



## Analysis of customer relationship management practices on word of mouth through customer loyalty (With Special Reference to Public Sector banks in Virudhunagar district)

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### Abstract

This study examines the influence of Customer Relationship Management (CRM) practices on word of mouth in public sector banks within Virudhunagar District, emphasizing the mediating roles of customer satisfaction, customer retention and customer loyalty. Using data collected from 384 respondents and analyzed through Structural Equation Modeling (SEM), the findings reveal that effective CRM practices significantly enhance customer satisfaction and retention, which subsequently strengthen customer loyalty. Loyal customers further contribute to positive word-of-mouth communication, improving the banks' reputation and customer base. The study highlights the crucial role of CRM as a strategic tool for public sector banks to enhance quality service, build long-lasting relationships and achieve competitive advantage.

**Keywords:** Customer relationship management, customer satisfaction, customer loyalty and word of mouth

### Introduction

Customers are the essential element in banking industry. The banking industry cannot be performed without customers, nor can the industry be done by obtaining a definite number of customers. It is a continuing process of communications crowning in a long run banker and customer relationship. Customers are the ultimate asset of banks. So, the Customer Relationship Management (CRM) is aimed to understand the requirement of the present and prospective customers. In today's increasingly competitive worldwide commercial market, the lifespan of the products and services are becoming shorter. The purpose of the CRM is aims at broadening the life span of client with the business organization rather than the endurance of a specific products and services.

In today's increasingly competitive business environment, CRM is a grave for the success of every business. Providing quality service and attaining high customer pleasure has been diligently connected to profit, cost reduction and savings. Hence, observance of the customer as the central point, banks are open up their traditional system and creating way for new environments that contain customers' opinion and prospects.

### Review of Literature

Pushpender Kumar and Anupreet Kaur Mokha (2021) in their article titled "Relationship between E-CRM, Customer Experience, Customer Satisfaction and Customer Loyalty in Banking Industry" state that, in this competitive business world, the organizations have to strive hard in order to increase their customer base and improve their customer experience, thereby increasing customer satisfaction and customer loyalty. E-CRM has been considered as the definite solution for both customers as well as organizations. Organizations will be more successful if they concentrate on retaining and maintaining long lasting relationship with the customers as it costs ten times less to retain the customers than to acquire a new customer.

Elise Gwizdak (2021) in his article "A CRM System Implementation Study for Small Companies", says that

CRM system is a technology-based business management tool for developing and leveraging customer knowledge to nurture, maintain, and strengthen profitable relationships with customers. Because CRM systems are commonly implemented in large companies. Unlike small firms, they need to manage large organizations forces larger firms to attempt ambitious rollouts of CRM systems. These rollouts emerged from information systems that have long been recognized as an enabler to radically redesign business processes, are often represented as complex IT systems in theories. There are different ways of implementing a CRM system to fit one's company which can follow existing models or to develop further from the existing models if these ones are not suitable.

Virendra M (2020) in his article "Role of CRM in Indian Banking Sector", says that through CRM, a customer can receive better customer services with superior mode. In globalization, banks are focused on achieving own goal for retaining customers and include customers in business. To fulfill this goal banks are providing better services. It is also said that, if banks fail to provide better services its existence is in critical stage. Providing better services towards customers, is the only way of own protecting and intensifying marketing share.

Abdelmageed Algamdi *et al.*, (2020) in his article "CRM system and potential customer loyalty trends" states that CRM's objective is to enhance customer loyalty by analyzing detailed customer details, improving productivity, and the customer value over the long term through a focus customer relationship management, marketing, and customer support. CRM also aims to attract current customers through improved loyalty and a higher profitability range of customers.

Ramamoorthy, R and Ravi Mohan, D (2018) in their research article titled "Customer Relationship Management Practices with Reference to Banks in Chennai" indicate that, this study is an example of the knowledge that can be gained in understanding the effectiveness of front end CRM strategies in banking sector from the customer perspective and further in-depth analyses can be educated to give more on CRM strategies in the banks.

