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**Impact of Customer Relationship Management (CRM)
Strategies on Customer Retention in Commercial Banks in
India**

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Abstract

Purpose: The aim of the study was to assess the impact of customer relationship management (CRM) strategies on customer retention in commercial banks.

Methodology: This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low cost advantage as compared to a field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

Findings: The findings indicate that effective customer relationship management (CRM) strategies, such as personalized communication, loyalty programs, and customer engagement, significantly enhance customer retention in commercial banks. CRM practices foster stronger customer trust, satisfaction, and loyalty, leading to reduced churn rates and repeat business. Overall,

banks that implement comprehensive CRM systems experience improved customer retention and long-term profitability.

Implications to Theory, Practice and Policy: Relationship marketing theory, the resource-based view (RBV) theory & social exchange theory may be used to anchor future studies on assessing the impact of customer relationship management (CRM) strategies on customer retention in commercial banks. From a practical standpoint, commercial banks should adopt a more customer-centric approach by leveraging data analytics to personalize products, services, and communication based on individual customer needs. From a policy perspective, regulatory bodies such as central banks should develop frameworks that promote customer-centric banking practices and ensure high standards of service delivery.

Keywords: *Customer Relationship Management (CRM), Customer Retention, Commercial Banks*

INTRODUCTION

Customer retention refers to a firm's ability to maintain long-term relationships with customers, reflected through repeat purchases, strong customer loyalty, and low churn rates. It is commonly measured using indicators such as retention rate, frequency of repeat transactions, and customer lifetime value. In developed economies, retention is largely driven by high service quality, personalization, and data-driven customer engagement strategies. Empirical studies indicate that improvements in customer satisfaction significantly enhance retention and loyalty outcomes in competitive markets. Additionally, research shows that even a small increase in retention rates can substantially boost profitability, emphasizing its strategic importance (Saha & Hassan, 2021; Salamah, 2022).

For example, in the United States, firms in sectors such as banking and telecommunications report retention rates ranging between 75% and 85%, supported by advanced loyalty programs and predictive analytics that reduce churn. In the United Kingdom, organizations widely use churn prediction models and customer analytics to maintain stable retention levels in highly saturated markets. In Japan, relationship-based banking and high service standards have contributed to strong customer loyalty and long-term retention trends. Studies analyzing large datasets in Japan show that personalized services and trust-based interactions significantly improve repeat purchase behavior and reduce switching tendencies. Overall, developed economies demonstrate a mature retention environment characterized by technological sophistication and strong customer-centric strategies (Mori, 2024; Saleh, 2023).

In developing economies, customer retention is increasingly recognized as a critical driver of business sustainability, though it is often influenced by price sensitivity and lower brand loyalty. Retention in these contexts is typically reflected through repeat purchases, customer satisfaction, and gradual reduction in switching behavior. Research shows that service quality, perceived value, and customer relationship management (CRM) strategies are key determinants of retention in emerging markets. However, retention levels tend to be lower than in developed economies due to economic constraints and limited differentiation among service providers. Despite these challenges, firms are investing more in digital platforms and customer engagement strategies to improve retention outcomes (Saha & Hassan, 2021).

For instance, in countries such as India and Indonesia, studies indicate that customer satisfaction explains a significant proportion of repeat purchase intentions, often exceeding 50% in e-commerce and service sectors. Additionally, mobile service providers in developing markets have reported higher churn rates due to intense competition and price-based switching behavior. However, the introduction of loyalty programs, digital payment systems, and improved service delivery has contributed to gradual improvements in retention trends. Firms are increasingly adopting data analytics and personalized marketing to strengthen customer relationships. Overall, developing economies are experiencing a transition toward more structured and technology-driven retention strategies (Salamah, 2022).

In Sub-Saharan Africa, customer retention is shaped by infrastructural challenges, service reliability, and trust-related factors, but it remains a crucial determinant of organizational performance. Retention is often measured through continued service usage, customer loyalty, and reduced churn, particularly in sectors such as banking and telecommunications. Studies show that customer satisfaction and relationship management practices significantly influence retention

outcomes in the region. However, retention rates are generally lower compared to global averages due to service inconsistencies and limited adoption of advanced customer analytics. As a result, firms are increasingly focusing on improving service quality and customer engagement to enhance retention (Salamah, 2022).

