

**THE EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT
(CRM) ON THE BANKING PERFORMANCE OF COMMERCIAL
BANKS IN NEPAL**

A Dissertation Submitted to the Office of the Dean, Faculty of Management in partial
fulfillment of the requirements for the Master's Degree

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **“THE EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT (CRM) ON THE BANKING PERFORMANCE OF COMMERCIAL BANKS IN NEPAL”** The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of this dissertation.

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REPORT OF RESEARCH COMMITTEE

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We, the undersigned, have examined the thesis entitled **“THE EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT (CRM) ON THE BANKING PERFORMANCE OF COMMERCIAL BANKS IN NEPAL”** Presented by Ramesh Adhikari Candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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ABBREVIATION

| | | |
|-------|---|---|
| CRM | : | Customer relationship management |
| FCRMO | : | Focus CRM Organization |
| GDP | : | Gross Domestic Product |
| HBL | : | Hymilayan Bank Limited |
| KC | : | Key Clint |
| KM | : | Knowledge Management |
| NIBL | : | Nepal Investment Banks Limited |
| SPSS | : | Statistical Package for the Social Sciences |
| TBCRM | : | Technology Based CRM |

ABSTRACT

The main objective of this study is to examine the effect of customer relationship management (key customer focus, customer knowledge management, organizing around customer relationship management, and technology-based customer relationship management) on the marketing performance of selected commercial banks in Nepal. In this study, both qualitative and quantitative approaches were employed. The study used primary and secondary sources to gather data. Primary data were collected through a 5-point Likert-scale questionnaire. The population of the study was employees (managers, supervisors, and professionals) of selected banks. The total sample size for the study was 410. To analyze the collected data correlation and multiple regression were used. The findings show that Key client focus had the highest effect on marketing performance followed by Organizing around CRM and technology. On the contrary, Knowledge Management is insignificantly related to marketing performance. Therefore, based on the findings the researcher has recommended that the bank should work more on those three customer relationship management dimensions (key client, organizing around CRM, and technology) that significantly affect the marketing performance.

Keywords: Customer Relationship Management, Marketing performance

CHAPTER I

INTRODUCTION

1.1 Background of the study

The most significant financial intermediaries in an economy are banks (Bouma, 2001). According to Bikhchandani & Sharma (2001), the goal of the banking industry is "accepting deposits of money from the public for lending or investing, repayable on demand through check/draft or any other means." The banking sector was not an exception to the global business sectors as the entry into the information technology era began in the early 1990s. The banking industry has expanded significantly since then. As such, competition in the banking industry is now unavoidable. It became exceedingly challenging for banks to stick to their goal of increasing profitability under these conditions. As a result, marketing initiatives began to center on sustaining a closer bond with clients. In a bank, customer relationship is a constant exchange of information and communication within both directions, Management's involvement in this kind of connection extends beyond the marketing division and includes ongoing adjustments to company procedures and organizational culture.

The service companies that operate in a highly competitive environment are banks. Over the past few years, there has been a rapid change in the global banking sector. Customer loyalty and satisfaction now have been the foundation of every modern banking's success. The most crucial component of the business nowadays is customers, Companies can endure as long as they can satisfy customers' requirements and foster their loyalty (Soliman, 2014). It has been recognized that the primary objectives of marketing and a firm in general are to develop relationships with clients and win their loyalty (Gruen, 1995). Prioritizing sales volumes and profit margins over other crucial customer loyalty indicators, such as the degree of happiness of both internal and external customers, has been the focus of traditional banking industry progress measurements. More and more businesses are realizing the value of adopting a customer-centric mindset in today's competitive economy as a result of the gradual shift in marketing ideas and practices from a product-centric to a customer-centric approach and from emphasizing the acquisition, retention and delighting as many customers as possible to the sale of many products as possible (Jim Wu & Lin, 2018). CRM has a lot of potential to strengthen

enduring client relationships and increase profitability. Pawar and Ahadmotlaghi (2012), emphasized four distinct continuing actions that are typically included in CRM implementations, the first one is “concentrating on loyal and prominent clients” the second is “arranging around CRM, the third one is “handling knowledge “and the last one is ‘utilizing CRM based technology in an organization’. According to Srivastava, ‘there have been some improvements over time, the level of competition in the Ethiopian banking sector is still relatively low, To put it briefly, banks in Ethiopia are competing based on prices, branch network expansions, advertising and service quality and efficiency (including the application of technological advancements) in that order of significance’. This is demonstrated by the competition in a lottery package for foreign currency mobilization. Several studies were carried out with a range of recommendations. Some highlighted the need to raise the bar for knowledge management and critical customer focus. "Building long term relationships with valued customers and working with individual key customers" was advised by Gebeyehu and Semira (2014).

To improve corporate performance, customer relationship management entails creating a thorough understanding of the requirements, expectations and behaviors of your customers and controlling those aspects. Another definition of customer relationship management is a system that emphasizes managing a business's relationship with both present and potential customers as a crucial component of success (Gebert et al., 2003). Given that consumers are the foundation of all company activity and that cultivating relationships with them leads to better outcomes, customer relationship management focuses on acquiring, retaining and strengthening relationships with customers within organizations. A concept for managing a business's interactions with clients, customers and sales prospects is customer relationship management (Long et al., 2013).

The way government-owned and privately held banks use customer relationship management is different. This could result from the banks' varying capacities, which include adapting best practice models, developing new processes and overseeing the provision of anticipated benefits (Wilson et al., 2022). A significant portion of earlier research focused on government-owned banks, which differ from private banks in terms of scale, profitability, maturity and capacity. Additionally, a large number of studies have attempted to discuss the potential effects of CRM on a variety of variables, such as customer satisfaction and loyalty (Rajshekhar & Dash, 2012). Other studies have

evaluated the impact of CRM on customer satisfaction, including(Hersh et al., 2014). Additionally, there were regional results from the same field of study. A study conducted in 2015 by Mezgebu at the Commercial Bank of Ethiopia aimed to determine the effect of CRM on customer satisfaction. Analysis of Relationship Marketing Practice in Wegagen Bank Share Company, conducted by Semereelia (2015), was comparable. The researcher believes that analyzing the connection using a broader definition of relationship management will produce distinct findings from the previously drawn conclusions. Since, earlier studies are concentrated on the marketing aspect of relationship function.

Therefore, this study is carried out to examine the effect of customer relationships on the banking performance of commercial banks in Nepal.

1.2 Problem statement

In today's business environment, the dynamic nature of the sector has an impact on businesses, particularly financial institutions. To achieve their objectives in the cutthroat market, companies now try to satisfy their customers more successfully and efficiently than their competitors. Businesses are adjusting their customer offers and communications strategies in response to the realization that consumers have varying economic values for the organization. Thus, businesses are shifting from marketing strategies focused on their products or brands to one that is focused on their customers specifically. The service sector has contributed approximately 52.28% of total GDP in the Nepalese economy according to data published in 2022.

Although the government has recently used a combination of fiscal and monitoring intervention to help shift this contribution to the manufacturing and export sector, private banks were operating under tight central bank supervision and regulation before the intervention, which allowed for some room for competition. Eshete & Teshome (2010) findings showed that Ethiopian banks were still relatively new to the competition. But there's a growing expectation that banks could make a difference in following up, acquiring and building long-lasting relationships with their clients by treating them with respect. In an attempt to increase both their customer base and deposit amount.

Banks are currently making an effort to identify and collaborate with their important consumers, enhance customer knowledge management and implement technology to personalize their services. Differentiated bank rates on deposits, particularly on time deposits, the start of interest payments on demand deposits and differentiated interest rates on loans (Eshete & Teshome, 2010). This clearly shows that banks have been engaged in price competition after meeting the minimum mandatory levels. The banking industry in Nepal is growing, but CRM processes need to be given top priority if banks are to satisfy their clients and create enduring bonds. This study looks at how CRM practice affects the marketing performance of Commercial Banks Ltd in Kathmandu Valley (Bhandari et al., 2021). Pre-interviews and on-the-job observations with bank managers reveal that, on occasion, banks prioritize bringing on new business over retaining existing clients. This could have an impact on the overall operation of the bank. This study intends to address these issues as well as highlight the significance of CRM in the context of Nepalese commercial banking. The purpose of this study is to evaluate the impact of key client/customer, knowledge management, organizing around CRM technology on marketing effectiveness. As far as the researcher is aware, no prior research of this kind has been conducted for these specific private banks. Consequently, this research aims to assess the impact of customer relationship management on commercial banks to enhance their marketing performance for customers, based on the fundamental principle that the customers are the epicenter of all marketing efforts. This differentiate banking services from those of competitors. The problems can also be typically outlined concerning CRM components of commercial banks. This research also answers the following research questions.

1. What is the present status of the CRM component and performance among Nepalese banks?
2. Is there any relationship between the CRM components and banking performance?
3. Does is the CRM components effect on banking performance?

1.3 Objectives of the study

The purpose of this study is to meet two specific objectives; general objectives and specific objectives that will be addressed during the study.

General Objective

To examine the impact of Customer relationship management on the banking performance of Himalayan Bank Ltd, Siddhartha Bank Ltd, Nepal Investment Mega Bank Ltd, Kumari Bank Ltd and Nabil Bank Ltd in Nepal.

Specific Objectives

The specific Objectives of this study are:

- i. To assess the situation of CRM components and bank performance among selected banks in Nepal.
- ii. To examine the relationship between CRM components and banking performance.
- iii. To analyze the effect of the CRM component on banking performance.

1.4 Research hypothesis

H₁: Key Customer Focus has a positive and significant relationship with bank performance.

H₂: Technology-based CRM has a positive and significant relationship with bank performance.

H₃: CRM Organization has a positive and significant relationship with bank performance.

H₄: Knowledge Management has a positive and significant relationship with bank performance.

1.5 Rationale of the study

Examining the impact of CRM practices on the marketing performance of particular Nepali commercial banks is the main goal of this study. The study's main implications are as follows:

- I. It could assist the bank's management in determining the degree to which CRM practices impact marketing performance
- II. The results of this study would be useful to anyone wishing to conduct additional research on related topics.
- III. The findings of this research would be an input for anyone who would like to make further studies of related issues.

Additionally, this research is anticipated to offer multiple benefits to all stakeholders with the successful implementation of CRM practice. Because management is concerned for the development of the marketing performance of their banks. This will ensure their

existence in this highly competitive market. Furthermore, this research also encourages banks to develop marketing strategies for customer relationship management. This research is expected to be fruitful for those parties.

