = 1084.876$, $p < 0.001$, degrees of freedom = 373; parsimony fit (χ^2 /df) = 2.909; GFI = 0.954; AGFI = 0.913; CFI = 0.916; IFI = 0.921; RMSEA = 0.003.

TABLE:2
DIRECT, INDIRECT AND TOTAL EFFECT BETWEEN CONSTRUCTS

Path	Direct Effect		Indirect Effect		Total Effect	
	Path Co-efficient	P Value	Path Co-efficient	P Value	Path Co-efficient	P Value
Perception towards CRM Practices → Perception towards Service Value Maintained by the Bank	.353	.000	-	-	.353	.000
Perception towards CRM Practices → SQD	.537	.000	-	-	.537	.000
Perception towards CRM Practices → Satisfaction towards Service Value Maintained by the Bank	.494	.000	-	-	.494	.000
Perception towards CRM Practices → Loyalty towards Private Sector Banks	.472	.000	-	-	.472	.000

Source: Survey Data

Measure of mediating role of customers perception on CRM on service value of bank measured as (35.30 per cent), SQD (53.70 per cent), customers satisfaction (49.40 per cent) and loyalty (47.20 per cent).

TABLE: 3
STRUCTURAL MODEL RESULTS

Hypothesis	Path			Standardized Estimates	C.R	Relationship
Association between bank customers perception towards service value of bank, SQD, satisfaction	SERV	<---	CRM	.353	1.357	Significant
	SQD	<---	CRM	.537	1.171	Significant
	SATS	<---	CRM	.494	.732	Significant
	LOYL	<---	CRM	.472	1.189	Significant

and loyalty towards private sector banks						
The intercorrelation of perception towards the SQD	BSEM	<---	SQD	.444	2.631	Significant
	BSRE	<---	SQD	.440	2.208	Significant
	TFBR	<---	SQD	.462	2.213	Significant
	EMRE	<---	SQD	.565	2.304	Significant
	TRBA	<---	SQD	.191	2.299	Significant
The intercorrelation of perception towards service value maintained by the bank	PSEFE	<---	SERV	.650	2.854	Significant
	PCOTE	<---	SERV	.711	1.567	Significant
	PSTAF	<---	SERV	.865	1.800	Significant
	PTRUS	<---	SERV	.773	1.858	Significant
	PCRM	<---	SERV	.428	2.601	Significant
	POTHS	<---	SERV	.585	2.721	Significant
The intercorrelation of perception towards CRM practices	PDAS	<---	CRM	.579		Significant
	PRAS	<---	CRM	.463	2.582	Significant
	OPAS	<---	CRM	.584	2.818	Significant
	CUAS	<---	CRM	.694	2.657	Significant
	ATAS	<---	CRM	.670	2.027	Significant
	INAS	<---	CRM	.472	2.086	Significant
	TEAS	<---	CRM	.558	2.222	Significant
	KNAS	<---	CRM	.402	1.778	Significant
	KCCC	<---	CRM	.228	1.345	Significant
The intercorrelation of satisfaction towards service value maintained by the bank	SOTHS	<---	SATS	.049	1.415	Significant
	SCRM	<---	SATS	.688	.737	Significant
	STRUS	<---	SATS	.539	.733	Significant
	SSTAF	<---	SATS	.492	.737	Significant
	SCOTE	<---	SATS	.684	.738	Significant
	SSEFE	<---	SATS	.429	.737	Significant
The intercorrelation of loyalty towards private sector banks	COLO	<---	LOYL	.047	.558	Significant
	INPB	<---	LOYL	.631	1.211	Significant
	INSW	<---	LOYL	.446	1.415	Significant

- Association between bank customers perception, satisfaction and loyalty towards private sector banks: SATS vs CRM ($\beta=.494$, $p=.004$), LOYL vs CRM ($\beta=.472$, $p=.001$), SQD vs CRM ($\beta=.537$, $p=.000$) and SERV vs CRM ($\beta=.353$, $p=.000$) are positively correlated and found to be significant.
- Intercorrelation of perception towards the SQD as: BSEM vs SQD ($\beta=.444$, $p=.000$), BSRE vs SQD ($\beta=.440$, $p=.000$), TFBR vs SQD ($\beta=.462$, $p=.000$), EMRE vs SQD ($\beta=.565$, $p=.000$) and TRBA vs SQD ($\beta=.191$, $p=.022$) are positively correlated and found to be significant.
- Intercorrelation of perception towards service value maintained by the bank as: PSEFE vs SERV ($\beta=.650$, $p=.000$), PCOTE vs SERV ($\beta=.711$, $p=.000$), PSTAF vs SERV ($\beta=.865$, $p=.000$), PTRUS vs SERV ($\beta=.773$, $p=.000$), PCRM vs SERV ($\beta=.428$, $p=.000$) and POTHS vs SERV ($\beta=.585$, $p=.000$) are positively correlated and found to be significant.

- Intercorrelation of perception towards CRM practices as: PDAS vs CRM ($\beta=.579$, $p=.000$), PRAS vs CRM ($\beta=.463$, $p=.000$), OPAS vs CRM ($\beta=.584$, $p=.000$), CUAS vs CRM ($\beta=.694$, $p=.000$), ATAS vs CRM ($\beta=.670$, $p=.000$), INAS vs CRM ($\beta=.472$, $p=.000$), TEAS vs CRM ($\beta=.558$, $p=.000$), KNAS vs CRM ($\beta=.402$, $p=.000$) and KCCC vs CRM ($\beta=.228$, $p=.000$) are positively correlated and found to be significant.
- Intercorrelation of satisfaction towards service value maintained by the bank as: SOTHS vs SATS ($\beta=.049$, $p=.000$), SCRUM vs SATS ($\beta=.688$, $p=.001$), STRUS vs SATS ($\beta=.539$, $p=.003$), SSTAF vs SATS ($\beta=.492$, $p=.001$), SCOTE vs SATS ($\beta=.684$, $p=.000$), SSEFE vs SATS ($\beta=.429$, $p=.001$) are positively correlated and found to be significant.
- Intercorrelation of loyalty towards private sector banks as: INSW vs LOYL ($\beta=.446$, $p=.000$), INPB vs LOYL ($\beta=.631$, $p=.001$) and COLO vs LOYL ($\beta=.047$, $p=.007$) are positively correlated and found to be significant.

All the hypotheses framed stands accepted.

Findings

The investigation and inferential analysis declared that there exists relationship between private sector banks customers perception towards CRM practice of their bank mediates their perception on customers interaction (service value) maintained by the bank (35.30 per cent), their perception towards SQD of the bank (53.70 per cent), satisfaction towards the same (49.40 per cent) and loyalty towards the bank (47.20 per cent).

Conclusion

In the contemporary, age for customers banking has become a life-style need as it forms part of their day-to-day activities. Through effect use of CRM banks predict their customers unsaid needs, expectation and demand placed by them. In an ear beyond 2025 banks will be integrated with multi-channel entities, supported by AI technology, machine learning analysis and deep-learning in judging cum meeting their customers highly personalised service demands. In this context, private sector banks should understand their strength and weakness, based on which they should strategically design their services, enhances its quality that is suitable different segment of customers who are differently educated or digitally literate, as the dominance of public sector banks are slowly diminishing and the future of banking are going to be in the hands of private sector banks.

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