For example, in Kenya and other East African countries, mobile money platforms have significantly improved customer retention by offering convenience, accessibility, and affordability. In the banking sector, strategies such as relationship marketing, product innovation, and improved customer service have been shown to enhance customer loyalty and repeat usage. Nevertheless, high competition and price sensitivity continue to drive customer switching, resulting in relatively higher churn rates. Recent trends indicate that digital transformation and financial technology innovations are gradually improving retention outcomes in the region. Overall, Sub-Saharan Africa is experiencing steady progress in customer retention, although it still lags behind developed economies in terms of sophistication and stability (Saha & Hassan, 2021; Saleh, 2023).

Customer Relationship Management (CRM) strategies refer to structured organizational approaches aimed at managing interactions with customers to enhance satisfaction, loyalty, and long-term value. Four key CRM strategies widely supported in literature include personalization, customer engagement, feedback systems, and loyalty programs, each playing a distinct role in influencing customer retention outcomes such as repeat purchases, customer loyalty, and reduced churn. Personalization involves tailoring products, services, and communication to individual customer preferences, which enhances perceived value and increases the likelihood of repeat purchases (Salamah, 2022). Customer engagement focuses on building interactive and emotional connections through multiple touchpoints such as social media, customer service, and digital platforms, thereby strengthening customer loyalty (Kumar & Reinartz, 2018). Feedback systems, including surveys and complaint management mechanisms, enable firms to capture customer insights and improve service quality, which directly contributes to reduced churn rates (Saha & Hassan, 2021).

Loyalty programs, such as reward points and exclusive offers, are designed to incentivize continued patronage and reinforce long-term relationships, thereby increasing customer retention. Empirical evidence shows that firms implementing integrated CRM strategies experience higher retention rates due to improved customer satisfaction and trust (Salamah et al., 2022). For instance, personalization and engagement strategies have been found to significantly predict repeat purchase behavior, while feedback systems help organizations quickly address dissatisfaction and prevent customer defection. Similarly, loyalty programs enhance emotional attachment and switching barriers, reducing the likelihood of churn. Overall, the integration of these four CRM strategies creates a synergistic effect that strengthens customer retention by promoting continuous interaction, satisfaction, and value creation (Kumar & Reinartz, 2018; Saha & Hassan, 2021).

Problem Statement

The banking sector has become increasingly competitive due to globalization, digital transformation, and the emergence of fintech firms, which have intensified the need for commercial banks to attract and retain customers. Despite substantial investments in Customer Relationship Management (CRM) strategies such as personalization, digital engagement, and service quality improvement, many banks continue to experience high customer churn and

declining loyalty levels. Recent empirical studies indicate that while CRM strategies are positively associated with customer retention, their effectiveness largely depends on how well they are implemented and aligned with customer expectations (Saha & Hassan, 2021; Salamah, 2022). In many cases, poor service delivery, ineffective complaint management systems, and inadequate customer engagement mechanisms continue to undermine retention efforts. This suggests that the mere adoption of CRM systems does not automatically translate into improved customer retention outcomes without strategic integration and execution (Saha & Hassan, 2021).

Furthermore, there remains limited empirical clarity on which specific CRM strategies most significantly influence customer retention outcomes such as repeat purchases, customer loyalty, and reduced churn in commercial banks. Existing literature shows that components such as service quality, customer engagement, and relationship management positively influence retention, but their relative impact varies across different banking environments (Salamah, 2022; Saleh, 2023). In developing economies, including Kenya, banks continue to face challenges in retaining customers despite adopting CRM practices, indicating a gap between strategy implementation and actual performance outcomes (Saha & Hassan, 2021). Additionally, many studies have treated CRM as a general construct without isolating critical dimensions such as personalization, feedback systems, and loyalty programs. This creates both a conceptual and contextual gap in understanding how specific CRM strategies affect customer retention in commercial banks. Therefore, this study seeks to examine the impact of Customer Relationship Management (CRM) strategies on customer retention in commercial banks to generate evidence-based insights for improving customer loyalty and reducing churn (Salamah, 2022; Saleh, 2023).

Theoretical Review

Relationship Marketing Theory

Relationship marketing theory focuses on building long-term relationships with customers rather than emphasizing single transactions. The theory was advanced by Leonard Berry in 1983 and later expanded by Morgan and Hunt. Its main theme is that trust, commitment, and continuous interaction are essential for sustaining customer relationships and enhancing loyalty. In the context of CRM strategies, elements such as customer engagement, personalization, and loyalty programs directly align with the principles of relationship marketing by fostering deeper customer connections. This theory is relevant because it explains how strong relationships developed through CRM initiatives lead to increased customer retention, repeat purchases, and reduced churn in commercial banks (Saha & Hassan, 2021).

