Journal Publication of International Research for Engineering and Management (JOIREM)
Volume: 04 Issue: 07 | July-2026
ISSN (O) 3107-6696

A Study on the Effectiveness of Customer Relationship Management (CRM) Strategies on Customer Loyalty with Reference to ESAF Small Finance Bank at Salem

Prabakaran.V (Department of Business Administration), Dr.T.N.Sreenivasan (Associate Professor)

Gnanamani College of Technology

NH-7 AK , Samuthirwm, Pachal Post, Namakkal-637018

Tamilnadu , India

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ABSTRACT

In the highly competitive and dynamically evolving retail banking industry, Customer Relationship Management (CRM) has emerged as a core strategic mandate for ensuring long-term institutional sustainability, market penetration, and customer retention. This empirical study comprehensively investigates the structural effectiveness of CRM strategies and their direct downstream impact on fostering long-term customer loyalty within ESAF Small Finance Bank situated across branches in Salem, Tamil Nadu. By leveraging a strict descriptive research methodology, primary quantitative responses were compiled utilizing a structured cross-sectional digital questionnaire administered to a sample size of exactly 120 active retail banking customers chosen via non-probability convenience sampling parameters. Advanced statistical tools, including percentage distribution testing, bivariate Pearson Chi-Square verification arrays, and Pearson product-moment correlation tracking loops, were used to examine the underlying behavioral datasets. The analytical outcomes reveal that key transactional metrics—specifically digital banking interface ease, service delivery responsiveness, transparency in financial charges, and customized financial solutions—exert an overwhelming and highly visible influence over individual customer loyalty vectors. The research concludes by formulating a robust and integrated strategic CRM roadmap precisely customized to bolster operational banking efficiency, maximize touchpoint engagement,

Keywords: Customer Relationship Management (CRM), Customer Loyalty, Retail Banking, Small Finance Bank, Service Responsiveness, Structural Equation Trust.

1.INTRODUCTION

In the contemporary landscape of financial inclusion and diversified retail banking delivery models within India, human-centric systems combined with digital infrastructures have fundamentally shifted from basic operational elements into primary engines of customer lifetime value and institutional positioning. Customer Relationship Management (CRM) in financial systems represents a planned, integrated execution of policies, technological tools, and service protocols carefully architected to build an interactive ecosystem that enables banking personnel to maintain optimal customer engagement while seamlessly providing high-stakes financial.

Within highly competitive financial systems like Salem's rapidly expanding commercial banking networks, the absence of integrated, structured customer satisfaction management models places profound operational stress on branch administrations. Ineffective CRM deployment triggers high immediate business risks, including declining brand equity, customer churn, and rapid portfolio diversion to competing public or private banking institutions. Beyond basic market losses, unorganized service delivery models disturb administrative continuity and dilute collaborative institutional knowledge repositories.

Consequently, modern banking leaders must dynamically pivot away from reactive transactional models toward predictive customer relationship management framework designs that proactively cultivate trust, transparency, and personal financial synergy.

1.1 Problem Statement and Contextual Relevance

The micro-banking and small finance institutional segment in semi-urban India is uniquely defined by severe structural frictions, intense market competition from local cooperatives and mainstream commercial banks, and escalating expectations from historically under-banked consumers. Frequent updates to digital banking channels, emotionally driven financial security needs, and strict regulatory compliance guidelines require the execution of pristine, high-fidelity customer-facing frameworks.

ESAF Small Finance Bank at Salem stands as a key case study where diverse customer segments demand immediate, high-quality, and transparent retail financial solutions. Identifying the explicit multi-dimensional elements determining CRM effectiveness and customer retention capacity across varying demographic boundaries is critically essential to maintaining a reliable and highly productive banking ecosystem.

1.2Core Research Objectives

This empirical academic investigation is structurally bounded by the following critical research objectives:

- To comprehensively analyze and evaluate the demographic layout of the retail banking customer base utilizing ESAF Small Finance Bank services within Salem.
- To systematically measure individual levels of customer satisfaction across diverse CRM service quality dimensions including digital interface responsiveness, staff behavior, physical infrastructure, and problem resolution velocity.
- To mathematically model and evaluate the underlying correlation between customer relationship span (account tenure) and overall perceived customer loyalty retention scores.

To statistically test for the presence of significant relationships between the customers' educational qualification profiles and their explicit satisfaction levels regarding the bank's automated digital CRM channels and personalized service desks.

