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CUSTOMER RELATIONSHIP MANAGEMENT PRACTICES IN THE DIGITAL BANKING ECOSYSTEM: (A STUDY OF COMMERCIAL BANKS IN HIMACHAL PRADESH)

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ABSTRACT

In the digital age, technology no longer serves merely as a support system for businesses as it shapes how organizations create value, build trust, and sustain customer relationships. For the banking sector, which forms the foundation of a nation's financial ecosystem, digitalization has transformed customer expectations from basic service delivery to personalized, seamless, and real-time experiences. In this context, Customer Relationship Management (CRM) practices have evolved from operational tools to strategic assets that enable banks to acquire, engage, and retain customers in an increasingly competitive environment. The research adopts a descriptive and analytical research design. This study examines the role of CRM practices within the digital banking ecosystem and explores how digital technologies are enhancing customer engagement, satisfaction, and loyalty. The study emphasizes that in an era where technology can be easily replicated, enduring customer relationships remain the most sustainable source of competitive advantage for banks.



KEYWORDS: CRM Practices, Digital Banking Ecosystem, Digitalization, Customer Satisfaction, Customer Trust, Customer Loyalty, Customer Retention.

INTRODUCTION

In the modern business world, customers have become one of the most valuable assets of any organization. With increasing competition and a wide range of choices available in the market, organizations can no longer rely solely on attracting new customers for growth and survival. Instead, maintaining strong and long-lasting relationships with existing customers has become equally important. This shift in business priorities has led to the growing importance of Customer Relationship Management (CRM), which focuses on understanding customers' needs, expectations, and preferences while delivering value through meaningful interactions and quality service.¹

Customer Relationship Management is more than a technological system or a database used to store customer information. It is a comprehensive business approach that places customers at the center of organizational activities. CRM helps organizations build deeper relationships with customers by improving communication, understanding customer behaviour, responding effectively to concerns, and providing personalized services. By creating positive experiences at every stage of the customer

journey, organizations can enhance customer satisfaction, strengthen loyalty, and establish long-term relationships that contribute to sustainable growth.²

The relevance of CRM is particularly evident in the banking sector, where customer relationships play a crucial role in organizational success. Unlike tangible products, banking services are largely based on trust, reliability, and continuous interaction between customers and financial institutions. Customers expect banks not only to provide efficient financial services but also to understand their needs, resolve their problems promptly, and offer personalized support whenever required. In such a competitive environment, effective CRM practices enable banks to strengthen customer confidence, improve service experiences, and foster long-term loyalty. Consequently, CRM has become an essential strategic tool for commercial banks seeking to enhance customer satisfaction, retain valuable customers, and achieve sustainable competitive advantage in an increasingly dynamic banking landscape.^{1,3}

REVIEW OF LITERATURE

• CRM Best Practices, Customer Trust and Retention in Banks: A Theoretical Overview

Customer trust and customer retention are widely regarded as the primary outcomes of successful CRM implementation in the banking sector. Trust refers to a customer's confidence in a bank's ability to provide secure, reliable, and transparent financial services. Since banking transactions involve customers' financial assets and sensitive information, trust serves as the foundation upon which enduring customer relationships are built.⁴ CRM best practices contribute significantly to the development of customer trust. Such practices include personalized service delivery, timely resolution of customer complaints, transparent communication, service consistency, and effective customer engagement initiatives. When customers perceive that a bank understands their needs and values their relationship, they are more likely to develop positive attitudes and stronger trust toward the institution.¹ Customer retention represents another major objective of CRM. Retaining existing customers is generally more cost-effective than acquiring new ones, and loyal customers often contribute significantly to organizational profitability. Relationship Marketing Theory suggests that trust, commitment, and customer satisfaction are essential determinants of long-term customer retention.⁴ Consequently, commercial banks increasingly invest in CRM initiatives to strengthen customer loyalty, reduce customer attrition, and enhance organizational performance.

• Evolution of Customer Relationship Management in the Digital Banking Ecosystem

The banking sector has undergone substantial transformation with the rapid adoption of digital technologies and changing customer expectations. Traditional branch-based banking has evolved into an integrated digital banking ecosystem characterized by mobile banking, internet banking, digital payment systems, artificial intelligence, chatbots, and customer analytics.⁵ In this evolving environment, CRM practices have also undergone significant changes. Contemporary CRM systems are increasingly supported by big data analytics, machine learning, artificial intelligence, and predictive modelling techniques. These technologies enable banks to gain deeper insights into customer behaviour, identify service preferences, predict future needs, and offer personalized financial solutions. Digital platforms facilitate real-time interactions with customers, thereby improving service responsiveness and relationship quality.⁶ Government initiatives such as Digital India, Pradhan Mantri Jan Dhan Yojana, Unified Payments Interface (UPI), and various financial inclusion programmes have accelerated the digital transformation of India's banking sector. Consequently, CRM has evolved from traditional relationship-building practices to integrated digital relationship management systems that combine technological efficiency with customer-centric service delivery.³

RESEARCH GAP

Although Customer Relationship Management (CRM) has become an essential strategy for banks to improve customer satisfaction, loyalty, and retention, most existing studies have focused on CRM practices in a broad banking context. Very few studies have explored how digitalization is

changing these practices, especially in states like Himachal Pradesh where geographical conditions, dispersed populations, and varying levels of digital adoption create unique challenges. Moreover, limited research has examined how banks are combining technology-based CRM tools with the personal interaction that customers still value. There is also a lack of comparative evidence on the effectiveness of digital CRM practices among public sector banks, private sector banks, and regional rural banks in the region. Therefore, the present study aims to bridge this gap by examining the impact of digitalization on CRM practices and understanding how these changes influence customer satisfaction, trust, loyalty, and retention in commercial banks of Himachal Pradesh.