1.6 Limitations of the study

The limitations of this study are as follows;

- i. There may be limitations in the availability of comprehensive and high-quality CRM and performance information for various reasons such as confidentiality or the proprietary nature of the data.
- ii. Depending on CRM practices and market characteristics of selective commercial banks, the results might not be generalized to other different banks and financial institutions.
- iii. This study was conducted during a particular period that may lack enough evidence about the effects of CRM initiatives on future banking performance.
- iv. The researcher's perspective or biases might affect data interpretation and conclusions.
- v. It is also possible that the respondent's overview of the research might contain biased answers that are socially acceptable but not necessarily truthful and real.
- vi. This research is simply focused on the effect of CRM on the banking performance of selected commercial banks though there might be other important factor that may significantly affect the overall banking and marketing performance of the bank.
- vii. The respondents for this research were selected randomly based on the personal convenience of the researcher.

CHAPTER II

LITERATURE REVIEW

This chapter deals with reviewing of literature and also provides a conceptual framework on the impacts of components of Customer Relationship Management with banking performance activities in the Nepalese commercial banking sector in more detail and descriptive manner. To carry out this study, various books, articles, magazines, newspapers and journals including past studies are reviewed which assisted the researcher in knowing what studies were conducted in the previous literature. The literature review provides insight into developing concepts, drawing conceptual frameworks and generating ideas for research design.

2.1 Conceptual review

2.1.1 CRM and its Varied Definitions

The definition of Customer Relationship Management (CRM) practices varies significantly across different regions and among scholars, often influenced by their distinct scientific backgrounds. Hisham (2011) discussed these variations, highlighting how definitions are not uniform. For instance, Swift (2000) defined CRM as a method focused on understanding customer behavior through intense communication.

By drawing in new clients, keeping existing ones and increasing their loyalty and profitability, this strategy seeks to improve performance. It is evident that Swift (2000) defined CRM as merely the organization's communication to comprehend the behavior of the consumer. On the other hand, CRM is the process of compiling a large amount of customer data from multiple sources, organizing it, and using it for market segmentation, analysis, and reuse (Stone & Findley, 2001). This definition places a strong emphasis on gathering and documenting consumer data.

On the other hand, Fross & Stone (2001) defined CRM as the company's use of its capabilities in research methodology, technology and e-commerce to manage customer relationships. This definition highlights the importance of leveraging technology to handle customer interactions effectively. This definition of CRM regards it as the ability to use technology in dealing with customers. CRM is seen as a comprehensive strategy involving acquiring, retaining and collaborating with customers to create distinguished

value for the company and the customer. This strategy requires integrating the functions of marketing, sales, customer service and supply chain to achieve the highest competence and efficiency in delivering value to the customer. As it shows, this definition views CRM as a strategic approach with the main goal of delivering distinguished value to the customer through improved marketing functions (Parvatiyar & Jagdish, 2001).

Although there are many different ways to define CRM, Payne and Frow (2005) defined it as a strategic approach that aims to build strong relationships with major customers and other customer segments in order to create distinctive value for stakeholders. CRM aims to create profitable, long-lasting connections with customers and other parties by integrating marketing techniques with information technology and relationship management. This value is produced by using data and information to better understand and serve customers. As such, this strategy necessitates the integration of marketing operations, individual competencies, and customer insights, made possible by information, technology, and applications. Given the debate above, the following definition of CRM is thought to be pertinent to the current study's objective. CRM is the activity focused on the main customers of the organization, the efficiency of the organization and customer knowledge management, to enhance the effectiveness of the organization's decisions related to customers. This, in turn, leads to the improvement of marketing performance in particular and organizational performance in general" (Hisham, 2011).

2.1.2 Elements of CRM

In this study, the major components of CRM are explained. According to Long et al., (2013), these components include customer service, connection building, interaction management, employee conduct and the physical surroundings,

Interaction management

According to Brown et al. (2002), to establish a long-lasting relationship with its clients, a company can communicate with them in different ways, such as through touch points and distribution channels. Finding out how and when clients would like to interact with the business is the primary goal (Prahalad & Ramaswamy, 2001). The engagement activities must be carefully tailored and arranged using the touch points that are available concerning the customer profiles created using information acquired from the customers'

records. Peppers and Rogers, (2016) emphasized that contact points are necessary for customer communication, service delivery and distribution of various items. As per the research conducted by Lindgreen et al., (2009) and Peppers et al.(1999), there are several strategies to execute interaction management, including gathering customer feedback and engaging customers through engaging means like social media.

Relationship development

Ford, (1980) stated that the structure and processing of the connection between a customer and a provider are the main topics of study in the field of relationship development. According to Hakansson & Snehota (1995), the process of developing a relationship is an encounter in which two people have become connected. According to Brown and Gulycz (2002), the most crucial task for achieving relationship development is monitoring the relationship management process, which includes service or complaint management. The methods, processes, plans and actions involved in providing clients with goods and services are all part of this relationship process (Ballantyne et al., 2003).The organization should determine the key performance measures, such as customer satisfaction, lifetime value and retention rate (Brown & Gulycz, 2002). The research works of Lindgreen et al. (2006) and Heleny (2008) stated that relationship building can be achieved by committing to persuade clients that their opinions are valued.

Quality of services

According to Gee et al. (2008), the idea of service quality is becoming more and more prevalent in the literature to comprehend the elements that lead to customer satisfaction. Research indicates that the provision of high-quality services can lead to increased client happiness and loyalty, as well as increased profitability for businesses. Hanley (2008) stated that there are a few ways to implement high-quality services, including, fulfilling client expectations for high-quality service and a wide range of items, offering reasonably priced, high-quality goods and delicately addressing client issues regarding the goods and services.

Behaviors of the employees

An employee who upholds the organization's values and behavior is likely to improve the relationship between the client and the business. When an employee acts by acting in a certain way, it is believed that the effects will be reversed. In these situations, a customer can believe that the company is not providing the symbolic advantages that they had

anticipated, leading them to have an unfavorable opinion of the company. In a circumstance as mentioned above, an employee is likely to have a significant influence on the reputation and attitudes of the firm (Coulter, 2002). According to Hanley (2008) and Coulter (2002), a good employee behavior can speed up service delivery time to customers and ensuring that employee treat them with courtesy and friendliness. This will ultimately raise consumer satisfaction with the services received.

Physical environment

Customers anticipate that all banks will give careful thought to the physical environment, as evidenced by waiting areas, aisles and decorations. Lighting, air conditioning and other amenities are provided for the convenience of the patron. Customers are searching for additional services these days, particularly in the services sector, where the primary offering is intangible. To draw in and persuade them, it is vital to focus on providing them with tangible benefits. Due to these facts, the physical environment of the bank is a CRM issue, allowing customers to form a favorable opinion of the bank for handling these concerns and ultimately improving their level of satisfaction.

2.1.3 Marketing management and relationship practices

The management interpretation provided by the American Marketing Association is as follows: Marketing management is the planning and execution of the creation, pricing, distribution, and promotion of ideas, goods, and services to create exchanges that satisfy both organizational and personal goals. The art and practice of employing basic marketing concepts to pinpoint target audiences in order to create, provide, and distribute greater value to clients is known as marketing management. According to the 2004 revision of the American Marketing Association's definition of the term, marketing is an organizational function and a collection of procedures for creating, communicating, and delivering value to customers as well as for managing customer relationships in ways that benefit the organization and its stakeholders (Lakshmana et al., 2018). In line with the more conventional marketing mix components, maintaining relationships is thus identified as one of the fundamental components of marketing in the broad definition. The field of relationship management is known as "relationship marketing" (Berry, 2002).

2.1.4. Components of CRM

The three primary components of customer relationship management are the customer, the relationship, and the management.

Customer

The company's current earnings and future expansion can only come from its clientele. Still, given the competitive environment and well-informed customers, a good customer who generates greater profit with fewer resources is always in short supply. Given that making a purchase choice is typically a collaborative process including multiple decision-makers, it can occasionally be challenging to determine who the true consumer is. The ability to identify and manage clients can be facilitated by information technologies. According to Varadarajan (2020), CRM can be viewed as a customer information-based marketing strategy.

Relationship

It is a continuous, two way process made by proper communication and interaction. The relationship between the company and its clients can be either short or long-term. It can also be continuous or distinct and recurring or one-time. It could be impacted by the attitudes or actions of clients. Even though consumers have favorable opinions of the company and its offerings. Frequent purchasing decisions are based mostly on circumstantial evidence, CRM aims to be a successful and useful partnership between an organization and its clients.

Management

CRM isn't just something that happens in the marketing section. Instead, it entails ongoing organizational culture and procedure reform. Information about customers is gathered and converted into business knowledge, which prompts actions that require to take advantage of market opportunities and available information. According to Wiener (1999) CRM necessitated a thorough transformation of the company and its personnel.

2.1.5. CRM dimensions

To boost customer loyalty, retention rates and profitability, customer relationship management is becoming a crucial component of marketing campaigns (Wong & Sohal, 2003). Key customer focus, CRM organization, knowledge management and technology-based CRM were the four dimensions of CRM that Sin et al., (2005) found in their study. The four main elements of CRM were also mentioned; knowledge management, technology based CRM, CRM organization and primary customer focus. Because they

collectively cover a broad spectrum of CRM operations, these four dimensions were most commonly used in the majority of prior studies (Sin et al., 2005).

Key client focus

The marketing concept advocates prioritizing the interests of customers and some researchers regard a customer-focused approach as the cornerstone of customer interactions. This is due to the marketing concept's encouragement of a company to look forward, to a customer. Long-term business success is probably more important to focus businesses than immediate financial gain. Key customers are those for whom the company has proper data base. This data can be used further to identify and get in touch with them . Key clients also comprise those who are regarded as adding greater priority to the business. Since, they contribute well for increased revenue, ongoing, engaged partnerships and strong leadership (Dahiyat et al., 2011). Sales people are inspired to build lasting relationships with customers by providing more individualized services when the company as a whole understands and supports the importance of the customer focus (Kotler and Armstrong, 2004). How an organization provides value to its consumers is a crucial requirement for it to be genuinely client-focused (Payne and Frow, 2005). Achieving deep customer relationships that make the selling organization necessary to its most lucrative clients is the ultimate goal of key customer focus (Van Der Merwe, 2004).

