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CUSTOMER RELATIONSHIP MANAGEMENT PRACTICES AND CUSTOMER LOYALTY IN INDIAN BANKING: A COMPARATIVE EMPIRICAL STUDY OF SELECTED PUBLIC AND PRIVATE SECTOR BANKS

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ABSTRACT

This paper studies the impact of Customer Relationship Management (CRM) practices on customer loyalty in the Indian banking sector and examines customer perceptions of selected public and private banks in India. Design/methodology/approach: The study uses a quantitative, cross-sectional survey methodology with a structured questionnaire. 350 customer responses, split equally between public and private banking sector customers, formed the analytical dataset. Twelve CRM practices were evaluated using a Likert scale across dimensions such as staff communication and engagement, promptness of service, complaint handling, trust and transparency, digital services, data privacy and protection, and feedback. Customer loyalty was evaluated using six dimensions: satisfaction, trust, intent to continue, recommendation, and preference. Descriptive statistics, Cronbach's alpha, the Welch independent-sample t-test, Pearson correlation, and simple linear regression were employed. Findings: The CRM scale demonstrated strong internal consistency ($\alpha = 0.847$) and the loyalty scale acceptable consistency ($\alpha = 0.703$). Private bank customers demonstrated greater CRM perceptions ($M = 3.80$) and greater loyalty ($M = 4.05$) than public bank customers; the differences were statistically significant for both. CRM was moderately and positively correlated with loyalty and explained 27% of loyalty. Originality/value: The study provides an empirical analysis of the CRM–loyalty relationship for Indian banking and outlines actionable recommendations for public and private banks.

Keywords: *Customer Relationship Management; Customer loyalty; Public sector banks; Private sector banks; Indian banking; Service quality; Digital banking.*

1. Introduction

The Indian banking sector has integrated technology to evolve from a transaction-based to a customer-centric system, with an emphasis on relationships. This evolution includes banking reforms, increased competition from private banks, rapid digitization, and customers' rising expectations regarding the speed, clarity, and customization of banking services. In this context, the strategic implementation of Customer Relationship Management (CRM) systems offers banks the ability to organize customer-centric data, manage the full breadth of customer interactions, and convert engagements into long-term relationships (Payne & Frow, 2005; Chen & Popovich, 2003).

CRM is more than a technology solution; it is the integrated outcome of an organization's alignment of workforce and business processes with technology to facilitate customer acquisition and retention and to maximize customer value. In banking, CRM implementation is observed in staff behaviour, complaint handling, service responsiveness and personalization, protection of transactional privacy, and the provision of feedback and digital systems. Because banking products and services are similar across banks, the experience of service and the quality of the relationship are the primary differentiators (Kotler & Keller, 2015; Kumar & Reinartz, 2016).

The public–private comparison is especially pronounced in India. Public sector banks continue to benefit from legacy client relationships, the trust of government sponsorship, and extensive branch networks.

Private sector banks tend to offer more rapid service, advanced banking technology, and better customer communication and relationship technologies. These disparities create a unique environment in which to evaluate whether CRM practices tied to bank ownership create differences in customer loyalty (Kalyan, 2017; Mishra et al., 2011).

Although service quality, satisfaction, and loyalty in banking have been widely researched, empirical studies examining CRM perceptions and loyalty differences across public and private banks using the same parameters remain needed. Using a 350-response survey dataset, this paper investigates differences in CRM and loyalty perceptions across bank types and whether CRM practices predict loyalty, linking dimensions of CRM practice to loyalty behaviour and identifying areas for relationship-management enhancement in Indian banks.

2. Review of Literature and Hypothesis Development

2.1 CRM and Digital Relationship Management in Banking

CRM emerged from relationship marketing and customer-centred management. Parvatiyar and Sheth (2001) describe CRM as an integrated system for acquiring and retaining customers and building value-creating collaborations, while Xu et al. (2002) and Chen and Popovich (2003) define it as the alignment of technology, organizational processes, and people. The strategic aspect is crucial, as most CRM failures arise when organizations implement CRM as an IT solution rather than a customer-centred business strategy (Frow & Payne, 2009).

