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Customer Relationship Management and Its Impact on Customer Satisfaction: A Study of Selected Banks in Khammam

Dr.P. Rajeswari[1]

Assistant Professor

Department of Management Studies

Sri Chaitanya Institute of Technology&Research

B. Nagaraju[2]

MBA II Year

Sri Chaitanya Institute of Technology& Research

Abstract

Customer Relationship Management (CRM) has become an essential strategic approach for banks to enhance customer satisfaction and maintain long-term relationships in a highly competitive financial services environment. With increasing customer awareness and rising expectations, banks are required to adopt effective CRM practices to differentiate their services and improve overall performance. This study examines the impact of Customer Relationship Management practices on customer satisfaction in selected public and private sector banks operating in Khammam. The study is empirical in nature, drawing on both primary and secondary data sources. Primary data were collected from bank customers using a structured questionnaire designed to measure key CRM dimensions such as service quality, customer responsiveness, reliability, personalization, complaint handling, and technological support.Secondary data were obtained from bank publications, academic journals, and relevant reports to support the theoretical framework of the study. Statistical tools, including percentage analysis, mean score analysis, correlation, and regression techniques, were employed to assess the relationship between CRM practices and customer satisfaction. The findings of the study reveal a significant and positive relationship between effective CRM practices and customer satisfaction in the banking sector. The results indicate that timely service delivery, efficient grievance redressal mechanisms, and personalized customer interactions are major determinants of customer satisfaction. It was also observed that private sector banks have a comparatively higher level of CRM adoption due to greater use of digital technologies, while public sector banks benefit from customer trust and long-standing relationships. Despite these strengths, both sectors face challenges in fully integrating customer feedback into service improvement initiatives. The study concludes that well-structured CRM strategies contribute substantially to enhancing customer satisfaction and loyalty. The findings provide useful insights for bank management to strengthen CRM systems and develop customer-centric policies for sustainable growth.

KeywordsCustomer Relationship Management, Customer Satisfaction, Banking Sector, Service Quality, Relationship Marketing.

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Introduction

The Indian banking sector has undergone profound changes over the past few decades, driven by globalization, economic liberalization, rapid technological advancements, and intensifying competition(Alizadeh et al., 2023). These developments have significantly altered the operating environment of banks and reshaped customer expectations(Suharto & Yuliansyah, 2023). Modern banking customers are more informed, aware of available alternatives, and increasingly demanding in terms of service quality, responsiveness, and convenience(Andia-Reyna & Malasquez-Villanueva, 2025). As a result, banks can no longer rely solely on traditional, product-oriented strategies and are compelled to adopt a customer-centric approach to remain competitive and sustainable in the long run. In this evolving landscape, **Customer Relationship Management (CRM)** has emerged as a critical strategic tool for banks to build and sustain long-term relationships with their customers(Alizadeh et al., 2023). CRM refers to a systematic process of identifying, acquiring, retaining, and developing profitable customers by delivering superior value and ensuring a high level of customer satisfaction(Andia-Reyna & Malasquez-Villanueva, 2025). Rather than focusing only on transactions, CRM emphasizes relationship building through a deep understanding of customer needs, preferences, and behavior. In the banking sector, effective CRM practices involve offering personalized and customized services, improving service quality, ensuring timely communication, and maintaining continuous interaction with customers through multiple service channels such as branches, digital platforms, and customer support systems(Nilashi et al., 2023). Banks operating in Khammam, like those across India, operate in a highly competitive environment where both public and private sector banks strive to attract, satisfy, and retain customers(Shireesha et al., 2022). Private sector banks generally place greater emphasis on technology-driven CRM initiatives, including digital banking solutions, data analytics, and automated customer service systems, to enhance customer experience. In contrast, public sector banks tend to rely on factors such as customer trust, widespread branch networks, accessibility, and long-established relationships with customers(Khan & MINHAJ, 2022). Despite these differences, both public and private sector banks face significant challenges in effectively implementing CRM practices to meet the continuously evolving expectations of customers.Against this backdrop, the present study seeks to analyze the impact of CRM practices on customer satisfaction in selected public and private sector banks in Khammam(Elshaer et al., 2025). The study also aims to compare the extent of CRM adoption between the two sectors and to assess how different CRM strategies influence customer perceptions and satisfaction levels(Suharto & Yuliansyah, 2023). By doing so, the research intends to provide insights that may help banks enhance their CRM practices and strengthen customer relationships in an increasingly competitive banking environment(Venkateswaran, 2023).

Literature Review

Customer Relationship Management (CRM) has been widely examined in banking literature due to its significant influence on customer satisfaction and loyalty in an increasingly competitive and technology-driven environment(Mohapatra et al., 2024). Prior studies conceptualize CRM as a multidimensional construct comprising service quality, responsiveness, personalization, reliability, complaint handling, and technological support, emphasizing its role as a strategic process rather than merely a technological application(Khan & Mahajan, 2025). Empirical evidence consistently indicates a positive relationship

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between effective CRM practices and customer satisfaction, highlighting the importance of prompt service delivery, effective communication, personalized offerings, and efficient grievance redressal mechanisms(Rajayya et al., 2025). Research in the Indian banking context reveals that private sector banks generally demonstrate higher CRM effectiveness due to advanced technological infrastructure and proactive customer engagement, while public sector banks benefit from trust and long-standing customer relationships but often lag in service responsiveness(Batmunkh, 2025). Recent studies also point out that despite extensive data collection, banks frequently underutilize customer feedback for service improvement. However, existing literature largely focuses on metropolitan or national-level analyses, with limited attention to semi-urban regions such as Khammam and a lack of comprehensive frameworks examining multiple CRM dimensions simultaneously(Batmunkh, 2025). The present study addresses this gap by empirically analyzing the impact of CRM practices on customer satisfaction in selected public and private sector banks operating in Khammam(Mohapatra et al., 2024).