Knowledge management

Businesses can gather, arrange, work with and disseminate implicit and explicit data to different users through the use of knowledge management (Sin et al., 2005). An organization is only considered to possess knowledge, according to Eid (2007), when the information at hand has been properly evaluated and applied to carry out strategic decisions and activities. Customer knowledge management is closely associated to marketing competencies which can considerably facilitates the strategic managerial choices that firms can make to enhance their performance (Fan and Ku, 2010). Information on customers should be obtained through interactions or touch points across all activities or areas of the business to improve customer profitability.

CRM organization

The first step in encouraging staff members to perform customer-oriented behaviors is for organizations to create a work environment that is appropriate for providing services.

Some examples of this include giving employees access to modern tools and technology, systems for managing complaints and tracking customer satisfaction, motivating leadership and suitable reward programs (Romano, Jr. & Fjermestad, 2003). Because of the above encouraging work environment, companies can guarantee that their staff members exhibit the necessary customer-focused behaviors (Sin et al., 2005). Additionally, the researchers claim that unless the firms fully integrate the project, CRM will not succeed even if they have access to the most cutting-edge technology and adopt a customer-oriented approach (Alan, Yim & Sin, 2005). Furthermore, emphasizes that an efficient service concept and appropriate operating procedures are just as important for CRM success as technological quality or systems (Zineldin, 2005). The active participation of employees inside the firm is therefore critical to the success of CRM deployment. Consequently, we can state that CRM organization must be a crucial tool used by businesses to implement significant adjustments in the way they set up their internal business processes for both clients and staff (Alan & Yim, 2005). Successful CRM implementation necessitates the integration of all organizational resources, including marketing capabilities, policies, culture and organizational structure. This enhances the performance of the organization. Prior research has also demonstrated the beneficial effects of CRM organizations on marketing, finance and customer retention (Mohammed & Rashid, 2012).

Technology and CRM

The client database and other information storing systems provided by CRM-based technology allow businesses to design and carry out profitable marketing campaigns that will keep customers longer (Roberts & Hazard, 2005). The vast majority of CRM applications leverage technology by collecting and evaluating customer trend data, developing prediction models, responding with timely and effective customized communications, and successfully offering tailored value offerings to individual customers. The advancement of information technology improves any organization's capacity to collect, store, analyze, and distribute customer data. This improves the company's ability to meet and fulfill the demands of its customers. Customers can access the results of information technology innovations that challenge the traditional approach to integrated marketing systems through customer information systems, automation of customer support processes, consumer values analysis, and service personalization (Alan, Sin & Yim, 2005).

2.1.6 Importance of CRM to Banks

Numerous businesses have a sizable consumer base spread across numerous geographic areas and a variety of touch points (such as tellers, call center employees, self service kiosks and websites). In the past, managers lacked the resources necessary to engage in relationship marketing. Today's CRM systems, however, serve as facilitators by gathering and distributing consumer data to several touch points. A well designed CRM system can provide a "unified customer interface," which enables the customer care representative to have instant access to pertinent account information, historical transaction history and client preferences, as well as information about service issues. This could lead to a significant improvement in services (Lovelock et al., 2001). Effective implementation of CRM can augment a bank's capacity to attain the ultimate objective of customer retention, so conferring a competitive edge. Effective customer relationship management can therefore enhance customer happiness and loyalty, which will have a beneficial impact on improving corporate performance. As the market becomes more difficult, bank relationships are becoming ever more crucial. Improved customer interactions, devoted clientele, significant payback, higher income and lower costs are all achieved by businesses that use CRM (Sherif Nguyen & Michael Newbay, 2007). CRM enables banks to use data from their databases to retain customers and cross-sell new goods and services to current ones, (Stone & Robyn, 2001).

2.1.7 Objective of CRM

Building customer loyalty is the main goal of customer relationship management. Additionally, the goals of customer relationship management can be enumerated as follows: to maximize profits from customer relationships, to establish and maintain profitable long-term relationships with customers, to boost business productivity, to establish differentiation, to satisfy customer demands, to facilitate cost-cutting and harmonious operations (Ergunda, 2003). Consequently, customer relationship management is a strategy that emphasizes the need to employ technology to establish enduring bond with clients to boost the enterprise's prosperity. According to Holloway (2002), to enhance their client interactions, businesses should focus on the following topics;

- i. Know the customers
- ii. Categorize the customers
- iii. Adapting to the customers

- iv. Listening to the customers
- v. Making all lists of contacts with the customers
- vi. Enterprise identifies itself with the customers

2.1.8 Benefits of CRM strategy in the banking industry

The benefits of CRM can be categorized into three groups namely, benefits for customers, benefits for employees and benefits for banks.

Benefits for customers

- i. CRM allows a more coordinated and professional approach to customer contact.
- ii. With upto date customer information, Banks can offer more personalized services.
- iii. Specific product and service offers, such as education loans and tourism loans, might be scheduled to align with client needs and events.
- iv. If customers have more access to goods and services, they feel more empowered. like 24-hour banking.
- v. Create more effective routes of communication.

Gathering crucial information, such as order histories and client details, aids in the creation of comprehensive profiles that include customer preferences. Provide immediate access to client histories for the entire organization Deliver instant, company-wide access to customer histories

Benefits for Employees

- i. Employees have more time to serve customers.
- ii. Employees have higher satisfaction ratings.
- iii. Employees are empowered with the information to deliver high-quality service and meet customer expectations.

Benefits for Banks

- i. Improved customer acquisition and cross-selling
- ii. Managers are equipped with knowledge that can improve their decision-making and client relationship management.
- iii. The best use of bank assets.
- iv. Enhanced client loyalty and satisfaction.

- v. CRM enables companies to cross-sell new goods and services to current clients and retain customers by utilizing data from their databases.
- vi. It facilitates taking advantage of brief market windows of opportunity.
- vii. System automation significantly lowers and limits operating expenses.

2.1.9 Major factors affecting CRM's success

Identifying the obstacles to CRM success during implementation could aid a business in creating its CRM initiatives. In general, the following factors are always present in the hurdles that would hinder the effectiveness of CRM (Payne, 2006).

Lack of expertise

One of the biggest obstacles to CRM practice is a lack of skills in establishing and implementing the new IT-based CRM system. Technically competent individuals are always a crucial component of large-scale CRM implementation projects. Even while more and more businesses understood the value of employees' skills in running CRM programs, particularly those involving new technology, the majority of business executives continued to rely on vendor training to guarantee employees' skills. However, the training approach isn't always effective and isn't the only one. Therefore, to ensure the success of CRM, the employee's abilities must be improved (Payne, 2006).

Inadequate funding

Sufficient investment is an essential requirement for the CRM to function. Adequate funding will offer the financial basis for the CRM's implementation, especially for some large-scale initiatives. Thus, the business may create a comprehensive plan for CRM's long-term growth and set aside sufficient funds to expand the CRM system.

Lack of data quality and quantity

CRM requires a lot of databases because it combines the technical system with the management approach. CRM cannot provide a company with its full potential if it cannot guarantee the quality and quantity of data during the deployment phase. However, there are differences in the focus placed on data quantity and quality depending on the stage of CRM development that the firm is in. Data quality is crucial for certain businesses that are just starting with CRM development, whereas data quantity matters more to some

established businesses that have already started or are planning to start data refinement and duplication (Payne,2006).

Failure to understand the business benefits

The success of the CRM will also be affected by inadequate understanding of the business benefits. The marketing database, which is the main topic of the CRM's analysis and research, is something that certain senior managers of a firm consistently have a poor understanding of. However, data warehouses are essential to CRM deployment, especially in the early stages, since they can assist the business in projecting future benefits and profits following analysis. Therefore, the organization really should comprehend the commercial benefits first to seek authentic aims and maximize earnings (Payne, 2006).

Lack of leadership and top management involvement

The long-term effectiveness of CRM is dependent upon the involvement of top management and strong leadership. In reality, the functions of leadership include maintaining the executive at a high level, making judgments with conviction and guaranteeing that the concept is novel. However, the primary responsibility of leadership is to assess the broader context and strive to be the genuine advocate during the CRM implementation process. Thus, these upcoming obstacles will have an impact on a company's CRM success if it lacks strong decision-makers and a management team (Payne, 2006).

2.1.10 Marketing Performance

As the result of all the activities involved, performance is what the strategic management process produces. Because it can raise the performance of the organization, strategic management is a method that makes sense. A company's actual output or outcomes are evaluated by its planned outputs, goals and objectives, which is known as organizational performance (Wheelen et al., 2014). Enhancing an organization's position in the marketplace, improving the way consumers view the company and its offerings and fostering a stronger sense of loyalty toward the company are all considered aspects of marketing success. These days, businesses provide their client with individualized goods and services. Customizing their mass offerings can help these firms gain a competitive

edge in sales and service marketing. Prosperous businesses endeavor to shift their mass offerings to personalized client relationship management (Martín & Camarero, 2005).

Customer retention

The ability of a business or product to hold onto its customers for the same amount of time is referred to as customer retention. High customer retention refers to the tendency of a product or business's customers to stick with it, keep buying it, or use it in some other way rather than switching to another. Retention of customers has a big impact on business profitability. A 5% boost in a firm's worth can be achieved with a 1% improvement in retention, as per the findings of Gupta et al. (2006). Marketers who are concerned with optimizing lifetime value understand that keeping customers is essential to raising long-term business profitability. Henning (2000) developed a linear model to examine customer retention and proposed that relationship quality, which sits between customer pleasure and retention, is a crucial component of customer retention.

Attracting new customer

According to Mortensen et al. (2008), attraction is defined from a variety of angles. Unlike the conventional method of managing relationships through power, attraction is a different approach that relies on the development of voluntary motivation and commitment between the relationship partners. However, he thought that the concept of attraction in marketing literature was a little different, meaning that attraction in this context is to pique someone's curiosity, draw a business to you and also continue appealing to other parties. Building trust and confidence is the primary means of establishing a relationship in consumer marketplaces (Morgan & Hunt, 1994).

Deposit (sales) growth

Sales growth is the amount that a business makes from sales in comparison to a prior, comparable time when sales were higher. Growth in sales is thought to be beneficial for a business's existence and profitability. Buttle & Maklan(2019) argued that increasing profitability at the customer level is a sign of the marketing discipline's shift toward a narrower understanding of markets. Conversely, there is a growing emphasis on the individual customer as the unit of analysis rather than customer groupings. Terms like "micro marketing" and "one-to-one marketing" were born out of this phenomenon. Considered from this perspective, client profitability is increasing as a

crucial metric that allows for the definition of each customer. Focusing on profitability at the customer level can be seen as a key indicator of how marketing is evolving within the company. "Marketing is too important to be left to the marketing department" is a key component of the new function. This is the reason that other departments are frequently urged to handle marketing-related issues in marketing literature. The rationale behind the introduction of marketing performance metrics in cost accounting literature and practice is primarily focused on cost containment.