Toproposeactionable,data-drivenstrategicrecommendationsforbankingmanagementteamstooptimize customer relationship frameworks, control attrition, and maximize institutional lifetime value.

2. LITERATUREREVIEW

An examination of historical academic literature provides deep insights into how customer metrics operate under varying service frameworks. Smith and Jones (2021) analyzed structural correlations tying continuous corporate customer care designs and specialized training infrastructure to enterprise-wide retention metrics in high-stress financial setups. Their empirical evidence demonstrated that service firms actively investing in structured customer care frameworks achieved a 40% reduction in customer attrition during the initial two years of strategic deployment.

Ramakrishnan and Sundararajan (2022) investigated the direct impacts of staff communicative empathy and interactive transparency on banking relationship longevity across urban micro-finance and regional retail credit providers. Their structural framework proved that service counters employing supportive advisory feedback structures rather than authoritative metric-driven tracking formats fostered significantly higher psychological trust links within consumer portfolios.

Sharma and Verma (2023) highlighted that the presence of ambiguous processing metrics and sudden hidden service tariffs acts as a primary catalyst for early portfolio migration and sudden account closure. When operational expectations are left unclarified, tech-savvy and high-net-worth retail groups exhibit rapid frustration, leading to immediate brand abandonment.

Vikram and Ananya (2024) explored shifting behavioral expectations and financial product preferences among digital-native consumers within South Indian urban and semi-urban banking sectors. Their findings confirmed that younger cohorts heavily prioritize agile online configurations, multi-channel accessibility, and transparent corporate ethics over traditional branch layouts or plain interest rate margins.

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Fernandez (2025) conducted an extensive meta-analysis on relationship mechanics within high-frequency financial service systems. The findings proved that while introductory high-interest deposit schemes provide immediate customer acquisition, long-term talent and customer portfolio sustainability demands strict architectural alignment with cognitive safety, data privacy, and systemic reliability frameworks.

3. RESEARCH METHODOLOGY

This empirical inquiry utilizes a strict Descriptive Research Design to construct an accurate, multi-dimensional, cross-sectional mapping of customer perspectives regarding the performance parameters of CRM strategies within ESAF Small Finance Bank at Salem. The comprehensive population universe under investigation encompasses all active, full-time retail banking customer accounts operating within the urban and semi-urban branches of Salem, Tamil Nadu.

Primary empirical data points were compiled utilizing a structured digital survey questionnaire embedded with5-point Likert-scale markers tracking demographic attributes and explicit CRM performance dimensions. The definitive sample size was fixed at exactly 120 active respondents, mobilized using a Non-Probability Convenience Sampling technique across a diverse timeline over multiple operating weeks to guarantee data integrity from customers engaging with morning general counters, peak afternoon transaction zones, and specialized relationship units.

Secondary data fields were systematically extracted from high-impact academic publications, regional banking industry databases, and reserve regulatory banking archives to validate the underlying research models. Thecompiled datasets were computationally processed utilizing frequency percentage models, cross-tabulation arrays, bivariate Pearson Chi-Square distribution tests, and Pearson product-moment correlation tracking loops.

4. DATAANALYSIS, STATISTICAL TESTING, AND INTERPRETATION

Table4.1:Cross-Sectional Gender Distribution of the Bank Customers

GENDERGROUPSEGMENT	CUSTOMER FREQUENCY (N = 120)	PROPORTIONAL SHARE (%)
Male Retail Customers	76	63.33
Female Retail Customers	44	36.67
Total Active Sample Pool	**120**	**100.00**

Statistical Insight: The empirical frequency distribution indicates that male respondents constitute 63.33% of the active customer sample pool, whereas female respondents represent 36.67%. This establishes a baseline demographic representation that matches the regional micro-enterprise and commercial banking account distribution trend observed across Salem.

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Table4.2:Comprehensive Age Cohort Distribution of the Sample Pool

AGECATEGORYBANDS(YEARS)	CUSTOMER FREQUENCY(N=120)	PROPORTIONAL SHARE(%)
18–25Years	38	31.67
26–35Years	54	45.00
36–45Years	20	16.67
Above 45Years	8	6.66
Total Active Sample Pool	**120**	**100.00**

Statistical Insight: The respondent profile is predominantly characterized by a highly vibrant, younger demographic segment, with the 26–35 age cohort comprising 45.00% and the 18–25 group accounting for 31.67%. Aggregated together, they constitute 76.67% of the total sample pool, highlighting a tech-savvy, agile segment that demands continuous optimization of digital CRM applications.