In banking, CRM and service quality are almost synonymous. Customers evaluate banks on the dependability of transactions, employee promptness and competence, assurance, empathy toward individual needs, and the tangibles of service delivery—elements that align with the SERVQUAL framework (Parasuraman et al., 1988). Banking digitization has reshaped CRM systems to incorporate mobile and internet banking, automated support, analytics, and artificial intelligence. Buttle and Maklan (2019) frame CRM as the integration of customer insight and operational capacity; Gil-Gomez et al. (2020) situate it within digital integration and sustainable business models; and Huang and Rust (2021) argue that AI makes customer support and marketing highly predictive, responsive, and personalized. CRM in banking should therefore be approached as the management of technology-based relationships rather than servicing customers only at physical branches.

A key insight from the literature is that CRM systems should be evaluated based on customer experience rather than management rhetoric about technology. A bank may have state-of-the-art CRM software yet deliver poor CRM if concerns go unaddressed, fees are unexplained, or staff are disrespectful. This paper therefore analyses CRM through customer-facing indicators such as correct transaction processing, privacy practices, timely information, and availability of help when needed.

2.2 Customer Loyalty and Comparative Research Gap

Customer loyalty goes beyond repeat usage to include preference, intent, recommendation, and resistance to switching. Dick and Basu (1994) define loyalty as a positive attitude toward a brand combined with repeat patronage. Loyalty is important for banks because customers maintain long-term relationships through financing, insurance, and digital transactions, and trust and communication are essential to it (Ndubisi, 2007). Bhat and Darzi (2016) show loyalty's central role in CRM and competitive advantage; Kaura et al. (2015) identify loyalty as an outcome of the interplay between service quality, service convenience, and price fairness; Choudhury (2014) links service quality to word-of-mouth; and Kaur and Soch (2018) emphasise satisfaction, trust, commitment, switching costs, and corporate image.

The comparative question remains valid because public and private banks may cultivate different types of loyalty—public banks through trust, branch presence, and familiarity; private banks through technology, speed, and a personalized touch. Accordingly, the study proposes: **H1:** Public and private sector banks exhibit different CRM practices. **H2:** Customers of public and private sector banks demonstrate different levels of loyalty. **H3:** CRM practices have a positive association with customer loyalty. **H4:** CRM practices influence customer loyalty in the Indian banking sector. The first two hypotheses address differences between bank types; the latter two address the CRM–loyalty relationship, since positive service encounters build trust, satisfaction, and commitment.

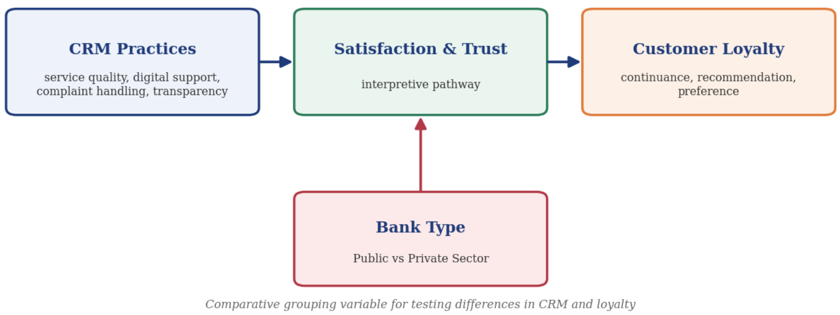

Figure 1. Proposed Conceptual Framework

The framework presents CRM practices as the independent variable and customer loyalty as the dependent variable, with satisfaction and trust as mediating variables and bank type (public vs. private) as the comparative grouping variable.