2.2 Theoretical review

There are different models propounded by the researchers to manage their customer knowledge which are as follows;

1. Murillo and Annabi(2002) Model

The proposed model is a three step process for aggregating knowledge through direct interaction with customers. This type of interpersonal interaction serves a dual purpose in customer knowledge management. It helps gather knowledge from the client while also investigating the knowledge the client needs and that the company should collect. Since the interaction is mutually beneficial, both the client and the organization benefit the client gathers knowledge to aid in making purchasing decisions, while the company collects knowledge to better understand customer needs or to develop its products. The model consists of three phases. Which are knowledge discovery, knowledge classification and knowledge settlement. Additionally, researchers have added two more steps to complete the process. It is knowledge encryption and knowledge sharing. After completing knowledge coding process, a mechanism is established to allow employee to access the gathered knowledge. It enables them and decision makers to review product details and make informed decisions.

2. Gebert, et al. (2003) Model

The researchers established a framework for managing customer knowledge. It categorizes six key processes for managing customer relationships. It also identifies four knowledge management tools to complete desired processes. They presented case study from the financial service sector. The study demonstrate the framework's effectiveness in managing customer knowledge and its ability to help decision making by enhancing knowledge management within customer relationship management processes.

3. Ton-Su, et al. (2006) Model:

This model is for managing customer knowledge electronically. It emphasizes the importance of a bilateral communication path between the client and the organization. This interaction enables organizations to develop strategies that can enhance their products or services. It ultimately leads to increase customer satisfaction. Therefore, researchers consider the management of customer knowledge is vital for product development and innovation. The model proposes a conceptual model that circulate the CKM model electronically through the integration of information technology. This CKM model within the Customer Knowledge Management framework includes various task.

1. Determining the feature and benefits of the product
2. Classifyin customer needs.
3. Market division to convert implicit knowledge of the customer to classified Knowledge.
4. Developing a framework for the needs of customers.
5. Using data mining technology to implement market division.

2.3 Empirical review

Numerous local and foreign researchers conducted the same studies and observed the same connection between marketing performance and CRM practices in an organization. They all used different variables to symbolize the marketing and customer relationship management disciplines. However, selected researchers' studies are addressed in this section.

Gupta et al. (2006) illuminated Nepalese banks' opportunities and challenges when implementing CRM methods, underscoring the significance of context-specific analysis. Moreover, Shrestha (2021) highlighted how cultural factors impact Nepalese consumers' expectations and actions. These findings can be used to better tailor CRM programs to the unique cultural characteristics of the Kathmandu Valley, improving their chances of success and acceptance by the local customer. Additionally, to improve customer loyalty, Kotler and Keller (2010) defined it as closely observing client "touch points" and keeping detailed records on individual clients. Successful businesses are recognized for their ability to comprehend customer needs and deliver value-added services. Customer relationship management is becoming more and more important for businesses as a means

of boosting profitability through long-lasting relationships with customers. In past, economists introduced the concept of value maximization which attempted to raise a company's earnings and business's utility. Customer relationship management is a concept that is currently in use. Many made large investments to better manage their interactions with clients before, during and following purchases (Shrestha, 2018).

William (2011) conducted additional studies on a few Barclay's banks in Ghana. The investigation was carried out on three Barclay's bank branches in Kumasi, Ghana. A 75-unit sample size consisting of 50 customers, 21 front-line staff members and 4 management personnel was used. The researcher hopes to gauge performance through increased revenue, a larger clientele and better customer support. To determine how the strategy aspect of CRM deployment relates to the factors affecting organizational performance, the study concentrated on this aspect. According to the study's findings, the chosen bank's performance was impacted by CRM.

Customer relationship management, as defined by Martin (2011) is the method by which a company organizes its client management to optimize value throughout the relationship. This definition may be found at *www.ijsr.net* in Volume 2, Issue 1 and in January 2013 of the 416 International Journal of Science and Research (IJSR), Nepali Online, ISSN: 2319-7064. Customer relationship management is additionally the thorough procedure for establishing and maintaining lucrative connections with clients by giving them greater enjoyment and value.

Borsaly (2014) conducted a study on the impact of CRM practices on the performance of organizations. 22 randomly selected banks from the Egyptian market were included in the study's sample. The researcher identified five characteristics of CRM identifying customers, generating customer knowledge, developing connections with customers and emphasizing process and information technology after reading the literature on the topic. The researcher concluded that an organization's success increased with its capacity to apply its resources and capabilities, as evidenced by the numerous studies that used various criteria to present marketing performance. Hence, marketing performance was defined as the capacity to apply an organization's resources and competencies. Two drawbacks of the research were that additional variables related to marketing performance and competitive advantage were not evaluated to determine the suggested model and

different industries were not taken into consideration to determine the stability of the findings (Chatterjee et al., 2021).

Similar research has also been conducted by Gebeyehu & Semira (2014). Their study evaluated the impact of CRM on the marketing efficacy of Ethiopia's commercial bank. Their goals included figuring out how staff members felt about CRM and assessing CRM's marketing effectiveness. The variables used in his research to represent CRM are the same as those used. Conversely, market share, sales volume and customer acquisition and retention were used to illustrate marketing performance.

Semira(2015) made an effort to ascertain how CRM affected the Commercial Bank of Ethiopia's marketing performance. Four criteria were used to characterize CRM in the author's study technology-based CRM, knowledge management, organization around CRM and focus on key clients. Marketing performance was represented by subjective factors such as client satisfaction, loyalty and perceptions of service quality. The array of dependent variables does, however, also include one scale variable, namely market share. Madan et al. (2015) conducted a case study on "Relationship Marketing Strategies in Banking Sector" to assess the relationship marketing strategies that prevailed in the Nepalese Banking Sector. In this era of digitalization and intense competitive pressures, banks must retain a loyal customer base to achieve desirable performance growth. Banks have started realizing the importance of customer relationship marketing. Relationship marketing offers benefits to the banks, customers and employees of the organization. CRM gives the banks a way to establish and develop mutually beneficial and valuable long-term bonds.

Al Dalayeen (2017) evaluated the theoretical underpinnings of customer relationship management and its relationship to marketing performance from several angles in his work titled "Customer Relationship Management and its Relationship to Marketing Performance." All of the financial institutions operating in the Egypt comprise the research population. There are 197 financial institutions total, comprising 138 brokerage firms, 20 insurance companies and 39 banks. 50% of society is represented in the stratified random sample that the researcher created. The sample was made up of 69 brokerage firms, 10 insurance companies and 20 banks based on proportion. In his methodology, he extracted CRM through a methodical comparative examination of the pertinent relationship marketing literature. However, he also incorporated supplementary components concerning the significance of prioritizing primary customers, organizational

effectiveness and customer knowledge management aspects, as well as their impact on marketing outcomes.

Similarly, Kafco (2017) discovered a substantial correlation between CRM and marketing success in his study "Effect of CRM on Marketing Performance of Commercial Banks in Kenya," concluding that, service quality management would result in an improvement in the bank's marketing performance. Consequently, he suggested that the company implement customer orientation tactics as, from what he could gather, they inform the public about the operations of the company. Customer relationship management has developed as a result of preserving positive customer relationships, increasing customer loyalty and increasing customer lifetime value (Brassington & Pattit, 2000).

According to Gonu et al. (2023), Customer relationship management (CRM) strategies are essential for gaining a competitive edge in the commercial world. Their research examined how CRM strategies affect Ghanaian commercial banks' performance, with a focus on the mediating effects of customer loyalty and satisfaction. Partial least square structural equation modeling was utilized to assess the data obtained from 420 customers through multistage sampling procedures, using a descriptive survey design, a quantitative approach and a positivist mindset. The results demonstrated that while CRM techniques improve organizational performance, hierarchy mediators such as customer satisfaction and loyalty greatly increased the effects of CRM activities (Hashem, 2012). The study concluded that commercial banks in Ghana would perform much better if they had adopted robust CRM procedures backed by client loyalty and satisfaction.

The banking industry in Nepal has seen substantial transformation due to technological advancements, globalization and changing customer demands. However, very little research has specifically examined how CRM practices impact the operations of banks in Nepal, especially commercial banks. Bista et al. (2023) emphasized the mediating function of customer relationship management (CRM) in the author's investigation of the relationship between learning orientation and the operational efficiency of Nepal's commercial banks. Convenience sampling and an explanatory study design were used to collect data from 260 individuals using the KOBO Toolbox. For quantitative analysis, descriptive and inferential statistics were used. The results highlight the theoretical importance of organizational learning theory by showing that CRM mediates the

association between learning orientation and banking performance. The findings emphasize how vital client empowerment and satisfaction are to the sustainability of the banking sector.

As we learn more about how companies successfully develop and integrate their organizational and technological capabilities, our understanding of how CRM impacts performance will expand (Swift, 2001), (Bharadwaj, 2000), (Piccoli & Ives 2005). In marketing literature, the terms relationship marketing and customer relationship management are sometimes used synonymously. Shain et al.(1992) defined relationship marketing as an integrated approach to locate, cultivate and maintain a network with particular clients and to consistently reinforce the network for the mutual advantage of both parties through interactive, one-on-one and value-added contacts over an extended duration.

The literature on CRM and its impact on bank performance offers an excellent foundation for understanding the dynamics that affect it. Several academic studies have highlighted the positive correlation between effective CRM implementation and improved financial performance in the banking sector. The study conducted by Smith et al.(2020) and Johnson(2018), for instance, emphasized the significance of CRM in creating and retaining client loyalty, which boosted profitability.

