

**ASSESSING THE EFFECTIVENESS OF CRM IN ELEVATING SERVICE QUALITY AND CUSTOMER
EXPERIENCE IN THE BANKING SECTOR**

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Abstract:

The banking sector has evolved from traditional branch-based operations to highly digitized, customer-oriented systems where service quality and customer experience are critical for long-term profitability. This study examines the effectiveness of Customer Relationship Management (CRM) as a strategic tool for managing customer interactions and enhancing perceived service standards. Utilizing a descriptive research design, the study analyzes customer perceptions and existing CRM practices. The findings indicate that while banks have successfully adopted CRM tools to personalize services and reduce documentation errors, they still face technical and organizational challenges during implementation. A majority of respondents (74.3%) agree that CRM technology helps banks measure and improve satisfaction, highlighting its role as a core business strategy in a competitive landscape.

Keywords: Customer Relationship Management (CRM), Service Quality, Customer Experience, Banking Sector, Digitalization, Customer Loyalty.

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Introduction:

In a marketplace where physical products and interest rates are increasingly similar, customer loyalty is determined by the experience received. CRM serves as a comprehensive framework integrating people, processes, and technology to nurture customer relationships across multiple touchpoints, including mobile apps, chatbots, and physical branches. Modern banking customers expect more than secure

transactions; they seek personalized solutions and seamless service delivery. While the Indian banking sector has witnessed rapid digitization, CRM has emerged as a critical enabler in balancing technological efficiency with human-centric service. This study focuses on evaluating how effectively banks leverage CRM to strengthen trust and achieve a sustainable competitive advantage.

Review of Literature:
Existing research highlights the transformative role of CRM in financial services

Author(s) & Year	Key Findings/ Focus	Relevance to Study	Identified Research Gap
Tabassum & Chitradev (2024)	Stronger relationship between service quality and CRM effectiveness in private banks.	Validates service quality as a CRM determinant.	Need to compare urban vs. semi-urban CRM effectiveness.
Valetvakar et al. (2025)	CRM systems improve service delivery, customer engagement, and long-term profitability.+1	Supports the link between data-driven services and loyalty.	Challenges in integrating legacy systems with modern CRM.

Ravi Kumar (2025)	CRM is an integrated strategy combining people and technology to manage the lifecycle.	Emphasizes the importance of personalization.	Gaps in staff expertise regarding advanced AI-driven CRM.
Author(s) & Year	Key Findings/Focus	Relevance to Study	Identified Research Gap
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Research Objectives:

- To evaluate CRM practices adopted by banks in managing customer relationships.
- To analyze the impact of CRM technology on service quality and customer experience.
- To identify technical, operational, and organizational challenges in CRM implementation.
- To assess customer perceptions of digital CRM tools such as mobile apps, SMS, and chatbots.

Research Methodology:

This study employs a **descriptive research design** to analyze how CRM integration influences service standards and customer satisfaction within the banking industry.

- **Sample Size:** Data was collected from **105 participants**, representing a diverse demographic of bank customers and professionals.
- **Data Collection:** Primary data were collected using a structured questionnaire focusing on CRM use, service reliability, and perceived technological efficiency.
- **Demographics:** The majority of respondents (79%) are aged 18–30, reflecting the perspectives of a

digitally active generation; 51.4% are female and 48.6% are male.

Limitations of the Study:

- The study is confined to an urban/semi-urban area and may not represent rural banking customers.
- The sample of 105 respondents may not reflect the diversity of the entire Indian banking sector.
- Rapid advancements in FinTech may quickly replace existing CRM technologies.
- Findings are based on respondents' perceptions, which may be influenced by personal bias toward specific banks.