3. Research Methodology

The study employs a quantitative, cross-sectional, empirical design. Participants are customers of selected Indian public and private sector banks who use branch, ATM, mobile banking, internet banking, or customer-care services. The dataset comprises 350 responses—175 from public and 175 from private sector bank customers—enabling direct comparison. The structured questionnaire has four sections: demographic and banking profile, CRM practices, customer satisfaction and loyalty, and overall opinion. CRM practices are assessed using twelve items (CRM1–CRM12) and loyalty using six items (LOY1–LOY6), all on a five-point Likert scale; CRM_Mean and Loyalty_Mean are computed as averages.

Descriptive statistics summarise the sample and mean scores; Cronbach's alpha tests internal consistency; the Welch independent-sample t-test (which does not assume equal variances) compares public and private bank groups; Pearson correlation evaluates the CRM–loyalty relationship; and simple linear regression predicts loyalty from CRM. Demographic and behavioural data (age, gender, education, profession, income, relationship length, service usage, and preferred channel) mainly describe the sample.

Table 1. Operationalisation of Variables

Construct	Questionnaire Items	Measurement / Coding	Use in Analysis
Demographic and banking profile	Q1–Q10	Nominal / ordinal coded variables	Respondent profile and sample description

Construct	Questionnaire Items	Measurement / Coding	Use in Analysis
CRM practices	Q11–Q22 / CRM1–CRM12	Five-point Likert scale; mean score	Independent and comparison variable
Customer loyalty	Q23–Q28 / LOY1–LOY6	Five-point Likert scale; mean score	Dependent variable
Bank type	Q6 / BankType	1 = Public sector; 2 = Private sector	Grouping variable for t-test
Overall opinion	Q29–Q30	Reason code and open-ended suggestion	Descriptive interpretation and recommendations

Source: Author-constructed.

4. Data Analysis and Results

4.1 Respondent Profile and Descriptive Results

The dataset has 350 completed responses with equal representation of public and private sector banks (175 each). Most respondents are aged 25–45, with 37.7% (132) between 25 and 35 and 24.3% (85) between 36 and 45. The gender ratio is nearly equal (174 males, 171 females). Most are graduates or post-graduates, and the largest group (50.9%, 178) are salaried employees. The most-used channel is mobile banking (32.9%, 115), followed by internet banking and ATMs, with trust/reputation and service quality the leading reasons for bank preference. Because many respondents are frequent banking users, they are well placed to assess staff behaviour, digital tools, transaction accuracy, and complaint support.

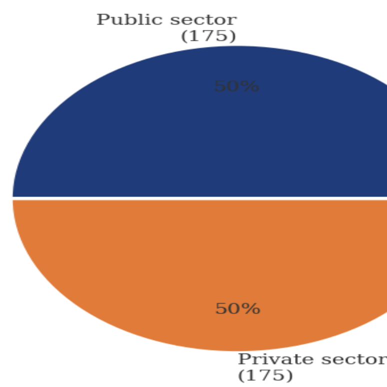

Figure 2. Respondent Distribution by Bank Type

Table 2. Descriptive Statistics by Bank Type

Bank Type	N	CRM Mean	CRM SD	Loyalty Mean	Loyalty SD
Public sector bank	175	3.59	0.57	3.93	0.47
Private sector bank	175	3.80	0.56	4.05	0.48
Overall	**350**	**3.69**	**0.57**	**3.99**	**0.48**

Source: Computed from the survey dataset.

Private sector bank customers show slightly stronger CRM perceptions and loyalty than public sector bank customers—a consistent but modest differentiation for both constructs.

