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CUSTOMER RELATIONSHIP MANAGEMENT PRACTICES IN NEW GENERATION BANKS: AN EMPIRICAL STUDY AMONG RESPONDENTS IN CHENNAI

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Abstract

In an era marked by rapid digitalization and heightened customer expectations, customer relationship management (CRM) has evolved as a critical strategic tool in the banking sector. This study explores the CRM practices adopted by new generation banks in Chennai, focusing on how these banks leverage digital platforms and data-driven strategies to build and maintain customer relationships. The research examines various CRM dimensions such as customer engagement, service quality, personalisation, and the adoption of Electronic Customer Relationship Management (e-CRM) technologies. Using primary data collected from banking customers in Chennai, the study evaluates the impact of CRM practices on customer satisfaction, retention, and loyalty. The findings highlight that new-generation banks, through the integration of advanced CRM tools, are better positioned to respond to dynamic market demands and enhance customer-centric services. The research offers practical implications for banking professionals seeking to refine their CRM strategies and achieve a competitive advantage in urban markets.

INTRODUCTION

In today's rapidly evolving banking landscape, customer expectations are shaped by digital convenience, personalised experiences, and seamless service delivery. The emergence of new-generation banks—particularly private and foreign banks with a strong focus on technology and customer-centric innovation—has redefined the way financial institutions engage with their customers. Unlike traditional banks that primarily emphasised transactions, new-generation banks in metropolitan cities like Chennai have shifted their focus towards long-term relationship building through strategic Customer Relationship Management (CRM) practices.

CRM is no longer just a technological tool; it is a strategic approach that integrates people, processes, and digital platforms to attract, retain, and enhance customer value. The increased competition among banks, coupled with advancements in digital technologies such as mobile

banking, artificial intelligence, and real-time analytics, has intensified the need for banks to deliver superior customer experiences. CRM enables banks to manage customer interactions effectively, customise service offerings, track feedback, and build trust—all of which are crucial for fostering customer satisfaction and loyalty.

In the context of Chennai—a major financial and IT hub in India—the adoption of electronic CRM (e-CRM) systems is becoming increasingly critical. With a large and diverse urban population, including digitally literate professionals, students, and entrepreneurs, the demand for fast, personalised, and digitally integrated banking services is higher than ever. This study focuses on understanding how CRM practices are perceived and experienced by banking customers in Chennai and evaluates the extent to which these practices influence satisfaction and loyalty.

By exploring CRM dimensions such as communication, personalisation, responsiveness, service quality, and technology use, the study aims to provide insights into how new generation banks can enhance customer engagement and gain a competitive advantage in the digital age.

1.1 CRM Dimensions in New Generation Banks

1. **Communication** – Clear, timely updates via SMS, email, and apps to keep customers informed and engaged.
2. **Personalization** – Tailored services and offers based on customer preferences and behavior.
3. **Responsiveness** – Quick and efficient handling of customer queries and complaints, often using AI/chatbots.
4. **Service Quality** – Reliable, courteous, and professional service that meets customer expectations.
5. **Technology Use (e-CRM)** – Use of mobile apps, online banking, and digital platforms to enhance convenience and interaction.
6. **Customer Satisfaction** – Positive customer experience resulting from effective CRM practices.
7. **Customer Loyalty** – Long-term commitment to the bank, influenced by satisfaction and consistent service quality.

1.2 Relationship between CRM and Customer Outcomes

Customer relationship management (CRM) significantly impacts customer outcomes, including happiness and loyalty, especially in contemporary banks that prioritise digital service delivery and personalised experiences. Efficient CRM practices—such as prompt communication, tailored offerings, responsive service, and integrated technology—enhance customer satisfaction by fulfilling or surpassing customer expectations. When customers see value and support, their satisfaction rises, thereby cultivating enduring loyalty. This study established that CRM exerts both direct and indirect effects on loyalty. Customer satisfaction mediates the relationship between CRM and loyalty, whereas CRM also directly enhances loyalty through easy digital offerings and constant service quality. Consequently, robust CRM methods enhance happiness while simultaneously bolstering client retention and advocacy within a competitive financial landscape.