STATEMENT OF THE PROBLEM

The rapid expansion of digital banking services has transformed the nature of customer-bank interactions. Although digital technologies have enhanced operational efficiency and service accessibility, they have simultaneously reduced direct personal interactions between customers and banking personnel. Consequently, maintaining strong customer relationships in an increasingly digital environment has emerged as a major challenge for banks. Commercial banks operating in Himachal Pradesh face additional challenges arising from geographical dispersion, varying levels of digital literacy, and diverse customer expectations. While substantial investments have been made in digital banking infrastructure, limited empirical evidence exists regarding the effectiveness of CRM practices in strengthening customer trust and retention in the state's banking sector. Therefore, an examination of CRM practices within the digital banking ecosystem becomes necessary to understand their impact on customer relationship outcomes.

OBJECTIVES OF THE STUDY

- To examine the current CRM practices adopted by commercial banks in the digital banking ecosystem of Himachal Pradesh.
- To analyze the impact of digitalization on customer relationship management strategies in commercial banks.
- To evaluate the role of Digital CRM in enhancing customer relationship management in the regional banking context.

HYPOTHESES

- **H₀₁:** There is no significant difference in the CRM practices adopted by commercial banks in the digital banking ecosystem.
- **H₀₂:** Digitalization has no significant impact on Customer Relationship Management strategies.
- **H₀₃:** Digital CRM does not have a significant role in enhancing customer relationship management in the regional banking context.

SCOPE OF THE STUDY

The present study focuses on Customer Relationship Management practices in the digital banking ecosystem with special reference to commercial banks operating in Himachal Pradesh. The study includes Public Sector Banks, Private Sector Banks, and Regional Rural Banks functioning within the state. The research examines CRM dimensions such as service quality, complaint management, customer communication, trust building, and customer retention. Furthermore, the study investigates the influence of digital banking technologies on CRM effectiveness and customer relationship outcomes. The scope of the study is confined to selected customers and employees of commercial banks operating in Himachal Pradesh.

RESEARCH METHODOLOGY

The present study, titled "Customer Relationship Management Practices in the Digital Banking Ecosystem: A Study with Special Reference to Commercial Banks of Himachal Pradesh," seeks to examine the CRM practices adopted by commercial banks in the state and evaluate their role in

strengthening customer relationships in an increasingly digitalized banking environment. To achieve the objectives of the study, a descriptive and analytical research design was adopted. The methodology was designed to ensure the systematic collection, analysis, and interpretation of data from relevant stakeholders in the banking sector.

The study is based on both primary and secondary sources of data. Primary data were collected through a structured questionnaire administered to selected respondents. The questionnaire was designed to capture perceptions and experiences related to various dimensions of Customer Relationship Management practices in the digital banking ecosystem. Secondary data were obtained from books, research journals, annual reports of banks, publications of the Reserve Bank of India, government reports, policy documents, and other relevant academic and institutional sources. The combination of primary and secondary data helped provide a broader understanding of CRM practices and their growing significance in the banking sector.

SAMPLING DESIGN

The target population of the study comprised customers of commercial banks operating in Himachal Pradesh. A stratified sampling technique was employed to ensure adequate representation of Public Sector Banks, Private Sector Banks, and Regional Rural Banks. Respondents were selected from different bank categories to obtain a comprehensive understanding of CRM practices across the banking sector.

The present study was based on a sample of 510 respondents selected from Public Sector Banks (State Bank of India and Punjab National Bank), Private Sector Banks (HDFC Bank and ICICI Bank), and Regional Rural Banks (HPGB) operating in Himachal Pradesh. Out of the total respondents, 360 were bank customers and 150 were bank employees. The inclusion of both customers and employees helped in gaining a broader understanding of Customer Relationship Management (CRM) practices in the banking sector. While customers shared their experiences and perceptions regarding the quality of services, customer care, and digital banking facilities, employees provided insights into the implementation and management of CRM initiatives within their respective banks. The participation of respondents from different categories of banks ensured that diverse viewpoints were captured, thereby enhancing the reliability and comprehensiveness of the study. This distribution of the sample enabled a balanced evaluation of CRM practices and their role in strengthening customer relationships in the era of digital banking.