Hypothesis:

Based on the identified gaps, two hypotheses are framed:

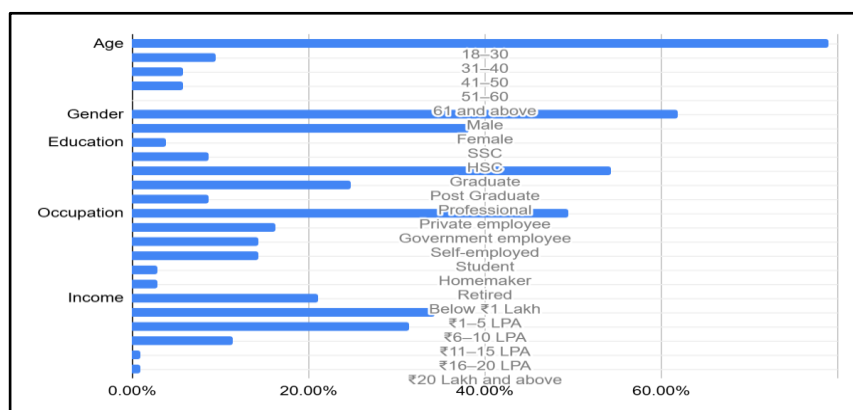
- **Hypothesis 1 (H₁):** Effective use of CRM tools has a significant positive impact on service quality in the banking sector.
- **Hypothesis 2 (H₁):** Technical and organizational challenges act as significant barriers to effective customer experience management.



Data Analysis and Interpretation:

Table 1: Demographic Profile of Respondents (105 participants)

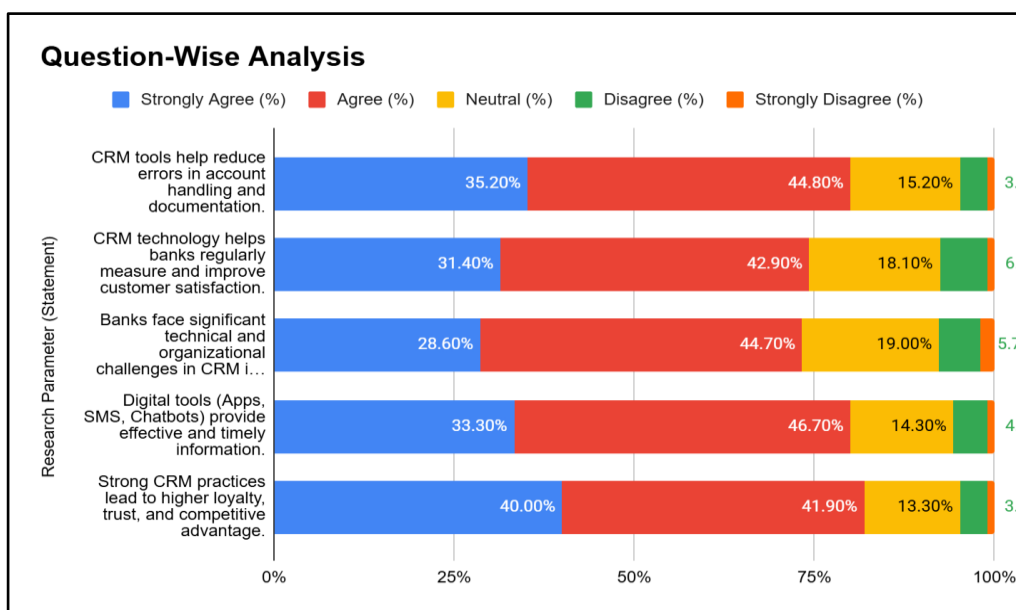
Category	Group	Responses	Responses (%)
Age	18–30	83	79.00%
	31–40	10	9.50%
	41–50	6	5.70%
	51–60	6	5.70%
	61 and above	0	0.00%
Gender	Male	65	61.90%
	Female	40	38.10%
Education	SSC	4	3.80%
	HSC	9	8.60%
	Graduate	57	54.30%
	Post Graduate	26	24.80%
	Professional	9	8.60%
Occupation	Private employee	52	49.50%
	Government employee	17	16.20%
	Self-employed	15	14.30%
	Student	15	14.30%
	Homemaker	3	2.90%
	Retired	3	2.90%
Income	Below ₹1 Lakh	22	21.00%
	₹1–5 LPA	36	34.30%
	₹6–10 LPA	33	31.40%
	₹11–15 LPA	12	11.40%
	₹16–20 LPA	1	1.00%
	₹20 Lakh and above	1	1.00%



The following table summarizes the responses from 105 participants regarding the impact of CRM on service quality and customer experience in the banking sector.