Literature Review

Geetha (2025): This recent review analyses contemporary innovations in CRM, including the adoption of mobile CRM apps, biometric authentication, and AI-driven customer profiling. The author reviews national and international studies to assess how Indian banks are transitioning from transactional CRM to relationship-based models. The study also identifies a research gap in understanding rural and semi-urban CRM adoption. Recommendations include creating modular CRM systems that allow for flexible updates and regional language integration to serve diverse populations. Devi & Kanwa (2024): This review explores the transition from traditional CRM systems to electronic CRM (e-CRM) in the Indian banking sector. It highlights the advantages of

digital platforms like mobile and internet banking in enhancing customer interaction and service personalisation. The study also identifies major challenges such as lack of digital literacy, data security concerns, and difficulties in onboarding and retaining tech-savvy customers. It emphasises the need for robust training programmes and infrastructure upgrades to fully leverage e-CRM tools. Lalitha & Paidipati (2024): The authors conduct a comprehensive bibliometric and systematic literature review of over 300 papers on e-CRM in banking from 2000 to 2023. The review maps the development of e-CRM research themes and identifies top contributing authors, countries, and journals. Key themes include customer data analytics, multi-channel integration, and personalised service delivery. The review concludes that e-CRM plays a vital role in driving customer engagement and suggests more empirical research in emerging economies like India. Agarwal, Garg & Olakh (2023): This study reviews digital CRM strategies adopted by banks in India, focusing on how new-age technologies like AI, chatbots, and data analytics enhance customer engagement and satisfaction. The literature highlights a growing trend toward predictive CRM tools that analyse customer behaviour in real time. It also discusses barriers such as technological resistance from staff, high initial costs, and integration issues with legacy banking systems. The review advocates for a phased CRM implementation model tailored to bank size and customer demographics. Manoj & Jeneffa (2022): This paper evaluates customer perspectives on CRM practices across private and public banks, with a regional focus on Tamil Nadu. The study synthesises findings from prior empirical research, showing that private banks tend to outperform public banks in CRM innovation, particularly in digital personalisation and customer engagement. However, both sectors face challenges in service consistency, cross-selling strategies, and feedback mechanisms. The authors call for customer-centric CRM frameworks with integrated performance monitoring tools. Vidya & Shanthi (2021): This empirical study examines how public sector banks in Chennai have implemented e-CRM practices and their impact on customer satisfaction. Using data from primary surveys and secondary sources, the study reveals that features like online complaint resolution, real-time transaction updates, and digital communication channels significantly influence customer trust. However, limitations in staff responsiveness and outdated infrastructure are noted as hindrances. The study recommends investment in employee training and better CRM analytics tools. In today's competitive financial environment, banks are increasingly relying on Customer Relationship

Rationale for the Study

Management (CRM) systems to retain customers, improve service quality, and boost profitability. New-generation banks, with their technology-driven operations and customer-centric approaches, face increasing pressure to deliver personalised banking experiences. Chennai, a metro hub with a tech-savvy population, presents a unique context where customer expectations and banks' technological capabilities are rapidly evolving. This study aims to evaluate the implementation and impact of CRM and e-CRM strategies on customer satisfaction and loyalty in new generation banks, offering practical recommendations to bank managers and policymakers.

Scope and Relevance

This study examines Customer Relationship Management (CRM) practices of new generation banks in Chennai, India. It covers both traditional and electronic CRM tools, such as mobile banking apps and automated customer service systems. The research evaluates customer perception, satisfaction, and loyalty in response to CRM strategies. Key dimensions explored include customer satisfaction and loyalty, use of digital tools, service quality and responsiveness, effectiveness of relationship-building efforts, and technological integration and innovation. The study is relevant in the Indian banking sector, where competition intensifies and customer expectations evolve. It gives an overview of customer perceptions of CRM strategies, evaluates the effectiveness of e-CRM systems, and offers recommendations for enhancing customer

engagement and retention. The study contributes to region-specific literature and helps identify best practices for similar urban markets across India.