Table 1

Summary of review

| Author(s) | Methodology | Major Findings |
|------------------------------|---|--|
| (Ahmed et al., 2023) | Cross-sectional study using CRM performance data | CRM positively impacts profitability, market share and customer retention. |
| (Brown et al., 2023) | Mixed methods approach | Accelerated digital transformation has reshaped customer expectations and banking practices. |
| (Gebeyehu & Semira, 2014) | Descriptive analysis using surveys and interviews | CRM improves long-term customer relationships and loyalty. |
| (Gupta & Patel, 2023) | Case study approach | Customer-centric approaches enhance customer loyalty and satisfaction. |
| (Hersh et al., 2014) | Quantitative survey of customer satisfaction | CRM improves customer satisfaction by personalizing service delivery and fostering trust. |
| (Jim Wu & Lin, 2018) | Longitudinal analysis of CRM trends | Shift to customer-focused CRM improves customer satisfaction and retention. |
| (Kumar et al., 2023) | Qualitative and quantitative analyses of global banks | AI and big data significantly improve customer engagement and profitability |
| (Mezgebu, 2015) | Quantitative analysis using customer satisfaction surveys | CRM significantly enhances customer satisfaction and service delivery. |
| (Pawar & Ahadmotlaghi, 2012) | Conceptual framework supported by case studies | Effective CRM requires a focus on key customers, knowledge management and technology |
| (Rahman & Lee, 2023) | Comparative study using surveys and performance metrics | Private banks demonstrate higher CRM efficiency due to flexibility and innovation. |
| (Semere & Elia, 2015) | A descriptive study with interviews and observations | Highlighted the need for a structured CRM framework to improve customer retention. |
| (Soliman, 2014) | Literature review and case study analysis | loyal customers are the foundation of sustainable banking practices; CRM plays a pivotal role. |
| (Wilson et al., 2022) | Survey and performance analysis | Government-owned banks lag in CRM adoption due to limited resources and rigid structures. |

2.4 Research gap

While there has been a rising interest in the subject of CRM in banking organizations relatively, there are still some research gaps that have not been adequately addressed especially in the Nepalese Banking Industry. Technological developments like AI and big data have transformed CRM globally transforming customer experience and marketing outcomes (Kumar et al., 2023). Nevertheless, their adoption and implementation in the

Nepalese context have not been studied widely. Furthermore, global studies marked a shift from product focus to customer focus, but, surprisingly, little is known about Nepalese banks' readiness for this shift and its impact on customer loyalty and satisfaction (Gupta & Patel, 2023). Research on the comparison of private and government-owned banks in Nepal is sufficient, while such work is essential to establish the differences in the efficacy of CRM in two different institutional settings (Rahman & Lee, 2023). Moreover, this paper considered the COVID-19 crisis has further advanced digitalization in banking, shifting the dynamics of customer expectations and engagement in the post-COVID-19 world. However, to the best of the authors' knowledge, studies focusing on the application of CRM to address these changes within Nepalese banks are scarce (Brown et al 2023). According to previous work, CRM mostly investigates customer satisfaction and loyalty, while there is a lack of understanding of how it affects major marketing performance indicators, including profitability, market share and long-term customer value (Ahmed et al., 2023). This study aims to fill these gaps and investigates the impact of CRM components including key customer focus, technology-based CRM, CRM organization and knowledge management on the marketing performance of the sample commercial banks in Nepal in conformity with the current trends in banking and marketing strategies.

CHAPTER III

RESEARCH METHODOLOGY

This chapter has a total of five sections. The first section consists of the research design which explains the types of research design (exploratory, descriptive, comparative, interventional and qualitative) adopted for the study. The second section consists of the population sample and sampling design. Various sampling techniques (random, stratified, purposive, convenience) are normally used. For this sampling technique, either primary or secondary techniques can be used. The third section consists of the nature and source of data and the instrument of data collection. Similarly, the fourth section consists of methods of analysis used for the study. Mostly, various financial and statistical tools are used to analyze the data. Finally, here comes the research framework and definition of variables. A selective research framework is developed to streamline the research process.

3.1 Research design

A research design consists of a framework or arrangement of action for a study. A descriptive research design is adopted which reflects a comprehensive picture of a situation or circumstances. In the course of the descriptive, a structured questionnaire survey is carried out on the present employees of selected commercial banks. Descriptive research design helps to describe, show, or summarize data in a meaningful way. A researcher simply presents raw data visualizes it and gets a meaningful interpretation and conclusion.

Causal comparative research is used to identify cause-and-effect relationships or to examine the consequences of differences that already exist between dependent and independent variables. Causal comparative research sometime is also referred to as "ex-post facto" research because of the differences that already exist among the variables. In other words, the effect and the alleged cause have already occurred and are being studied after the fact. It measures the extent to which two or more variables are correlated with each other. The research aims to determine which variables are interacting and what types of interactions are occurring. This allows the researcher to make logical predictions based on the relationship established thereafter. Understanding correlations or relationships between variables is important for forecasting results and associational research can help

with that. As such, this study's nature is both associational and explanatory, as it aims to determine and elucidate the relationship between marketing performance (growth in deposits) and CRM (key clients/customers, customer knowledge management, organizing around CRM and technology). An explanatory study that explains which causes create which effects is possible when cause-effect relationships are the main emphasis, (Yin, 1994).

3.2 Population and sample and sampling design

Out of 20 commercial banks, the research has been conducted for five selective commercial banks out of a total of twenty commercial banks which are Himalayan Bank Ltd, Siddhartha Bank Ltd, Nepal Investment Mega Bank Ltd, Kumari Bank Ltd. and Nabil Bank Ltd. Convenience sampling technique is used for selecting sampling. The total branches of these banks are 1216 and approximately 12800 employees are working among these banks all over Nepal as of November 2024 data. The research was carried out on a sample of 410 employees of selective commercial banks operating different branches of different location all over the Nepal. A structured questionnaire was constructed and distributed partly personally and partly online to at least 600 individuals, who were selected based on the convincing sampling methods. Here the population was the employees working in different banks & branches. As the study is concerned with CRM practices of commercial banks, it considered the total number of employees who can affect or be affected by the CRM practices.

Brief introduction of sample banks:

I. Himalayan Bank Ltd.

Himalayan Bank Limited was established in 1993 as a joint venture with Habib Bank Limited (Pakistan). As per the Merger and acquisition policy introduced by Nepal Rastra Bank, HBL acquired Civil Bank Ltd at a 100:80.28 swap ratio on February 24, 2023. At present HBL is offering various banking facilities from its 173 branches, 20 extension counters and extensive ATM and POS networks. HBL is the pioneer bank introducing 1st ATM. HBL is also one of the biggest inward remittance handling banks in Nepal. It is committed to Corporate Social Responsibility (CSR) and customer satisfaction and relationships. The Bank earned an operating profit of Rs. 2.83 billion in Fiscal year 2080/81. (www.himalayanbank.com)

II. Nabil Bank Ltd

Nabil Bank is the number one bank in terms of profit earning in the fiscal year 2080/81 with a net operating profit of Rs. 7.60 billion. The bank offers complete banking facilities to its valued customers. Nabil Bank is currently operating through its wide network of 268 branch offices, 317 ATMs and numerous POS terminals spread across the country. The Bank also operates its investment banking through its subsidiary arm i.e. Nabil Investment Banking Ltd.(www.nabilbank.com)

III. Siddhartha Bank Ltd.

The bank was established in the year 2002. It has a core philosophy of nurturing relationships with customers and clients. Currently, the bank is operating through its 196 branches, 226 ATMs and numerous POS terminals. Bank has integrated digital banking platform banking in most operations to ensure convenient access to services for all valued customers. The bank earned a net operating profit of Rs. 3.1 billion in fiscal year 2080/81.(www.siddharthabank.com)

IV. Nepal Investment Mega Bank Ltd.

Nepal Investment Bank Limited (NIBL) was established in 1986 and renamed Nepal Investment Mega Bank Ltd after a merger with Mega Bank Ltd.The Bank has already completed its glorious 36 years of successful banking operation. Currently, bank is operating through its 264 branches, 63 extension counters, 113 branchless banking, 255 ATMs and numerous POS terminals across the country. The bank earned an operating profit of Rs. 5.12 billion in fiscal year 2080/81. (www.nimb.com.np)

V. Kumari Bank Ltd.

Kumari Bank Limited came into operation from Chaitra 21, 2057 B.S (April 03, 2001) to provide competitive modern banking services in the country. The Bank has paid up capital of NPR 26.23 billion. Kumari Bank Limited offers a wide-range of modern banking services through its 409 points of representation located in various parts of the country, with 302 branches, 50 extension counters, 57 branchless Banking and numerous POS terminals.The bank earned an operating profit of Rs. 2.30 billion in fiscal year 2080/81. (www.kumaribank.com).

3.3 Nature and source of data and the instrument of data collection

To collect data, the study uses both primary and secondary sources. The chosen bank personnel serve as the key sources. The information gathered from primary and secondary sources serves as the foundation for the investigation. For this purpose, primary data is

gathered from the chosen bank personnel using a standardized questionnaire. Conversely, secondary sources included books, websites, the internet, and published journal articles about the bank's marketing performance and customer relationship management.

3.4 Methods of analysis

To produce insightful results, data gathered from respondents via questionnaires is examined and interpreted. Questionnaire responses from staff members will be coded. SPSS is used to examine the data after it has been properly coded and edited. Regression and correlation models are statistical tools used to analyze the data in this study. Marketing performance (represented by multiple depositors and deposits) is the dependent variable, and regression analysis is used to determine how much the independent variable, relationship marketing, explains or influences it. To determine the direction of the relationship between relationship marketing dimensions and marketing performance indicators, correlation analysis is also carried out.

1. Descriptive analysis

Descriptive analysis is conducted to summarize and organize the data to identify patterns and trends. The following measures are used:

Mean: To understand the central tendency of responses.

Standard Deviation (SD): To measure the variability or dispersion of responses.

Frequency and Percentage: To provide a detailed overview of the distribution of responses across different variables.

These descriptive statistics offer insights into the general characteristics of the data and serve as a foundation for further analysis.

2. Regression analysis

Regression analysis is employed to understand the influence of the independent variable on the dependent variable:

Independent variable: Components of CRM.

Dependent variable: Marketing performance (represented by the various banking performance outputs retaining existing customers, attracting existing customers, number of depositors total deposits growth, etc). This analysis measures how much the independent variable explains or influences the dependent variable.

4. Correlation analysis

Correlation analysis is conducted to measure the direction and strength of the association between variables. The analysis focuses on understanding the relationship between relationship marketing dimensions and marketing performance indicators. The correlation coefficients indicate whether the associations are positive or negative and the degree of the relationship.

By combining descriptive, regression and correlation analyses, this research ensures a comprehensive understanding of the data, leading to meaningful findings and actionable insights.