Resource-Based View (RBV) Theory

The resource-based view (RBV) theory, developed by Jay Barney in 1991, posits that organizations achieve competitive advantage through valuable, rare, inimitable, and non-substitutable resources. The core idea is that internal capabilities such as technology, human skills, and organizational processes determine firm performance. CRM systems and strategies can be viewed as strategic resources that enable banks to collect customer data, personalize services, and enhance engagement. The theory is relevant to this study because effective CRM capabilities can differentiate banks, improve customer experience, and ultimately enhance customer retention. Thus, banks that leverage CRM as a strategic resource are more likely to sustain long-term customer relationships (Salamah, 2022).

Social Exchange Theory

Social exchange theory, introduced by George Homans in 1958, is based on the idea that relationships are formed and maintained through a cost-benefit analysis where individuals seek to maximize rewards and minimize costs. The theory emphasizes reciprocity, trust, and perceived value in interactions. In CRM, strategies such as loyalty programs, feedback systems, and personalized services create value for customers, encouraging them to remain with the bank. This theory is highly relevant as it explains why customers stay loyal when they perceive greater benefits compared to alternatives. Therefore, effective CRM strategies enhance perceived value, leading to stronger customer retention in commercial banks (Saleh, 2023).

Empirical Review

Awiti and Otieno (2021) examined the influence of customer relationship management (CRM) strategies on customer retention in commercial banks in Kenya. The purpose of the study was to establish how CRM components such as promotion and branding affect customer retention outcomes. The researchers adopted a descriptive survey design to gather insights from commercial banks. Data was collected using structured questionnaires and secondary sources. The study focused on banking institutions operating within Kenya's competitive financial environment. Data analysis was conducted using descriptive statistics. The findings revealed that promotion strategies significantly influence customer awareness and engagement. Branding was also found to enhance customer trust and loyalty. The study established that effective CRM strategies contribute to repeat purchases and reduced churn. It was further observed that customer perception plays a critical role in retention outcomes. The study highlighted the importance of aligning CRM strategies with customer expectations. Banks that invested in CRM systems experienced improved customer satisfaction. The researchers concluded that CRM strategies have a direct and positive effect on customer retention. The study recommended that banks strengthen promotional campaigns and brand positioning. It also suggested continuous evaluation of CRM practices to ensure effectiveness.

Kavita, Wamitu and Nzomoi (2022) investigated the relationship between customer retention strategies and customer satisfaction in commercial banks in Machakos Town, Kenya. The purpose of the study was to determine how retention strategies influence customer satisfaction levels. The researchers adopted a descriptive research design. Data was collected from 82 respondents using structured questionnaires. The study utilized regression analysis to examine relationships between variables. The findings indicated that retention strategies significantly influence customer satisfaction. The model explained approximately 64.8% of the variation in customer satisfaction. Service quality was identified as a major determinant of retention. Pricing strategies were also found to influence customer loyalty. Product diversification contributed to improved customer experience. The study showed that satisfied customers are more likely to remain loyal. It also revealed that dissatisfaction leads to higher churn rates. The researchers concluded that retention strategies are essential for long-term customer relationships. The study recommended improving operational efficiency in banks. It further suggested enhancing product offerings and pricing strategies to improve retention.

Sugiato (2023) explored the impact of CRM, service quality, and relationship marketing on customer retention in Indonesian commercial banks. The purpose of the study was to determine the combined effect of CRM-related factors on retention. The researchers adopted a quantitative

research design. Data was collected from bank customers using structured questionnaires. Structural Equation Modeling (SEM) was used for analysis. The findings showed that CRM strategies significantly influence customer retention. CRM also had an indirect effect through customer satisfaction. The study revealed that service quality enhances customer satisfaction levels. Relationship marketing was found to strengthen emotional connections with customers. The combined variables explained over 50% of customer retention. When mediated by satisfaction, the explanatory power increased significantly. The study concluded that CRM is a key driver of retention in banking. It emphasized the importance of integrating CRM with service quality initiatives. The researchers recommended adopting a holistic CRM approach. They also suggested continuous monitoring of customer satisfaction levels to improve retention