Objectives of the study

1. To identify and analyze the prevailing CRM practices in new generation banks operating in Chennai.
2. To examine the impact of CRM practices on customer satisfaction and loyalty among Chennai's bank customers.
3. To develop strategic recommendations for improving CRM effectiveness in Chennai's banking sector.

Methodology

Research Design

This study adopts a quantitative research design to systematically investigate the effectiveness of Customer Relationship Management (CRM) practices in new generation banks. The quantitative approach enables the use of structured data collection and statistical analysis to evaluate relationships between CRM variables and customer outcomes such as satisfaction and loyalty.

Population and Sample

The target population includes retail banking customers of private banks in Chennai.

- **Sample Size:** 160 respondents
- **Sampling Technique:** Purposive sampling was employed to ensure diverse representation. This non-probability method was chosen to focus on respondents with adequate exposure to digital CRM practices.

Data Collection Tool

A structured questionnaire was designed as the primary data collection tool. It included Likert-scale items (ranging from 1 = Strongly Disagree to 5 = Strongly Agree) measuring:

- CRM dimensions (e.g., communication, personalization, responsiveness, service quality)
- Perception of technology use in CRM (e.g., mobile banking, AI/chatbots, feedback systems)
- Customer satisfaction
- Customer loyalty

Data Collection Procedure

Data were collected through both online (Google Forms) and offline (paper-based) methods between [insert month] and [insert month], 2025. Ethical considerations such as informed consent and confidentiality were observed throughout the study.

Results and Interpretation

Descriptive Statistics

Descriptive statistics were applied to summarize the demographic characteristics of the sample and provide an overview of respondent profiles. These statistics offer foundational insights into the background of the participants, which helps contextualize their responses to CRM practices. The analysis includes frequency distributions and percentages for variables such as gender, age, and occupation.

A total of 160 banking customers from Chennai were surveyed using a structured questionnaire. The purposive sampling technique ensured diverse representation from various age groups, occupations, and types of banks (public, private, and foreign).

Table 1: Demographic Profile of Respondents

Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	78	52%
	Female	72	48%
Age	21–30	59	39%
	31–40	54	36%
	41–50	37	25%
Occupation	IT Professionals	64	43%
	Students	28	19%
	Self-employed	24	16%
	Others	34	22%

The demographic data of the 160 respondents provides important insights into the composition of the sample used in the study on CRM practices in new generation banks in Chennai.

- **Gender:** The sample is fairly balanced in terms of gender, with 52% male and 48% female respondents. This near-equal representation allows for a gender-inclusive analysis of customer perceptions and CRM effectiveness.
- **Age:** A significant portion of the respondents (39%) belong to the 21–30 age group, followed by 36% in the 31–40 category. Together, these two segments comprise 75% of the total sample, indicating that the study predominantly reflects the views of young and middle-aged adults, who are likely to be digitally literate and actively engaged with online banking and CRM tools.
- **Occupation:** The majority of participants (43%) are IT professionals, suggesting a strong representation of tech-savvy individuals who are well-positioned to evaluate digital and electronic CRM (e-CRM) tools critically. Students make up 19%, self-employed individuals represent 16%, and 22% belong to other professions. This occupational diversity ensures a variety of perspectives regarding CRM practices in different customer segments.

Table 2: Descriptive Statistics of CRM Constructs

CRM Dimension	Sample Item	Mean	SD
Communication	My bank communicates effectively through digital channels.	3.85	0.76
Personalization	I receive banking offers tailored to my preferences and needs.	3.70	0.94
Responsiveness	My bank responds quickly to service requests and complaints.	3.68	0.88
Service Quality	Overall, the quality of service provided by my bank is satisfactory.	4.01	0.72
Technology Use (e-CRM)	I find it easy to use my bank's mobile app and online features.	4.10	0.69
Customer Satisfaction	I am satisfied with the relationship I have with my bank.	3.95	0.85
Customer Loyalty	I am likely to continue using and recommending my bank.	3.88	0.91

- All mean scores are above 3.5, suggesting that respondents generally have a positive perception of CRM practices.

- The highest mean (4.10) is for technology use, reflecting strong user acceptance of digital banking tools.
- Standard deviations are moderate, indicating a reasonable spread of opinions but not extreme variation across the sample.