Respondent Category	Sample Size	Percentage (%)
Bank Customers	360	70.59
Bank Employees	150	29.41
Total	510	100.00

Source: Primary Probe

TOOLS AND TECHNIQUES OF ANALYSIS

The collected data were coded, tabulated, and analyzed using the IBM Statistical Package for Social Sciences (SPSS) 27. Descriptive statistical tools such as frequencies, percentages, mean scores, standard deviations, and ranking analysis were used to examine the prevailing CRM practices adopted by commercial banks. In addition, Analysis of Variance (ANOVA) was employed to identify significant differences in perceptions among respondent groups. Correlation analysis was used to examine the relationships among CRM dimensions, while regression analysis was applied to assess the influence of CRM practices on customer-related outcomes. The findings were presented through appropriate tables and graphical representations to facilitate interpretation and discussion.

RESULTS AND DISCUSSION

This section presents the analysis and interpretation of the data collected for the present study on Customer Relationship Management (CRM) practices in the digital banking ecosystem of commercial

banks in Himachal Pradesh. The discussion is structured in line with the specific objectives of the study, which include examining the prevailing CRM practices adopted by banks, analyzing the impact of digitalization on CRM strategies, and evaluating the role of digital CRM in strengthening customer relationships in the regional banking context. The findings are derived from responses obtained from both bank customers and employees and are interpreted using appropriate statistical tools to draw meaningful conclusions.

Table 1: Customer Perception of CRM Practices in Commercial Banks

CRM Dimension	Overall Mean	Rank
Organizational Structure	3.41	I
Operational Governance	3.09	IV
Performance Optimization	3.41	I
Customer Data Management	3.23	III
IT Systems & Innovation	3.35	II

Source: Primary Probe

The table no. 1 shows that **Organizational Structure (Mean = 3.41)** and **Performance Optimization (Mean = 3.41)** were ranked first, indicating that customers have the most favorable perception of these CRM dimensions in commercial banks. **IT Systems and Innovation (Mean = 3.35)** secured the second rank, reflecting customers' positive views regarding the use of technology and innovation in banking services. **Customer Data Management (Mean = 3.23)** ranked third, suggesting a moderate level of satisfaction with the management and utilization of customer information. **Operational Governance (Mean = 3.09)** received the lowest rank, indicating comparatively weaker customer perceptions regarding CRM-related policies, procedures, and service monitoring. Overall, the findings reveal a moderately positive perception of CRM practices among customers in commercial banks.

Table 2: Correlation of CRM Practices and Customer Experiences

		Customer Relationship Management
CRM Practices	Pearson Correlation	.345**
	Sig. (2-tailed)	0.000
	N	510
Customer Relationship Management	Pearson Correlation	1
	Sig. (2-tailed)	
	N	510

** Correlation is significant at the 0.01 level (2-tailed).

Source: Primary Probe

The table no.2 results indicate correlation between CRM Practices and Customer Experiences. The Pearson correlation coefficient is **0.345**, indicating a **moderate positive relationship** between the two variables. The significance value (**p = 0.000**) is less than 0.01, showing that the relationship is **statistically significant**. Therefore, the results suggest that better implementation of CRM practices is associated with improved customer experiences in banks. The correlation is significant at the 1% level, supporting the importance of CRM practices in enhancing customer experiences.

Table 3: Regression between CRM Practices and Customer Relationship Management

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.345 ^a	0.119	0.118	20.52470

a. Predictors: (Constant), CRM Practices

Source: Primary Probe

The regression results show that CRM Practices have a positive influence on Customer Relationship Management. The value of $R = 0.345$ indicates a moderate positive relationship between the variables. The **R Square value of 0.119** suggests that CRM Practices explain **11.9% of the variation** in Customer Relationship Management. The **Adjusted R Square (0.118)** is very close to the R Square value, indicating that the model provides a reliable estimate of the relationship. The **Standard Error of the Estimate (20.525)** represents the average prediction error of the model.

Table 4: ANOVA for CRM Practices and Customer Relationship Management

Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29000.783	1	29000.783	68.842
	Residual	214001.735	508	421.263	
	Total	243002.518	509		

a. Dependent Variable: Customer Relationship Management

b. Predictors: (Constant), CRM Practices

Source: Primary Probe

The ANOVA results indicate that the regression model is statistically significant ($F = 68.842$, $p = 0.000$). Since the significance value is less than 0.05, the model is considered a good fit for explaining the relationship between CRM Practices and Customer Relationship Management. This finding confirms that CRM Practices have a significant effect on Customer Relationship Management and contribute meaningfully to predicting its outcomes.

CONCLUSION

The empirical results of the study show that CRM practices have a statistically significant positive impact on customer relationship outcomes in the banking sector. The correlation analysis indicates a moderate positive relationship between the variables, while the regression results suggest that CRM practices explain a noticeable but limited portion of the variation in customer relationship management. The ANOVA results further confirm that the overall model is statistically significant, supporting the reliability of these relationships. Overall, the findings indicate that well-implemented CRM strategies can help banks strengthen their relationships with customers. At the same time, the moderate explanatory power suggests that customer relationship outcomes are also shaped by several other factors. This highlights the need for banks to combine CRM initiatives with improvements in service quality, technology, and organizational practices to build stronger and more sustainable customer relationships.

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