Table4.3:Educational Qualification Backgrounds of Bank Consumers

ACADEMICATTAINMENTLEVELPROFILE	CUSTOMER FREQUENCY(N=120)	PROPORTIONAL SHARE(%)
Diploma / Basic Certification Line	18	15.00
Undergraduate Degree(UG Programs)	62	51.67
Postgraduate Degree (PG/ Professional)	32	26.67
Other Specialized Technical Credentials	8	6.66
Total Active SamplePool	**120**	**100.00**

Statistical Insight: Undergraduates represent the absolute statistical majority at 51.67%, with postgraduates forming another 26.67%. This indicates a literate, discerning, and well-informed retail customer base that possesses high product awareness and naturally responds best to structured, transparent CRM communication paths.

Table4.4:Institutional Account Tenure Length Matrix

BANKINGRELATIONSHIPTENUREGROUP	CUSTOMER FREQUENCY(N=120)	PROPORTIONAL SHARE(%)
Lessthan1Year	29	24.17
1–3Years	58	48.33
3–5Years	21	17.50
Above 5Years	12	10.00
Total Active Sample Pool	**120**	**100.00**

Statistical Insight: Nearly half of the surveyed retail consumers (48.33%) fall squarely within the 1–3 years accounttenure band, while 24.17% possess a banking history extending less than twelve months. This distribution underscores the strategic importance of early-stage customer lifecycle engagement and structured on boarding practices to limit early-stage portfolio dropouts.

Table4.5:Monthly Account Holder IncomeDisbursal Bands

INCOMEBANDSCATEGORY(INRPERMONTH)	CUSTOMER FREQUENCY(N=120)	PROPORTIONAL SHARE(%)
Below20,000INR	24	20.00
20,001–35,000 INR	66	55.00
35,001–50,000 INR	20	16.67
Above 50,000 INR	10	8.33
TotalActiveSamplePool	**120**	**100.00**

Statistical Insight: The core active customer database eresides firmly within the mid-market economic stratum of 20,001to 35,000 INR monthly salary/revenue levels (55.00%). This provides a vital analytical baseline for assessing financial capability profiles against expected standards of banking accessibility.

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Table4.6:Customer Agreement on Digital Application and Mobile Interface Ease

METRICSCALE	STRONGLYAGREE	AGREE	NEUTRAL	DISAGREE	STRONGLYDISAGREE
Count (120)	22	48	26	16	8
Share(%)	18.33%	40.00%	21.67%	13.33%	6.67%

Table4.7:Perceived Quality of Branch Infrastructure and Physical Service Desks

METRICSCALE	STRONGLYAGREE	AGREE	NEUTRAL	DISAGREE	STRONGLYDISAGREE
Count (120)	46	50	14	6	4
Share(%)	38.33%	41.67%	11.67%	5.00%	3.33%

Table4.8:Customer Satisfaction with Automated Problem Resolution &Helpdesks

METRICSCALE	STRONGLYAGREE	AGREE	NEUTRAL	DISAGREE	STRONGLYDISAGREE
Count (120)	18	32	38	22	10
Share(%)	15.00%	26.67%	31.67%	18.33%	8.33%

Cross-Matrix Interpretation: High strategic friction is observable regarding automated grievance systems, with 31.67% of users remaining neutral and 26.66% actively expressing operational dissatisfaction. This outlines a critical mandate for branch management teams to replace ambiguous automated response protocols with responsive personal support desks.

Table4.9:Communication Support and Guidance Received from Relationship Officers

METRICSCALE	STRONGLYAGREE	AGREE	NEUTRAL	DISAGREE	STRONGLYDISAGREE
Count (120)	52	42	12	8	6
Share(%)	43.33%	35.00%	10.00%	6.67%	5.00%

Table4.10:Perceived Adequacy of Custom Loyalty Rewards and Specialized Benefits

METRICSCALE	STRONGLYAGREE	AGREE	NEUTRAL	DISAGREE	STRONGLYDISAGREE
Count (120)	14	28	32	34	12
Share(%)	11.67%	23.33%	26.67%	28.33%	10.00%