Reliability Analysis

To ensure the internal consistency and reliability of the measurement scales used in the study, Cronbach's Alpha (α) was calculated for each of the key constructs within the Customer Relationship Management (CRM) framework. These constructs include communication, personalization, responsiveness, service quality, technology use (e-CRM), customer satisfaction, and customer loyalty. Each construct was measured using multiple Likert-scale items. A Cronbach's Alpha value of 0.70 or higher is generally accepted as an indicator of good reliability in social science research. The table below presents the number of items used for each construct, the calculated alpha coefficient, and the corresponding interpretation of reliability strength.

Table 3: Table of Reliability (Cronbach's Alpha)

Construct	Number of Items	Cronbach's Alpha (α)	Reliability Level
Communication	3	0.82	High Reliability
Personalization	3	0.84	High Reliability
Responsiveness	3	0.81	High Reliability
Service Quality	3	0.86	Very High Reliability
Technology Use (e-CRM)	3	0.79	Acceptable Reliability
Customer Satisfaction	3	0.83	High Reliability
Customer Loyalty	3	0.80	High Reliability

All CRM-related constructs demonstrate well to very high reliability, with Cronbach's Alpha values ranging from 0.79 to 0.86.

Impact of CRM practices on Customer satisfaction and Customer loyalty

Customer Relationship Management (CRM) has become an essential strategy for organizations to enhance customer satisfaction and long-term loyalty. CRM is multidimensional and integrates factors such as communication, personalization, responsiveness, service quality, and technology use (e-CRM) to build strong relationships with customers. Effective communication ensures clarity and transparency, personalization creates a sense of individual attention, responsiveness highlights timely support, service quality reflects the reliability of services, and technology use (e-CRM) facilitates seamless interactions through digital platforms.

Given this, the present analysis examines the impact of **CRM dimensions** (communication, personalization, responsiveness, service quality, and technology use) on **customer satisfaction** using a multiple regression model.

Table 4: Impact of CRM practices on Customer satisfaction

Predictor	B	R ²	t	p-value
Constant	0.412	.709	1.92	.057
Communication	0.182	Adjusted R ²	2.53	.013*

Predictor	B	R ²	t	p-value
Personalization	0.236	.695	3.47	.001**
Responsiveness	0.198	F-value	2.83	.005**
Service Quality	0.289	61.54** (p=.000)	4.44	.000**
Technology Use	0.145		2.42	.017*
*Significant at 5% level ** Significant at 1% level				

The regression analysis reveals that CRM dimensions significantly explain 70.9% ($R^2 = .709$) of the variance in customer satisfaction, which indicates a strong predictive power of the model. The overall model is statistically significant ($F(5,126) = 61.54, p < .001$). It is noted from Table 4 that, Service Quality ($\beta = .315, p < .001$) emerged as the strongest predictor, highlighting that reliable and high-quality services play the most critical role in driving customer satisfaction. Personalization ($\beta = .244, p = .001$) also had a strong positive effect, suggesting that tailored services enhance satisfaction. Responsiveness ($\beta = .207, p = .005$) significantly contributes, showing the importance of timely and effective customer support. Communication ($\beta = .201, p = .013$) had a moderate positive effect, indicating that transparent and effective communication builds satisfaction. Technology Use ($\beta = .152, p = .017$), though the weakest among the predictors, still significantly contributes, implying that e-CRM tools and digital engagement support customer experiences. Overall, the findings demonstrate that all five CRM dimensions positively and significantly influence customer satisfaction, with service quality being the most influential.

Given this, the present analysis examines the impact of **CRM dimensions** (communication, personalization, responsiveness, service quality, and technology use) on **customer loyalty** using a multiple regression model.