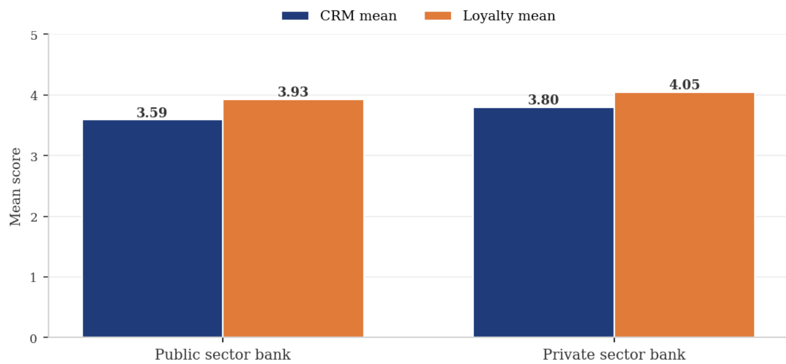

Figure 3. Mean CRM and Customer Loyalty Scores by Bank Type

4.2 Reliability, Comparative, and Predictive Results

The CRM scale produced a Cronbach's alpha of 0.847 (good reliability for the twelve-item construct) and the loyalty scale 0.703 (acceptable for the six-item construct), justifying the use of composite CRM_Mean and Loyalty_Mean scores. The independent-sample comparisons support H1 and H2: CRM perceptions differ significantly between public and private customers, Welch $t(347.92) = -3.425$, $p = 0.001$, and loyalty differs significantly, Welch $t(347.98) = -2.514$, $p = 0.012$ (negative t-values reflect higher private-bank means). Pearson correlation supports H3, with a moderate positive association, $r = 0.520$, $p < 0.001$. Regression supports H4: Loyalty = 2.379 + 0.436(CRM), $R^2 = 0.270$, $F(1, 348) = 128.698$, $p < 0.001$, indicating that CRM accounts for 27.0% of loyalty.

Table 3. Reliability, Correlation, t-Test, and Regression Summary

Analysis	Statistic	Result	Interpretation
Reliability: CRM scale	Cronbach's alpha	$\alpha = 0.847$	Good internal consistency
Reliability: Loyalty scale	Cronbach's alpha	$\alpha = 0.703$	Acceptable internal consistency
Public–private CRM comparison	Welch t-test	$t = -3.425$, $p = 0.001$	Significant difference in CRM perception
Public–private loyalty comparison	Welch t-test	$t = -2.514$, $p = 0.012$	Significant difference in loyalty
CRM–loyalty relationship	Pearson r	$r = 0.520$, $p < 0.001$	Moderate positive association
CRM predicting loyalty	Simple regression	$b = 0.436$; $R^2 = 0.270$	CRM explains 27% of loyalty variation

Source: Computed from the survey dataset.

Read together, the results show a consistent pattern: private sector respondents rated both CRM and loyalty higher, suggesting that service responsiveness and digital relationship support may strengthen behavioural intentions. The positive correlation and regression results indicate that CRM matters to all respondents regardless of bank type, even if the private-sector CRM advantage is stronger.

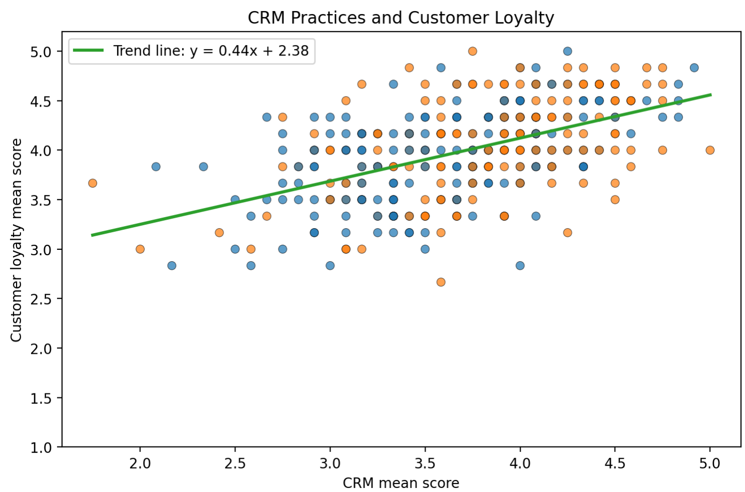

Figure 4. Relationship between CRM Practices and Customer Loyalty

The scatter plot shows that as customers' mean CRM scores increase, so do their mean loyalty scores; the upward-sloping trend line supports the positive correlation and regression findings.