Samal, Manasa, Vinod and Radhakrishna (2023) examined CRM strategies in private commercial banks in India. The purpose of the study was to identify factors that influence long-term customer relationships. The study adopted a survey research design. Data was collected from 200 respondents across different banks. Statistical tools such as chi-square and ranking methods were used for analysis. The findings revealed that CRM strategies significantly affect customer satisfaction. Customer satisfaction was found to influence loyalty levels. The study showed variation in CRM effectiveness across demographic groups. Personalized services were identified as critical for retention. Customer-centric approaches improved customer experience. The study highlighted the importance of understanding customer needs. It also emphasized the role of communication in CRM effectiveness. The researchers concluded that CRM strategies enhance long-term relationships. The study recommended tailoring CRM strategies to different customer segments. It also suggested improving service delivery to enhance retention

Zhengmeng, Malik, Hussain and Hussain (2024) conducted a comparative study on customer retention in the banking sectors of Pakistan and China. The purpose of the study was to identify key factors influencing retention in different contexts. The researchers adopted a quantitative research approach. Data was collected from over 500 respondents. Smart-PLS analysis was used to test relationships. The findings showed that service quality significantly influences retention. Customer satisfaction was also a key determinant of retention. Customer trust was found to influence retention differently across contexts. The study revealed that technology adoption enhances customer experience. Financial technology improved service delivery efficiency. The study concluded that CRM-related factors influence retention outcomes. It highlighted the importance of context in CRM effectiveness. The researchers recommended investing in financial technology. They also suggested improving customer satisfaction systems.

Edem, Etim, Harrison and Inwang (2026) investigated CRM practices and customer retention in commercial banks in Nigeria. The purpose of the study was to examine how CRM strategies influence retention outcomes. The researchers adopted a survey research design. Data was collected from 384 respondents. Regression analysis was used to test hypotheses. The findings revealed that customer engagement significantly influences retention. Communication quality was also found to impact customer loyalty. Customer trust was identified as a key determinant of retention. The study showed that effective CRM reduces customer churn. It also revealed that poor communication leads to dissatisfaction. The researchers concluded that CRM practices are essential for retention. The study emphasized the importance of personalized communication. It recommended adopting digital engagement platforms. It also suggested implementing loyalty programs. The study further advised improving service consistency to enhance retention

METHODOLOGY

This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low-cost advantage as compared to field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

FINDINGS

The results were analyzed into various research gap categories that is conceptual, contextual and methodological gaps

Conceptual Gap

The reviewed studies largely treat customer relationship management (CRM) as a broad construct without consistently disaggregating its specific strategic components. For instance, Awiti and Otieno (2021) focused mainly on promotion and branding, while Kavita (2022) emphasized service quality and pricing, and Sugiato (2023) incorporated CRM alongside service quality and relationship marketing. Although these studies confirm that CRM influences customer retention, they do not comprehensively examine key CRM strategies such as personalization, feedback systems, customer engagement, and loyalty programs as distinct variables. Additionally, some studies (e.g., Sugiato, 2023; Zhengmeng, 2024) introduce mediating variables like customer satisfaction but fail to isolate the direct effect of individual CRM strategies on retention outcomes. This creates a conceptual gap regarding which specific CRM strategies have the most significant impact on customer retention. Therefore, there is a need for a study that clearly operationalizes CRM into specific strategic dimensions and examines their individual and combined effects on customer retention.

Contextual Gap

The existing studies show variations in findings depending on the context, indicating inconsistency in how CRM strategies influence customer retention across different banking environments. For example, Zhengmeng (2024) found that customer trust had varying effects in Pakistan and China, while Samal (2023) observed that CRM effectiveness differs across demographic groups. Similarly, the Tanzania CRM Study (2024) emphasized service quality and complaint handling, whereas Edem (2026) highlighted customer engagement, communication, and trust as key determinants. These variations suggest that contextual factors such as technological adoption, customer behavior, and market dynamics influence CRM effectiveness. However, most studies do not deeply explore how these contextual differences shape the relationship between CRM strategies and customer retention. This creates a contextual gap in understanding how CRM strategies operate under different banking conditions, especially in rapidly evolving digital financial environments. Therefore, further research is needed to examine CRM strategies within a specific contextual setting to generate more precise and applicable findings.