Hadrik Panchal and Rushabshah (2018) in their article “Customer Relationship Management in Banking Sector” found that there is a relationship between CRM and customer satisfaction. CRM is one of the greatest approach and tool for gaining customer base and there by servicing in this competitive environment. CRM approach should be followed by public sector banks as the customer satisfaction level is not as much as private sector banks.

Alemu Muleta Kebede and Zewdu Lake Telegne (2018) in their article “The Effect of Customer Relationship Management on Bank Performance: In Context of Commercial Banks in Amhara Region” say that the dimensions of CRM practices are key customer focus, knowledge management, CRM organisation and technological based CRM. This study has deployed binary logistics regression model to analyse the effect of these factors on the performance of the bank and found that this is statistically significant.

**Statement of The Problem**

Entry of novel branches of foreign banks in India and their enhanced services to customers have amplified their anticipations of same quality of products and services from Indian banks also. So, it is the phase for Indian banks to modernize their products and services and also to enhance the existing facilities. The banking industry is adapting CRM concept, as it is a business approach geared to getting, retentive and increasing more profitable customers. Today, public sector banks are demanding to improve customer services like flexible banking hours, smart equipment’s, electronic banking operations, gentle responsive system and be a good personnel etc., in the bright of this improvement, the study of CRM in banks seems significant.

Therefore a study on the CRM practices in the banking industry is necessary to discover the CRM practices. Hence the present study made by the researcher to examine the CRM practices in public sector banks.

**Scope of The Study**

The purpose of the study is to categorize the opinions of the customers about CRM practices of public sector banks in the study area. In this study the investigator collects data from the customers of public sector banks to examine the impact of CRM practices through customer satisfaction, customer retention and customer loyalty. Moreover, this study also analyses the impact of CRM practices on word of mouth through customer loyalty.

**Objectives of The Study**

The present study is confined to the following objectives.

- To examine the customer loyalty and word of mouth regarding CRM Practices of Public Sector Banks in Virudhunagar District.

- To analyze the impact of CRM Practices on word of mouth through customer loyalty.

**Hypotheses of The Study**

- The CRM practices have a positive impact on customer loyalty through customer satisfaction and retention.
- The CRM practices have a positive impact on word of mouth through customer loyalty.

**Methodology**

The study has based on both primary and secondary data. Both the data are collected and presented in this article. Primary data are collected from the customers of public sector banks in the study area. The primary data are gathered through a well-designed, pre-tested interview schedule constructed for the purpose of this study. The secondary data required for the study are gathered from various books, journals, magazines, related research report and web sites.

**Sampling Design**

There are 11 public sector banks functioning in the study area. As the bank customers are huge in number, it is very tough to adopt survey method. Hence, the investigator has choose Judgment sampling technique to categorize the customers of public sector banks in the study area. The number of sample is decided with the help of *www.samplesurveysystem.com*. The investigator has gathered data from 384 sample respondents.

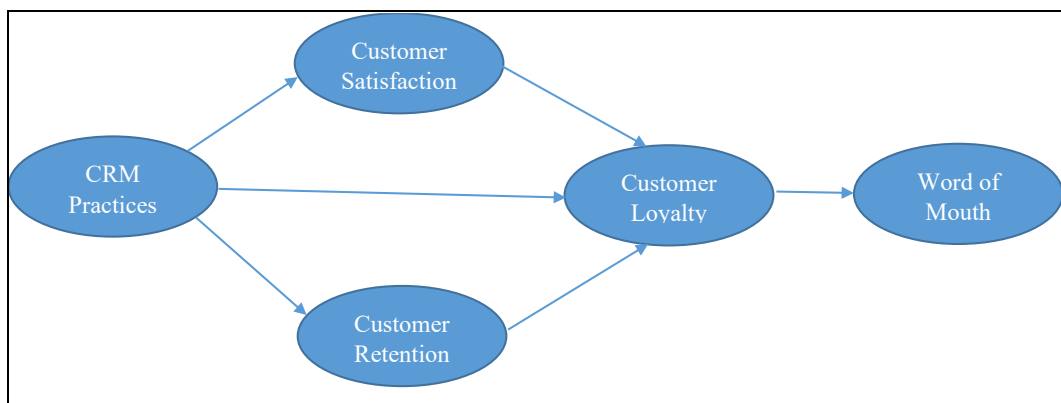
**Plan of Analysis**

The researcher has planned to analyze the data with the help of Statistical Package for Social Sciences (SPSS) and Analysis of Moment of Structure (AMOS).