Table 2: Question-Wise Analysis (Frequency Distribution)

Research Parameter (Statement)	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)
CRM tools help reduce errors in account handling and documentation.	35.20%	44.80%	15.20%	3.80%	1.00%
CRM technology helps banks regularly measure and improve customer satisfaction.	31.40%	42.90%	18.10%	6.70%	0.90%
Banks face significant technical and organizational challenges in CRM implementation.	28.60%	44.70%	19.00%	5.70%	2.00%
Digital tools (Apps, SMS, Chatbots) provide effective and timely information.	33.30%	46.70%	14.30%	4.80%	0.90%
Strong CRM practices lead to higher loyalty, trust, and competitive advantage.	40.00%	41.90%	13.30%	3.80%	1.00%



Hypothesis Testing:

To perform the hypothesis testing accurately based on your research data (N=105), we use the Chi-Square Test. This test compares the Observed Frequency (O) from your survey against the Expected Frequency (E) to see if the results are statistically significant.

Hypothesis 1 (H₁): Impact of CRM on Service Quality

Null Hypothesis (H₀): There is no significant relationship between CRM tool usage and service quality.

Alternative Hypothesis (H₁): Effective use of CRM tools has a significant positive impact on service quality.

Calculation Table (Chi-Square Test)

Based on the combined data from your survey regarding service measurement and error reduction:

Response Category	Observed (O)	Expected (E)*	(O - E)	(O - E) ²	(O - E) ² / E
Strongly Agree	37	21	16	256	12.19
Agree	46	21	25	625	29.76
Neutral	18	21	-3	9	0.43
Disagree	3	21	-18	324	15.43
Strongly Disagree	1	21	-20	400	19.05
Total	105	105	0	-	$\chi^2 = 76.86$

*Expected frequency (E) is calculated as Total Respondents (105) divided by the number of categories (5) = 21.

Statistical Result for H1:

- Degree of Freedom (df): (5 categories - 1) = 4
- Critical Value at 0.05 level: 9.488
- Calculated Value: 76.86

Interpretation: Since the calculated value (76.86) is much higher than the critical value (9.488), the result is statistically significant. **Hypothesis 1 is accepted.**

Hypothesis 2 (H₁): Challenges as Barriers to Experience Management

Null Hypothesis (H₀): Technical and organizational challenges do not significantly act as barriers to CRM.

Alternative Hypothesis (H₁): Technical and organizational challenges act as significant barriers to effective customer experience management.

Calculation Table (Chi-Square Test)

Based on survey statement 17 regarding implementation challenges:

Response Category	Observed (O)	Expected (E)	(O - E)	(O - E) ²	(O - E) ² / E
Strongly Agree	30	21	9	81	3.85
Agree	47	21	26	676	32.19
Neutral	20	21	-1	1	0.05
Disagree	6	21	-15	225	10.71
Strongly Disagree	2	21	-19	361	17.19
Total	105	105	0	-	$\chi^2 = 63.99$

Statistical Result for H2:

- Degree of Freedom (df): 4
- Critical Value at 0.05 level: 9.488
- Calculated Value: 63.99

Interpretation: Since the calculated value (63.99) exceeds the critical value (9.488), the result is statistically significant. **Hypothesis 2 is accepted.**

Conclusion:

- CRM has evolved from a data-storage tool to a strategic asset in the banking sector.
- CRM systems improve service quality through better accuracy in account management and personalized customer interactions.
- Effective CRM usage is positively associated with higher service standards and increased customer trust.
- Despite its benefits, banks face technical challenges and organizational resistance in CRM implementation.
- Successful banking strategies require seamless integration of CRM across all operations.
- A balance between human interaction and CRM technology will be key to achieving competitive advantage in modern banking.

Future Scope of the Study:

- Future research can examine the integration of **AI and machine learning in CRM**, particularly the use of generative AI for predicting customer churn and delivering personalized financial advice.
- Comparative studies may analyze the **effectiveness of CRM tools in rural and urban banking sectors**, highlighting the digital divide.
- Future studies can examine employees' perspectives to identify training needs and barriers to CRM adoption.
- Further research should focus on **data security and privacy issues**, particularly on the balance between personalized services and customer data protection regulations, such as the DPDP Act.

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Cite This Article:

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