Geographical Gap

Geographically, the reviewed studies are concentrated in specific regions such as Kenya (Awiti & Otieno, 2021; Kavita, 2022), Indonesia (Sugiato, 2023), India (Samal, 2023), Tanzania (2024), Pakistan and China (Zhengmeng, 2024), and Nigeria (Edem, 2026). While these studies provide valuable insights, there is limited comparative analysis across Sub-Saharan African countries and

a lack of comprehensive studies focusing on specific regions such as Kenya's broader banking sector beyond localized areas like Machakos Town. Additionally, most studies are country-specific and do not account for regional variations within Africa or cross-country comparisons that could provide deeper insights into CRM effectiveness. This creates a geographical gap in understanding how CRM strategies influence customer retention across different regions and economic environments. Furthermore, there is a need for more localized studies that capture unique socio-economic and technological conditions affecting customer behavior. Therefore, this study seeks to address this gap by focusing on commercial banks within a specific geographical context to provide more relevant and generalizable findings.

CONCLUSION AND RECOMMENDATIONS

Conclusions

In conclusion, Customer Relationship Management (CRM) strategies play a critical role in enhancing customer retention in commercial banks by fostering long-term relationships, improving customer satisfaction, and reducing churn rates. The evidence from empirical studies demonstrates that strategies such as personalization, customer engagement, service quality improvement, feedback systems, and loyalty programs significantly influence repeat purchases and customer loyalty. Effective implementation of CRM enables banks to better understand customer needs, tailor services, and deliver consistent value, which strengthens trust and commitment. However, the effectiveness of CRM strategies varies depending on contextual factors such as technological advancement, customer expectations, and market competition.

Overall, banks that adopt a strategic and integrated approach to CRM are more likely to achieve sustainable competitive advantage through improved customer retention. The findings further highlight the importance of aligning CRM initiatives with customer-centric practices and continuously evaluating their effectiveness. Additionally, leveraging digital technologies and data analytics enhances the ability of banks to personalize services and predict customer behavior. Despite the positive impact of CRM, gaps remain in understanding the most effective strategy combinations across different contexts. Therefore, future efforts should focus on refining CRM strategies and adapting them to dynamic banking environments to ensure long-term customer retention and organizational performance.

Recommendations

Theory

From a theoretical perspective, future research should focus on refining the conceptualization of customer relationship management (CRM) by disaggregating it into specific strategic dimensions such as personalization, customer engagement, feedback systems, and loyalty programs. This will enhance clarity on how each component individually and collectively influences customer retention outcomes. There is also a need to integrate multiple theoretical perspectives, including relationship marketing theory, resource-based view (RBV), and social exchange theory, to provide a more comprehensive understanding of the CRM-retention relationship. Additionally, incorporating mediating and moderating variables such as customer satisfaction, trust, digital adoption, and organizational capabilities will strengthen explanatory power. Future studies should adopt longitudinal designs to capture changes over time rather than relying solely on cross-

sectional data. Developing context-specific CRM models tailored to banking sectors in emerging and Sub-Saharan economies will further enrich theoretical contributions.

Practice

From a practical standpoint, commercial banks should adopt a more customer-centric approach by leveraging data analytics to personalize products, services, and communication based on individual customer needs. Investment in digital CRM platforms, including mobile banking applications, Artificial Intelligence (AI)-driven chatbots, and customer data systems, is essential to enhance customer engagement and service efficiency. Banks should also strengthen feedback and complaint management systems to ensure timely resolution of customer issues and minimize dissatisfaction-driven churn. Implementing structured loyalty programs that reward repeat customers can significantly improve long-term relationships and retention. Continuous staff training on CRM practices is necessary to improve service delivery and customer interactions. Furthermore, banks should regularly conduct customer satisfaction surveys and retention analysis to monitor performance and refine their CRM strategies.

Policy

From a policy perspective, regulatory bodies such as central banks should develop frameworks that promote customer-centric banking practices and ensure high standards of service delivery. Policies should support digital transformation in the banking sector by encouraging the adoption of advanced CRM technologies while safeguarding customer data privacy and security. Governments and regulators should also establish guidelines that promote transparency, fair treatment of customers, and ethical use of customer information. Strengthening consumer data protection laws will be crucial in ensuring trust and confidence in CRM systems. Additionally, policymakers should promote financial inclusion initiatives that integrate CRM strategies to retain underserved populations and expand access to financial services. Finally, regulatory institutions should encourage benchmarking and reporting of customer retention metrics to enhance accountability and continuous improvement within the banking sector.

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