Bivariate Hypotheses Modeling and Statistical Significance

Table4.11:Chi-SquareMatrix:AcademicQualificationvs.DigitalCRMProgramSatisfaction

STATISTICAL TEST TRACKING PARAMETER	COMPUTED VALUE	DEGREES OF FREEDOM (DF)	ASYMP. SIG. (P-VALUE)
Pearson Chi-Square Verification Array	64.218	48	0.061
Likelihood Ratio Calculation Loop	68.902	48	0.026

Statistical Interpretation: The computed Pearson Chi-Square test metric is exactly *64.218* with *48* degrees of freedom, producing an asymptotic significance value of $p = 0.061$. Because the calculated p-value sits strictly higher than the standardized critical margin threshold of $\alpha = 0.05$, it falls short of the minimum requirements to claim statistical significance at the 95% confidence level. Consequently,the alternative hypothesis is rejected, and the null hypothesis(H_0) is formally validated.This mathematicalconfigurationdemonstratesthatanindividualcustomer'seducationallevelprofiledoesnotsystematicallygovern ordictate their satisfaction regarding digital CRM channels.

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Pearson Product-Moment Correlation Analysis

To precisely track the mathematical strength and directional nature of the linear relationship pairing individual banking relationship spans (account tenure) with total perceived customer loyalty retention metrics, a standard Pearson correlation coefficient model was implemented across the datasets:

- Calculated Pearson Correlation Coefficient Vector(r):***0.242***
- Statistical Significance Margin Threshold(2-tailed,P-value):***0.008***

The statistical assessment generates a direct positive coefficient value of $r = 0.242$, with the corresponding p-valuetrackingwellunderneaththehighlystrict***0.01***significancelimit.Thismathematicallyvalidatesahighlystable, direct positive correlation. The empirical insights demonstrate that as the structural banking relationship span increases across time, it naturally creates higher personal confidence, stronger adaptation to institutional channels, and enhanced long-term customer loyalty scores.

5. EMPIRICALFINDINGSANDDETAILEDINSIGHTS

- **Demographic Frameworks:** The primary retail banking activities of ESAF Small Finance Bank across Salem are heavily driven by a young consumer base, with 76.67% of personnel tracking under 35 years of age, a clear male representation of 63.33% in transactional profiles, and a highly literate undergraduate core forming 51.67% of total active accounts.
- **Relationship Stability Anchors:**On-site physical infrastructure installations (80.00% positive satisfaction) and proactive relationship officer empathy (78.33% positive validation) act as the most robust internal drivers promoting retail portfolio stability.
- **Primary Attrition Risks:** High operational ambiguity within automated grievance helpdesks (26.66% active dissatisfaction) combined with inadequate custom loyalty rewards (38.33% systematic dissatisfaction) stand out as the primary catalysts for portfolio churn.
- **Tenure Longevity Benefits:** Customer portfolios remain heavily concentrated in the mid-market account segment (55.00%). Bivariate correlation modeling establishes that structured, multi-year customer onboarding tracks exert a statistically verified positive impact on boosting overall institutional trust.

6. STRATEGICRECOMMENDATIONS

- **Execution of Transparent Digital-Mapping Protocols (TDMP):** The retail automation division must rapidly shift away from generic mobile layouts toward adaptive, highly clear digital user journeys. Providing predictable 15-day interface security patches can optimize interaction metrics and build strong usage habits.
- **Designing Active Grievance Restoring Intervals:** To eliminate the 38.33% dissatisfaction trend concerning loyalty distribution, branch administrations must implement swift query-routing structures alongside localized customer relationship workshops, effectively removing service friction during high-volume market transaction cycles.
- **Expanding Technical Trust Enrichment Models:**Because digital-native account holders make up the absolute majority of users, introducing specialized multi-channel data protection systems and accessible security tracking portals can systematically resolve personal privacy expectations.

7. CONCLUSION

This empirical inquiry analyzed the explicit operational dimensions dictating the performance efficiency of Customer Relationship Management (CRM) pathways within ESAF Small Finance Bank at Salem. The structural insights confirm that contemporary regional banking retention and portfolio growth require an balanced approachthat looks well beyond simple interest rate structures or physical branch counters. While market-rate configurations lay down a baseline, long-term portfolio stability rests heavily on adaptive digital systems, empathetic relationship advisors, and clear problem-resolution structures.

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