Methodology

Research Design

The present study adopts a **descriptive and empirical research design** to systematically examine the impact of Customer Relationship Management (CRM) practices on customer satisfaction in the banking sector. The descriptive approach is employed to clearly portray and document the existing CRM practices adopted by banks and the level of customer satisfaction associated with these practices. This design enables the researcher to identify patterns, trends, and relationships among key variables without manipulating the study environment. The empirical nature of the research is reflected in the collection and analysis of first-hand data obtained from bank customers, allowing the study to draw conclusions based on observable evidence rather than purely theoretical assumptions. By integrating both descriptive and empirical elements, the research provides a comprehensive understanding of how CRM strategies influence customer perceptions and satisfaction levels. The study is confined to selected public and private sector banks operating in Khammam, ensuring a focused and comparative analysis of CRM practices across different banking structures within a defined geographical area.

Sources of Data

The study is based on both primary and secondary sources of data. Primary data were collected directly from bank customers through a structured questionnaire specifically designed to capture their perceptions of Customer Relationship Management (CRM) practices and their overall level of satisfaction with banking services. To strengthen and support the theoretical framework of the study, secondary data were gathered from a wide range of reliable sources, including bank annual reports, publications of the Reserve Bank of India (RBI), academic journals, conference papers, books, and other reputable online resources. The empirical analysis was carried out using a sample of 200 bank customers drawn from both public and private sector banks located in Khammam. The respondents comprised savings account holders, current account holders, and loan customers, and the sample was selected using the convenience sampling technique.

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CRM Dimensions Influencing Customer Satisfaction

Service Quality — The overall standard of service provided

Reliability — The consistency and dependability of CRM services

Complaint Handling — The process of resolving customer complaints effectively

Customer Responsiveness — How quickly and effectively customer needs are addressed

Personalization — Tailoring CRM interactions to individual customer preferences

Technological Support — The availability and quality of technological assistance

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Tools and Techniques of Analysis

The collected data were analyzed using the following statistical tools:

- Percentage Analysis
- Mean Score Analysis
- Correlation Analysis

Table 1: CRM Dimensions and Measurement Scale

CRM Dimension	Number of Items	Measurement Scale
Service Quality	5	Likert Scale
Responsiveness	4	Likert Scale
Reliability	4	Likert Scale
Personalization	3	Likert Scale
Complaint Handling	4	Likert Scale
Technological Support	4	Likert Scale
Customer Satisfaction	5	Likert Scale

Empirical Results and Discussion

Descriptive and Mean Score Analysis

Mean score analysis was conducted to evaluate customer perceptions of CRM practices. The results indicate that service quality, responsiveness, and complaint handling received the highest mean scores, suggesting their strong influence on customer satisfaction.

Table 2: Mean Scores of CRM Dimensions

CRM Dimension	Mean Score
Service Quality	4.21
Responsiveness	4.18
Reliability	4.05
Personalization	3.98
Complaint Handling	4.24
Technological Support	4.12

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Correlation Analysis

Correlation analysis revealed a positive and significant relationship between CRM practices and customer satisfaction. All CRM dimensions were positively correlated with customer satisfaction, indicating that improvements in CRM practices enhance customer satisfaction levels.

**Table 3: Correlation between CRM Practices and Customer Satisfaction**

CRM Dimension	Correlation Coefficient (r)
Service Quality	0.72
Responsiveness	0.69
Reliability	0.65
Personalization	0.61
Complaint Handling	0.74
Technological Support	0.68

Comparison between Public and Private Sector Banks

The study found that **private sector banks** demonstrate higher CRM adoption due to extensive use of digital platforms and personalized services. Public sector banks, on the other hand, benefit from customer trust and long-standing relationships but show relatively lower responsiveness and technological integration.

Implications of the Study

The findings of the study offer several important implications for bank management and policymakers. First, banks need to adopt well-structured and strategically aligned CRM practices to enhance customer satisfaction and foster long-term customer loyalty. Second, the study highlights the importance of efficient complaint handling mechanisms, as effective grievance redressal systems play a crucial role in building customer trust and improving overall satisfaction. Third, greater emphasis on technology integration is required, particularly for public sector banks, which should invest in advanced digital CRM tools to improve service responsiveness, personalization, and operational efficiency. Fourth, continuous employee training programs are essential to strengthen customer interaction and service delivery, as skilled and customer-oriented employees are central to successful CRM implementation. Finally, banks should systematically collect and utilize customer feedback by integrating it into service improvement initiatives, thereby ensuring that CRM systems generate actionable insights and maximize their potential benefits.

CRM Improvement Cycle

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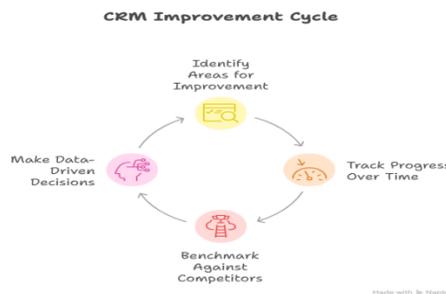
Conclusion

The study concludes that Customer Relationship Management (CRM) practices have a significant positive impact on customer satisfaction in both public and private sector banks in Khammam. Service quality, complaint handling, and personalization emerged as the most influential CRM dimensions. While private sector banks demonstrate higher CRM adoption due to technological integration, public sector banks rely on trust and long-standing relationships but lag in responsiveness. Overall, effective CRM implementation is essential for enhancing customer satisfaction and building long-term customer loyalty.

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