3.5 Research framework and definition of variables

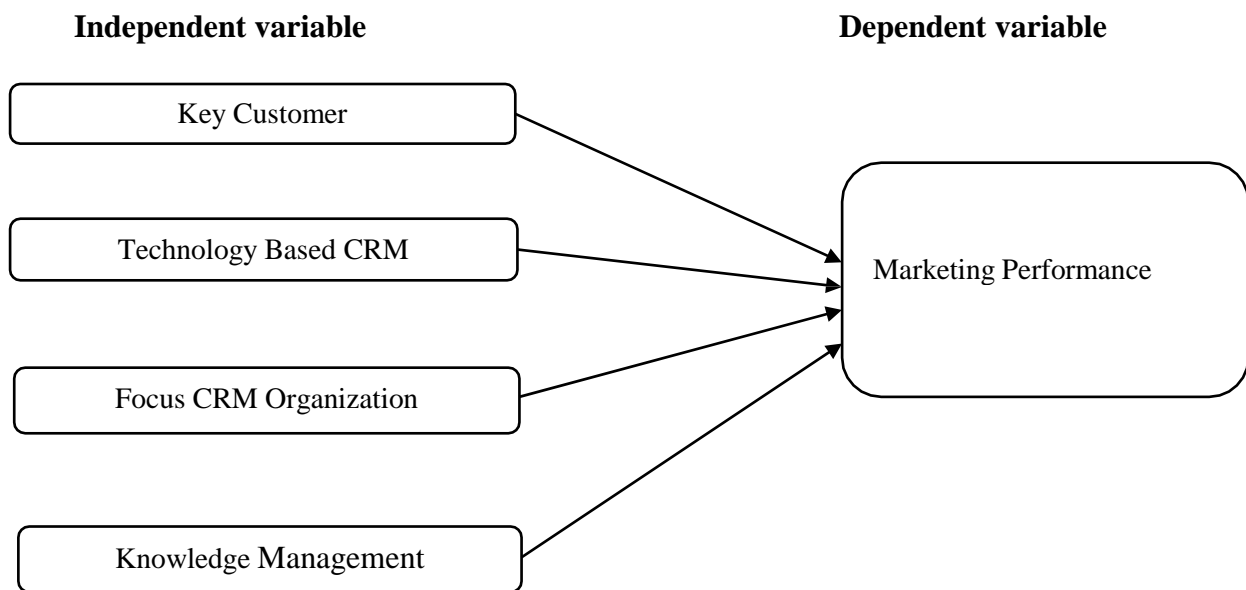


Figure1: Research framework

Source: (Taylor & Francis, 2018)

Definition of Variable

Independent Variables

I. Key Customer Focus

This variable represents the prioritization of high-value customers through tailored services and personalized attention to meet their specific needs and enhance loyalty.

II. Technology Based CRM

Refers to the use of technological tools, such as software and digital platforms, to manage customer relationships efficiently, enabling improved communication, data analysis and service delivery.

III. CRM Organization

This encompasses the internal alignment of organizational processes, culture and resources to support effective customer relationship management practices.

IV. Knowledge Management

Refers to the systematic collection, organization and utilization of customer information to improve decision-making, personalize services and enhance customer satisfaction.

Dependent Variable:

I. Marketing Performance

It is measured by the outcomes of customer relationship marketing which ultimately affects the banking performance.

The relationship between dependent and independent variables can be derived in the following multiple regression equation form.

$$MP = \alpha + \beta_1 KC + \beta_2 TBCRM + \beta_3 FCRMO + \beta_4 KM$$

CHAPTER IV

RESULTS AND DISCUSSION

This chapter presents the quantitative analysis and interpretation of the data collected from respondents. This includes an analysis of respondents' demographic data and the use of descriptive and inferential statistics to examine the impact of independent variables on dependent variables. SPSS version 20 was used for statistical procedures to examine the data that was gathered by the overall goal of the study project.

4.1 Results

4.1.1 Response rate of the Questionnaire

A total of 600 questionnaires were distributed to employees of the bank to collect data for the study out of which 410 questionnaires were filled up and returned. The response rate is 68.33 percent.

4.1.2 Reliability Test result

The reliability test is a crucial tool for determining how consistently an attribute is meant to be measured. According to Cronbach (1951), any measurement-based research must address the measurement's correctness, dependability, or reliability as it is commonly known. Reliability coefficients show whether the test creator was right to anticipate that a particular set of items would provide meaningful conclusions regarding individual differences. One of the most widely used reliability metrics in this context is Cronbach's alpha. For the CRM variable questionnaire, the Cronbach alpha coefficient was calculated to assess the degree of reliability of the collection of questions to generate a valid output. Higher values indicate a higher level of internal consistency. The normal range of Cronbach's coefficient alpha value is between 0 and 1. The range of values for the CRM variable's Cronbach's alpha is 0.75 to 0.97. As a result, the study's internal reliability questionnaire, which measured the CRM aspects, met the standard for a frequently accepted value of greater than 0.7, as per Gliem & Rosemary's (2003) guidelines.

Table 2

Reliability statistics results for CRM

| Constructs | Alpha coefficient | No.of items |
|-----------------------|--------------------------|--------------------|
| Key clients/customers | .759 | 8 |
| Knowledge management | .761 | 6 |
| CRM organization | .877 | 8 |
| Technology | .976 | 9 |

(Source: SPSS output)

4.1.3 Demographic Characteristics of Respondents

The purpose of this descriptive analysis is to examine and characterize the information gathered via the questionnaire. For greater clarity, it was utilized to describe the demographic characteristics.

Table 3

Demographic characteristics of respondents

| Demographics | Categories | Frequencies | Percent |
|---------------------|-------------------|--------------------|----------------|
| Sex | Male | 234 | |
| | Female | 176 | |
| | Total | 410 | 100 |
| Age | 20-25 | 70 | |
| | 26-35 | 110 | |
| | 36-45 | 80 | |
| | Above 45 | 150 | |
| | Total | 410 | 100 |
| Position | Managerial | 100 | |
| | Supervisor | 153 | |
| | Professional | 157 | |
| | Total | 410 | 100 |
| Education | +2(intermediate) | 193 | |
| | Bachelor's degree | 112 | |
| | Masters | 105 | |
| | Total | 410 | 100 |
| Experience | 1-5 years | 147 | |
| | 6-10 years | 130 | |
| | Above 10 years | 133 | |
| | Total | 410 | 100 |

(Source: Field survey, 2024)

It is evident from table 3 above that 66.5 percent of the respondents were men and the remaining 33.46 percent were women. This suggests that men made up the bulk of the bank's workforce. The chart also shows another breakdown of age, with 53.4 percent of

respondents being between the ages of 20 and 25, 23.07 percent being between the ages of 26 and 35, 15.38 percent being between the ages of 36 and 45, and the remaining 19.23 percent being beyond 45.

Similarly, 50 respondents were in managerial positions which is 19.23% of the total respondents, 58.85% which is 153 individuals were in supervisor positions and the remaining 57 respondents 21.93 individuals were the professional positions at the banks for whom the questions were asked.

Regarding the employees' educational backgrounds, the table shows that almost 17% of all respondents had a +2 degree, 89.8% had a bachelor's degree (in any field), and the remaining 40.38% had a master's degree. This indicates that the vast majority of the bank's staff members hold bachelor's degrees. A total of 56.53 percent of the respondents had one to five years of job experience. The remaining 23.07% had more than ten years of job experience, and the remaining 20.38 percent had six to ten years.

4.2 Descriptive Statistics of Scaled Type Questionnaires

A five-point Likert scale, with 1 denoting strongly disagree, 2 disagree, 3 neutral, 4 agree, and 5 strongly agree, was used to gauge respondents' answers to the variables listed below.

4.2.1 Perception of respondents towards Key Customer Focus

Key customer focus, which includes a general customer-centric focus. It consistently provides better and added value through tailored offerings to the key customers, is one of the most significant aspects of customer relationship management. Achieving a strong customer relationship that positions an organization as an essential partner to its most profitable clients is the ultimate goal of any major customer focus in today's business conditions.

Table 4

Descriptive statistics of key customer focus

| S.N. | Key client focus | Mean | Standard deviation |
|----------------|---|-------------|---------------------------|
| 1 | Relationships with customers are given great value in our organization. | 4.93 | 0.29 |
| 2 | The organization identifies who key clients are | 4.79 | 0.34 |
| 3 | The bank makes an effort to find out what the key customers need. | 4.78 | 0.40 |
| 4 | The bank offers a special service room to its key customers. | 4.84 | 0.27 |
| 5 | The bank provides customized services to our key customers. | 4.87 | 0.40 |
| 6 | The bank arranges special care for its special customers. | 4.75 | 0.49 |
| 7 | The interest rate (price) for key clients is flexible | 4.69 | 0.34 |
| 8 | The bank undertakes promotion targeting to reach major clients | 4.59 | 0.32 |
| Average | | 4.78 | 0.36 |

(Source: SPSS output)

Table 4 shows that the degree to which important clients were identified and their needs were valued, that special service rooms and price flexibility were offered, that customized services and special care arrangements were made, and that promotion was used to reach important clients received an average mean score of 4.78 with a standard deviation of 0.36. This demonstrates that the bank prioritizes its prospective clients, which boosts customer retention and helps the bank function better. Kotler (2004) asserts that the sales team is encouraged to cultivate long-term client connections by providing more individualized services by the company's overall comprehension and support for core customer emphasis.

4.2.2 Perceptions of respondents towards Knowledge Management

Businesses use knowledge management to gather, arrange, process, and disseminate implicit and explicit data to both internal and external users. (Alan Sin and Yim 2005).

Table 5

Descriptive statistics of knowledge management

| S.N. | Items | Mean | Standard deviation |
|----------------|---|-------------|---------------------------|
| 9 | The bank maintains a comprehensive database of its customers | 4.51 | 0.51 |
| 10 | Customers' information is updated regularly | 4.46 | 0.61 |
| 11 | I have a good knowledge of our Customer | 4.61 | 0.47 |
| 12 | The bank fully understands the needs of our key customers via knowledge learning | 4.51 | 0.51 |
| 13 | Individual customer information is made available through the core banking system at every point of contact | 4.56 | 0.51 |
| 14 | The bank uses e-banking instruments to identify appropriate channels of communication | 4.56 | 0.52 |
| Average | | 4.53 | 0.52 |

(Source: SPSS output)

The respondents' responses in Table 5 indicate that the extent of keeping a comprehensive database, updating the information on a regular basis, understanding needs through knowledge management, the effort made by employees to recognize important clients, the extent of information availability through the core banking system, and the degree of using e-banking tools to determine the best medium of communication received an average mean score of 4.53 with a standard deviation of 0.52. An organization is considered to process knowledge management only once the available information has been evaluated and successfully applied to carry out suitable strategic decisions and activities, according to Eid (2007) observation, which is reflected in the responses.