**Impact of Crm Practices on Word Of Mouth`**

In this new model measure the impact of CRM practices on word of mouth. Based on the past research, the researcher has proposed the structural model framework of this study. It is presented in the following figure.

The above figure shows the theoretical model framework for impact of CRM Practices on of Word of Mouth through Customer Loyalty. The researcher has taken CRM Practices as independent variable, the Word of Mouth as dependent variable and the Customer Loyalty as mediator or moderator variable in the model background of this study. Moreover the Customer Satisfaction and Customer Retention also mediator or moderator variable for determining the impact of CRM practices on Customer Loyalty.



**A Conceptual Framework For Crm Practices**

A conceptual framework in this study is based on Lu and Shang (2007) who identified six CRM dimensions making up of thirty CRM attributes under, customer knowledge, customer response, customer facility, customer information system, customer value evaluation, and customer information. In this study, we are going to use the six CRM dimensions to apply in banking sector.

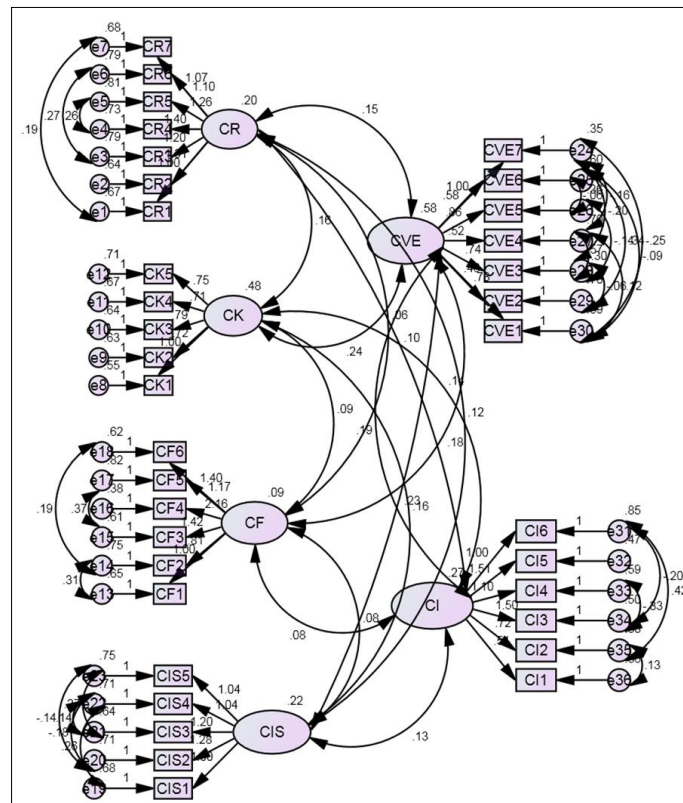
**Pooled Confirmatory Factor Analysis of CRM Practices in Public Sector Banks**

The researcher Pooled CFA, to check whether the hypothesized Model in a study loads into a specific number of underlying sub-constructs (Zainudin Awang, 2012). The

researcher needs to estimate the effect of main construct on its sub-constructs happen to the first order construct. The second order measurement model of CRM Practices completed through AMOS graphics is shown.

**Measurement Model of Crm Practices**

In the above figure the double headed arrow indicates the correlation between components and the single headed arrow indicates the factor loading of the observed variables. The pooled confirmatory factor analysis for CRM practices in public sector banks contains six latent variable with 41 observed variables. The fit indices of the second order confirmatory factor analysis measurement model are presented in the following table



**Pooled CFA Results of CRM Practices**

Particulars	CMIN	GFI	AGFI	NFI	TLI	CFI	RMSEA
Suggested Values	<5.0	>0.90/ >0.80	>0.90/ >0.80	>0.90/ >0.80	>0.90/ >0.80	>0.90/ >0.80	<0.08
Obtained Values	2.712	0.828	0.893	0.807	0.860	0.889	0.067