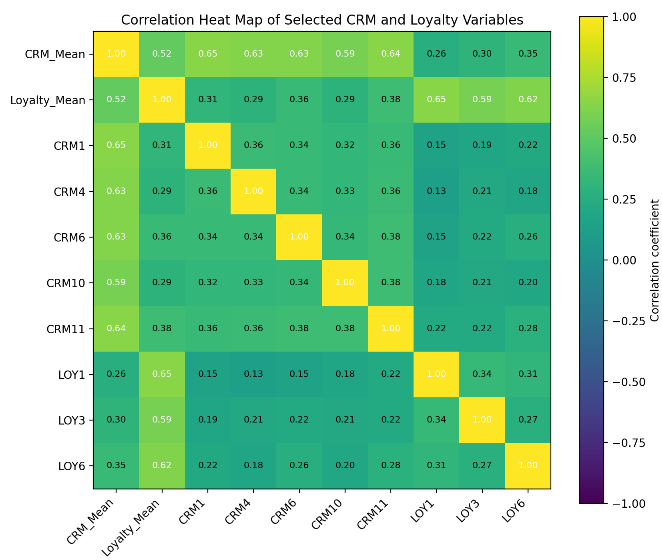

Figure 5. Correlation Heat Map of Selected CRM and Loyalty Variables

The heat map indicates that relationship-management practices—especially digital support, complaint management, and feedback—are most strongly related to customer loyalty indicators.

5. Discussion

The research suggests that CRM frameworks serve dual functions in Indian banking, operating as both operational and loyalty frameworks. The positive CRM–loyalty correlation reflects customer commitment from a relationship-marketing perspective, stemming from effective communication, problem resolution, and consistent value delivery. This complements the banking literature linking CRM and service quality with satisfaction, trust, and loyalty (Bhat & Darzi, 2016; Ndubisi, 2007; Kaura et al., 2015).

Private sector banks demonstrate superior CRM and loyalty scores, likely reflecting enhanced digital convenience, shorter waiting times, and proactive personalized communication. However, the comparatively lower public-bank scores should not be read as a dismissal: public banks retain valuable relationship components—trust, branch availability, institutional security, and long-term relationships—that matter in a fragmented banking environment. Because CRM explains 27.0% of loyalty, banks should treat complaint management, feedback follow-up, data stewardship, transparent communication, courtesy, and digital support not as core services but as loyalty assets, complementing technology with reliable, customer-centred service (Gil-Gomez et al., 2020; Huang & Rust, 2021).

The results also indicate that loyalty is a multidimensional outcome. The switching-resistance construct had the lowest mean, indicating that customers may be satisfied with, and even recommend, their bank while remaining open to switching. Loyalty therefore needs continuous management rather than one-off service improvement.

6. Implications, Limitations, and Conclusion

Several managerial implications follow. Public sector banks are advised to pursue digital CRM enhancements, shorter complaint-resolution times, customer-communication training, and improved feedback follow-up, while preserving their trust and accessibility advantages. Private sector banks should continue digital investment while improving transparency, interpersonal relationship quality, and privacy so that technology does not displace the human touch. CRM should be designed as a cohesive system: a bank that solicits feedback but acts on none, or offers mobile banking without quick support for digital-service failures, does not build durable loyalty.

The study's cross-sectional design, reliance on self-reported data, and dataset of 350 responses are limitations; it also omits rural–urban differences, branch size, and account size. Future research should use larger field samples, incorporate mediators such as trust and satisfaction, apply structural equation modelling, and focus on digital-only banking across urban, semi-urban, and rural spaces. Overall, CRM practices strongly influence customer loyalty in Indian banking, with private bank customers demonstrating stronger CRM and loyalty. Both public and private banks need integrated, ethical, and technology-focused CRM systems to secure loyalty in a competitive environment. Banks can track CRM and loyalty mean scores over time and across channels via a CRM dashboard to identify underperforming dimensions and convert broad statements of customer-centricity into specific actions.

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