4.2.3 Perceptions towards Technology based CRM

Recent developments in information technology have significantly changed how companies operate and manage relationships. Consequently, the job of marketing has changed, particularly in regard to customer relationship management.

Table 6

Descriptive statistics of technology based CRM

| S.n. | Items | Mean | Standard deviation |
|----------------|--|-------------|---------------------------|
| 15 | There is an act of deploying technologies to communicate with our customers | 4.87 | 0.34 |
| 16 | The bank applies two-way communication with its key customers. | 4.87 | 0.33 |
| 17 | The bank provides POS (Point of sale) terminals at our major client's site. | 4.80 | 0.33 |
| 18 | My bank uses e-mails to receive complaints | 4.86 | 0.33 |
| 19 | My bank uses e-mails to communicate with key customers. | 4.86 | 0.34 |
| 20 | The bank provides automated teller machines (ATMs) at all branches | 4.87 | 0.36 |
| 21 | The bank uses a call center to communicate with customers | 4.96 | 0.55 |
| 22 | The bank's relationship function is supported with the right software and hardware | 4.86 | 0.22 |
| Average | | 4.56 | 0.40 |

(Source: SPSS output)

According to table 6 above, the degree of CRM support with the appropriate hardware and software, point-of-sale devices, two-way communication with important clients, the degree of technology deployment to communicate with important clients, the degree of ATM availability at all branches, and, lastly, the use of call centers and email to gather complaints received an average mean score of 4.56 with a standard deviation of 0.40. This outcome shows that the bank is successful in using technology to build positive interactions with its clients. Information technology and relationships are linked, claim Carlos and Ramos (2003).

4.2.4 Perceptions towards Organizing around CRM

CRM is a program for businesses. The overall goal of every department inside the business must be to improve client interactions. The organizational structure and arrangement must be flexible and, if needed, reassembled to create customer-centric values and foster the collaboration of cross-functional, customer-focused teams in order

to draw in a potential consumer base. Additionally, companies were established to foster, support, and stimulate significant connections by means of the conscientious endeavors of all organizational functions to consistently provide a stream of activities that are rich in value.

Table 7

Descriptive statistics of organizing around CRM

| S.n. | Items | Mean | Standard deviation |
|----------------|---|-------------|---------------------------|
| 23 | The bank's cross functional teams work in harmony toward the improvement of customer service | 4.97 | 0.14 |
| 24 | The bank has a clear procedure for customer acquisition and retention | 4.95 | 0.21 |
| 25 | The organization offers training and development programs to enhance employee's customer care skills. | 4.57 | 0.18 |
| 26 | The organizational structure allows flexibility in dealing with customer | 4.91 | 0.18 |
| 27 | The function of relationship management is decentralized | 4.90 | 0.17 |
| 28 | The bank's structure considers the customers' needs and wants | 4.93 | 0.17 |
| 29 | My bank spends enough resources to manage customer relationship | 4.96 | 0.17 |
| 30 | The bank allows budget and personnel to improve the CRM function | 4.95 | 0.18 |
| 31 | Employees' performance in managing customer relationships is recognized and rewarded | 4.99 | 0.26 |
| Average | | 4.94 | 0.18 |

(Source: SPSS output)

Through a questionnaire, the attitude of commercial banks toward organizing around CRM was evaluated. These include the following: the degree to which employees' performance in managing important clients is rewarded; the degree to which cross-functional teams' efforts are coordinated; the decentralization aspect of CRM; the consideration of key customers in the design of the organizational structure; the development of procedures on customer acquisition and retention; and training for CRM. Lastly, the bank's budget allocation towards enhancing CRM function and its flexibility. A weighted average mean score of 4.94 with a standard deviation of 0.18 is indicated by the results. This suggests that the bank is making good use of CRM, and as Anderson & Swamina (2005) state, the effectiveness of CRM programs depends on the dedication of employees.

4.2.5 Perceptions towards Marketing Performance

Table 8

Descriptive statistics of organizing around CRM

| S.n. | Items | Mean | Standard Deviation |
|----------------|--|-------------|-------------------------------|
| 32 | Deposit from our key clients makes the majority | 4.89 | 0.30 |
| 33 | Our key client business partners open accounts with us often | 4.96 | 0.17 |
| 34 | Our bank's account opening rates are rapid | 4.89 | 0.30 |
| 35 | Our POS machines bring about significant deposits | 4.83 | 0.54 |
| 36 | There is an increasing number of transactions from key clients | 4.89 | 0.30 |
| 37 | There is an increasing trend of customer traffic in our bank | 4.89 | 0.30 |
| 38 | There is an increasing trend of deposits from existing customers | 4.88 | 0.30 |
| 39 | New clients are attracted to our bank due to our customer care | 4.9 | 0.30 |
| 40 | There is a high contribution of deposits from new customers | 4.87 | 0.30 |
| Average | | 4.87 | 0.32 |

(Source: SPSS output)

According to table 8, the bank's ability to increase customer traffic at its working units scored an average mean of 4.87 with a standard deviation of 0.33. Other factors that were evaluated included the trend of increasing customer transactions from key clients, the mobilization of major deposits from key clients, the ability to generate deposits from point of sale (POS) machines, the ability to attract new clients and entice business partners of key clients, and the extent of achieving a higher rate of account opening. This demonstrates the efficiency of the bank's marketing performance outcomes in terms of deposit mobilization, customer acquisition, and retention. Organizational performance, according to Thomas and Hunger (2010), is the actual output or outcome of an organization as compared to its planned goal and objectives.

4.3 Correlation Analysis

The following correlation analysis was conducted between the factors (Key customer/client focus, knowledge management, technology and organizing around CRM) and the dependent variable (marketing performance) based on the questionnaires completed by the employees of the chosen Commercial Banks Ltd. at different locations.

Table 9

Correlations between CRM and marketing performance

| | | Key clients | Knowledge management | Technology | Organizing around CRM | Marketing performance |
|-----------------------|-------------------------|--------------------|-----------------------------|-------------------|------------------------------|------------------------------|
| Marketing performance | Correlation coefficient | .673 | .220 | .575 | 0.617 | 1.000 |
| | Sign(2-tailed) | .000 | .000 | .000 | .000 | |
| | N | 410 | 410 | 410 | 410 | 410 |

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

(Source: SPSS output)

Since the variables used to reflect CRM and marketing performance have ordinal values, the strength and direction of the relationship between the two were estimated using spearman correlation analysis. Always falling between +1 and -1, the correlation coefficient in statistics is +1. It is understood as follows: -/+ 0.7 denotes strong, -/+0.5 denotes moderate, and -/+ 0.3 denotes weak. Russey. In light of this, the correlation test result shown in table 9 showed that marketing performance was positively and strongly connected with three independent variables: primary client focus, technology, and CRM organization. The findings showed that the focus on important clients had the highest correlation, followed by CRM organization (correlation coefficient of 0.616), key clients/customer (correlation value of 0.673 each), and technology (correlation coefficient of 0.575). Nonetheless, a weak association between knowledge management and market success was found, with a correlation coefficient of 0.220.

4.4 Linear Regression Analysis Assumption Test

The researcher tested certain linear assumptions in order to justify the use of a linear regression model for the purpose of inference or prediction. Each assumption is discussed below.

4.4.1 Normality Assumption

Multivariate normal variables are required for multiple linear regression analysis. For the purpose of confirming this assumption, the researcher ran a normality test on every CRM variable. According to the data in Table 10, the P-value for each variable category has a cutoff point of less than 0.05. The observations of each variable can therefore be said to follow a normal distribution.

Table 10

Normality test result

| Variables | Kolmogorov-Smirnov ^a | | | Shapiro-Wilk | | |
|-------------------------|---------------------------------|-----|------|--------------|-----|------|
| | Statistics | Df. | Sig. | Statistic | Df. | Sig. |
| Key clients | .275 | 410 | .000 | .790 | 410 | .000 |
| Knowledge management | .253 | 410 | .000 | .688 | 410 | .000 |
| Organization around CRM | .247 | 410 | .000 | .837 | 410 | .000 |
| Technology | .252 | 410 | .000 | .813 | 410 | .000 |
| Marketing performance | .285 | 410 | .000 | .785 | 410 | .000 |

(Source: SPSS output)

4.4.2 Multicollinearity result

It is also assumed by using multiple linear regression, the data have minimal to no multicollinearity. For every dependent variable, the variance inflation factor (VIF), which is less than 10, indicates a satisfactory result. Reduced multicollinearity indicates that there are model estimates that are reliable for making predictions.

Table 11

Tolerance and VIF levels

| Model | Collinearity Statistics | |
|-------------------------|-------------------------|-------|
| | Tolerance | VIF |
| (Constant) | | |
| 1 | | |
| Key client | .740 | 1.305 |
| Knowledge management | .970 | 1.090 |
| Technology | .811 | 1.202 |
| Organization around CRM | .700 | 1.429 |

(Source: SPSS output)

4.5 Multiple Regression Analysis result of CRM and Marketing Performance

Utilizing multiple linear regression analysis, a model for forecasting Marketing performance from CRM was created. Table 12 displays the model fitting data, the Anova result and the CRM variable coefficients.

Table 12

Model Summary

| Model | R | R square | Adjusted R square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .461 ^a | .220 | .202 | .215 |

a. Predictors: (Constant), Organizing around CRM, Knowledge Management, Technology, Key Clients/ customers

(Source: SPSS output)

The coefficient of determination, or R², in linear regression describes the percentage of the outcome's variance that can be explained by the explanatory variables; higher R² values, up to a maximum of 1, mean that more of the outcome's variation can be explained. According to the data, the R² indicates that the explanatory variables—key customer focus, technology-based CRM, and organization around CRM—account for 22% of the variance in marketing success. Twenty-two percent of the variation in marketing performance could be explained by the model made up of explanatory variables with CRM dimensions.