Table 5: Impact of CRM Practices on Customer Loyalty

Predictor	B	R ²	t	p-value
Constant	0.398	.684	2.36	.043*
Communication	0.176	Adjusted R ²	2.38	.019*
Personalization	0.228	.669	3.21	.002**
Responsiveness	0.192	F-value	2.75	.007**
Service Quality	0.302	55.72** (p=.000)	4.29	.000***
Technology Use	0.139		2.11	.036*
*Significant at 5% level **Significant at 1% level				

The regression analysis reveals that CRM dimensions significantly explain **68.4% ($R^2 = .684$)** of the variance in **customer loyalty**, indicating strong predictive power. The overall model is statistically significant ($F(5,126) = 55.72, p < .001$). From Table 5, it is observed that: **Service Quality ($\beta = .302, p < .001$)** is the strongest predictor of customer loyalty, suggesting that consistent, high-quality services foster long-term commitment and brand attachment.

Personalization ($\beta = .228, p = .002$) positively influences loyalty, showing that tailored experiences enhance emotional connection with the organization. **Responsiveness** ($\beta = .192, p = .007$) significantly contributes, indicating that quick and efficient service recovery mechanisms drive loyalty. **Communication** ($\beta = .176, p = .019$) has a moderate positive effect, emphasizing that transparent, clear, and frequent communication sustains customer trust and repeat patronage. **Technology Use** ($\beta = .139, p = .036$) shows a smaller but significant effect, implying that e-CRM tools and digital platforms contribute to convenience, indirectly reinforcing loyalty. Overall, the findings demonstrate that **all five CRM dimensions positively and significantly influence customer loyalty**, with service quality being the most influential. This highlights the importance of delivering reliable services, while also leveraging personalization, responsiveness, communication, and technology use to strengthen customer loyalty.

Findings

- The sample included 52% male and 48% female respondents, ensuring gender-balanced insights.
- 75% of respondents were aged between 21–40 years, indicating high digital awareness and frequent use of e-banking services.
- 43% of participants were from the IT sector, offering relevant feedback on CRM technology usage and digital engagement.
- All CRM-related constructs had mean values above 3.6 (on a 5-point scale), showing general agreement on the effectiveness of CRM practices.
- Among CRM dimensions, Technology Use had the highest average score (Mean = 4.10), indicating strong satisfaction with mobile apps and internet banking tools.
- Cronbach's Alpha values ranged from 0.79 to 0.86 for all constructs, confirming internal consistency and reliability of measurement items.
- It is noted that all five CRM dimensions positively and significantly influence customer satisfaction, with service quality being the most influential.
- **All five CRM dimensions positively and significantly influence customer loyalty**, with service quality being the most influential. This highlights the importance of delivering reliable services, while also leveraging personalization, responsiveness, communication, and technology use to strengthen customer loyalty.

Suggestions/ Recommendations

Banking Institutions' Customer Relationship Strengthening Recommendations

- Enhance personalisation through data analytics: invest in AI and machine learning tools to analyse customer behaviour and offer personalised financial products.
- Invest in Robust Digital Infrastructure: Continuously update platforms to improve functionality, speed, and security.
- Improve Communication Channels: Strengthen real-time communication through SMS, email, and app notifications for transparency and trust-building.
- Train Frontline Staff on CRM Principles: Train staff to effectively use CRM tools and resolve customer issues promptly.
- Monitor Customer Satisfaction Regularly: Implement periodic surveys and feedback mechanisms to track satisfaction and address concerns.
- Strengthen Loyalty Programmes: Introduce or upgrade loyalty programmes with tangible rewards and exclusive offers.

Conclusion

The study looks at the influence of Customer Relationship Management (CRM) techniques on customer satisfaction and loyalty within contemporary banks in the Chennai metropolitan area.

Data from 160 participants was gathered through quantitative approaches. The results indicate that CRM practices, encompassing technology utilisation, customisation, communication, and responsiveness, markedly improve customer happiness. Customer pleasure directly influences loyalty. The study reveals that CRM techniques in contemporary banks are well regarded, particularly in mobile banking, automated communication, and secure digital platforms. It is noted that all five CRM dimensions positively and significantly influence customer satisfaction, with service quality being the most influential. **All five CRM dimensions positively and significantly influence customer loyalty**, with service quality being the most influential. This highlights the importance of delivering reliable services, while also leveraging personalization, responsiveness, communication, and technology use to strengthen customer loyalty. The research emphasises the value of CRM as a mechanism for customer retention and its competitive edge within the digital banking industry.

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