Source: AMOS Output

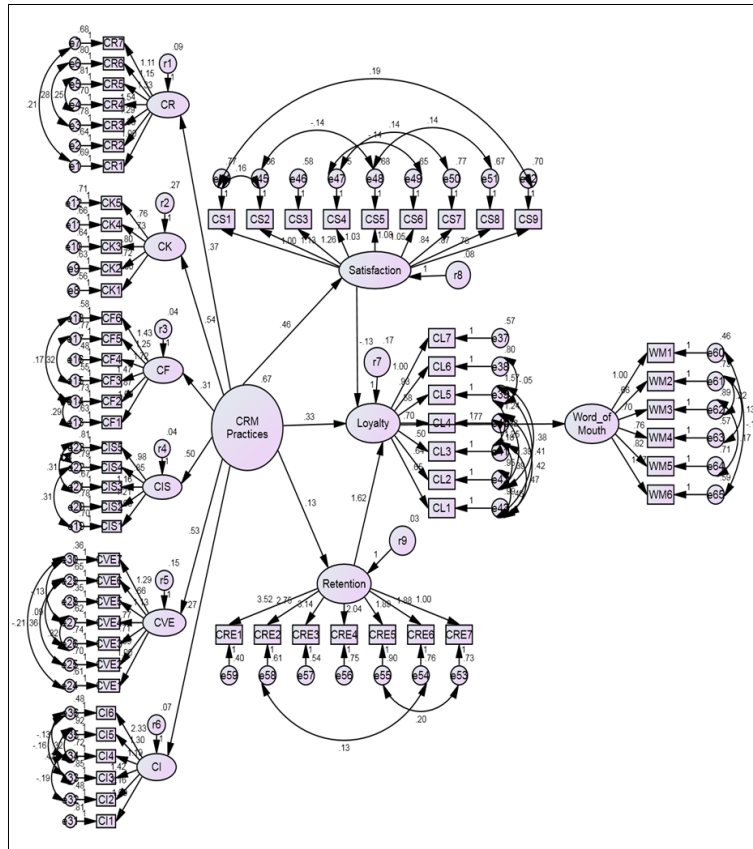
**Hypothesis:** The CRM practices have a positive impact on word of mouth through customer loyalty.

**SEM Model CRM Practices on Word of Mouth through Customer Loyalty**  
**SEM Model for CRM Practices and Word of Mouth**

Category	Index	Obtained Value	Level of Acceptance	Observations
Absolute Fit	RMSEA	0.066	<0.08	The required level is achieved
	GFI	0.821	>0.90 / >0.80	
Incremental Fit	AGFI	0.895	>0.90 / >0.80	The required level is achieved
	CFI	0.850		
	NFI	0.841		
Parsimony Fit	TLI	0.829	<3.0 / <5.0	The required level is achieved
	CMIN	2.644		

Source: AMOS Output

Table above shows that all the levels are acceptable, the model can be considered as good fit.



### Result of Structural Equation Modeling

- The direct effect value of CRM practices on Customer Loyalty significant value is 0.000. So the framed hypothesis is accepted. Hence there is a positive impact on CRM practices and Customer Loyalty.
- Indirect effect of CRM practices on Customer Loyalty through Customer Satisfaction P value is 0.000 which is significant. The framed hypothesis is accepted, hence The CRM practices has a positive impact on customer loyalty through customer satisfaction.
- Indirect effect of CRM practices on Customer Loyalty through Customer retention P value is 0.000 that is significant. The framed hypothesis is also accepted, hence The CRM practices have a positive impact on customer loyalty through customer retention.
- Customer Loyalty is identified as mediator model as the direct effect is more than the indirect effect.
- Overall SEM Model for the CRM practices on Word of Mouth has also got the significant value which is 0.000. The framed hypothesis is accepted. Hence the CRM practices have a positive impact on word of mouth through customer loyalty.

### Conclusion

CRM is a powerful conception for every industry's success. It opens the path for maintaining a positive relationship with customers in order to boost business and profits. CRM strategies are geared on mutual benefit for customers and industries. It has a wide and deep impact on customers, and it paves the way for industries to identify lucrative moves. Personal information about clients are critical in determining how well all sectors do, and it gives the industry the most credit and gains in the future.

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