Table 13

ANOVA statistics

| Model | | Sum of square | DF | Mean square | F | Sig. |
|-------|------------|---------------|-----|-------------|--------|-------------------|
| 1 | Regression | 2.80 | 4 | .700 | 15.870 | .000 ^b |
| | Residual | 10.181 | 255 | .044 | | |
| | Total | 12.983 | 259 | | | |

a. Dependent Variable: Marketing Performance I
b. Predictors: (Constant), Organizing around CRM, Knowledge Management, Technology, Key Clients

(Source: SPSS output)

The significance ($p < 0.0001$) indicates that the Final model gives a significant improvement over the baseline intercept-only model. This tells that the model gives better

predictions than if just guessed based on the marginal probabilities for the outcome categories.

Table 14

Coefficients of Customer Relationship Management Dimensions

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|-------------------------|-----------------------------|----------------|---------------------------|--------|------|
| | B | Standard error | Beta | | |
| 1 (constant) | 2.281 | .340 | | 6.583 | .000 |
| Key client | .230 | .053 | .299 | 4.559 | .000 |
| Knowledge management | -.030 | .034 | -.068 | -1.234 | .270 |
| Technology | .139 | .054 | .178 | 2.608 | .010 |
| Organization around CRM | .176 | .084 | .154 | 2.163 | .031 |

a. Dependent Variable: Marketing Performance I

(Source: SPSS output)

Table 14 displays the basic multiple regression analysis results. The findings indicate that two CRM dimensions key clients and technology have a major impact on market performance ($p < 0.01$). CRM-based organizational structures have a big impact on marketing performance ($p < 0.05$). Therefore, commercial banks's marketing performance is greatly influenced by its core customer focus, technology and CRM organization. However, knowledge management displays a negative and negligible result ($p > 0.05$).

Table 15

Hypothesis Test

| | Hypothesis | Result | Performance |
|----------------|---|---------------|-------------|
| H ₁ | Key Customer Focus has a positive and significant relationship with bank performance. | Supported | Positive |
| H ₂ | Technology-based CRM has a positive and significant relationship with bank performance. | Supported | Positive |
| H ₃ | CRM Organization has a positive and significant relationship with bank performance | Supported | Positive |
| H ₄ | Knowledge Management has a positive and significant relationship with bank performance. | Not Supported | Negative |

(Source: SPSS output)

Table 14 exhibits the result of hypothesis testing. Hypothesis H₁ was accepted. The Key Customer Focus has a positive and significant relationship with bank performance and is

found statistically significant among the banks in Nepal. Since the Beta coefficient is positive, it can be concluded that key customer focus supports growingsales, retaining existing customers and deposit growth of Himalaya banks in Nepal.

The findings of hypothesis test are summarized. Hypothesis H₂ was accepted. Technology based CRM has a positive and significant relationship with bank performance and is found statistically significant among commercial banks in Nepal. Since the Beta coefficient is positive, it can be concluded that the technology-based CRM has a positive and significant relationship with banking performance.

Hypothesis H₃ was accepted. The CRM Organization has a positive and significant relationship with bank performance and is found statistically significant among the banksin Nepal. Since the Beta coefficient is positive, it can be concluded that the CRM Organization has a positive and significant relationship with banking performance.

Hypothesis H₄ was not accepted. “The Knowledge Management has a positive and significant relationship with bank performance is found statistically insignificant” Since the Beta coefficient is Negative, it can be concluded that Knowledge Management does not support sales, retaining existing customers and deposit growth in banking performance as much as other variables do in the context of selected commercial banks. In Nepal.

4.6 Discussion

The result of multiple regression analysis in the above table indicates that Focusing on key customers has a significant influence on marketing performance ($p < 0.01$ $\beta = .230$). The standardized beta value indicates that key customer focus has a higher degree of importance than others in influencing marketing performance. The findings of this study are consistent with the findings of Hisham(2011). The authorfound that if customers work more on their key clients they will improve their market performance by creating long-lasting relationships and ensuring their profitability.

The results in Table 13 clearly show that using technology to support the CRM function has a substantial impact on market performance ($p < 0.01$ $\beta = .139$). In addition, the beta value placed third in terms of affecting marketing performance, indicating the beneficial effects of concentrating on technology. The findings align with Azza El Borsaly's (2014)

findings. Information technology made it easier to establish stronger bonds with clients and stay in constant communication with them through SMS, email, and other channels. Banks use CRM information technology to collect, analyze, and understand different types of customer data in order to build relationships with their clients. " Data warehousing, data mining, and information technology advancements allow businesses to manage customized connections with important clients (AzzaBorsaly, 2014). According to Table 14's multiple regression analysis result, knowledge management has a negative impact on market performance ($p < 0.01$ $\beta = -.030$). This suggests that the marketing performance of commercial banks is not much impacted by knowledge management. The outcome is in line with Semira's (2015) research.

Together with the previously mentioned findings, table 14 shows that market performance is significantly impacted by creating a robust and adaptable organizational structure that improves the CRM function ($p < 0.01$ $\beta = .176$). Furthermore, the beta value indicates that CRM-centered organization has a favorable impact and is the second influencing factor of marketing performance. Azza El Borsaly's (2014) research further demonstrated that banks' marketing performance and competitive advantages are influenced by CRM capacity. Banks can use the CRM process to build their services according to the needs of their customers, communicate with them to identify shifts in their preferences, provide them with affordable costs, and add value for them (Azza El Borsaly, 2014).

According to Hisham (2011) research, allocating sufficient time and resources to customer relationship management (CRM) can enhance an organization's marketing effectiveness by increasing organizational efficiency. Regarding his recommendation for a CRM framework, he specifically mentioned that to make dealing with customers easier, it is necessary to attend to the precise design of the financial institution's organizational framework. As a result, the research's findings are consistent with those of Hisham(2011), who discovered a robust and favorable correlation between financial institutions' marketing performance and their ability to organize around customer relationship management.

CHAPTER V

SUMMARY AND CONCLUSIONS

This chapter attempts to summarize the whole study and findings makes general conclusions based on the findings presented in previous chapters and also suggests implications and recommendations based on the derived result from the analysis of data.

5.1 Summary

The research study consist of five chapters; Introductions followed by Review of literature, Research methodology, Results and discussion and Summary and conclusions. The banking sector plays a significant role as a financial intermediary, with its core function being the acceptance of public deposits for lending or investment purposes. The industry has evolved significantly since the 1990s, with technological advancements intensifying competition and necessitating a customer centric approach. Modern banks prioritize customer satisfaction and loyalty, shifting from product focused to relationship focused strategies, with Customer Relationship Management (CRM) emerging as a key tool for fostering long-term customer relationships and improving profitability. CRM entails focusing on loyal clients, managing knowledge and integrating CRM-based technologies to enhance service quality and efficiency. This research study aims to expand the understanding of CRM's effect on marketing performance in Nepalese commercial banks, exploring how relationship management influences banking outcomes. After studying an adequate review of both theory and empirical research part that the problem statement that was chosen for the study would be valuable for all stakeholders. The researcher triedto find our present status, relationship and effect of the CRM component in the banking performance of selected commercial banks.

Chapter II reviews various literature and outlines a conceptual framework exploring the impacts of Customer Relationship Management (CRM) components on the performance of Nepalese commercial banks. The study draws from various sources, including books, articles, magazines, newspapers, journals and past studies, to understand prior research in the field. The literature review aids in developing concepts, shaping the conceptual framework, defining various components of CRM and generating ideas for the Research design. This studyalso highlights a research gap in prioritizing existing client retention

over new acquisitions, emphasizing the need for CRM to differentiate services and drive sustainable growth. Research methodology consists of five sections. The first section covers the research design, including the types. Different research methods and tools were used; exploratory, descriptive, causal-comparative, interventional and qualitative. The research methodology and sampling design are based on the convenience sampling technique.

A total of 410 employees were able to successfully draw responses out of the 600 who were asked to respond regarding the Research dimensions. Consequently, this investigation is being conducted using data whose response rate has been determined approximately 68%. The Cronbach alpha estimate was used to draw the reliability of the questionnaire used to gather the data and the results ranged from 0.97 to 0.75. This demonstrates that the questionnaire has a sufficient level of reliability as defined by Cronbach (1951) and is intended to obtain the desired data from the respondents. According to the study's findings, three CRM variables concentrating on important clients, employing technology to enhance CRM and organizing around CRM have a positive and significant link with marketing success, as seen by their respective correlation coefficients of 0.673, 0.575 and 0.617. On the other hand, knowledge management showed a correlation coefficient of 0.220, indicating poor marketing performance.

The normal distribution test has demonstrated that the variables are normally distributed. The variance inflation factor (VIF) for each of the dependent variables demonstrates an acceptable result, falling below 10, according to the test result of the multicollinearity assumptions. The results of the regression analysis indicate that the focus of Key Clients had the greatest impact on marketing performance. The variable with the largest magnitude of 0.001 significant level is the major client focus, as shown by the beta value of 0.230. The second largest impact on marketing performance comes from organizing around CRM. With a beta value of 0.176, The Technology component of CRM had the third greatest magnitude in terms of affecting the marketing performance supporting the 0.001 significant level beta value of 0.139. Conversely, there is little correlation between knowledge management and marketing effectiveness. This is due to the explanatory variable's P-value showing a significance value over 0.05 i.e. 0.270. According to the

model summary of the data, the explanatory variable variance accounts for 22% of the variance in marketing performance. This is indicated by the R² value.

This study emphasizes the importance of adopting customers' need-centric market strategy and its key clients' integration, technology orientation and strategic organizational execution for enhancing Nepal's commercial banks' marketing outcomes. These CRM dimensions, which present a very strong positive relationship with marketing success, are important in customer retention, transaction frequency and total customer perceived value. Five customer focus areas can be identified which when given priority can create long-run beneficial bonds with potential customers and considerably influence the overall marketing strategies of banks. Not only that, but the use of technology in CRM practices facilitates the flow of communication and offers individual services through the effective control of customer data in establishing a healthy bond between the banks and customers. The purpose of organizational alignment around CRM is to provide tight-knit cooperation where every department aims to guarantee the customer even the best customer experience possible.

Nevertheless, there is comparatively low impact arising from the knowledge management on the marketing performance showing the field that might require the improvement. The observations also suggested that banks could realize real value if they started to take advanced knowledge management practices aimed at improving the particular efficiency of managing and utilizing the data about the customers. This will help to know more about the expectations of the customers to enable them to meet those expectations. Fulfilling this research may improve the effect of implementing CRM practices on the field of marketing performance improvement to provide a sustainable level of growth to banks and provide a competitive advantage in the realm of the constantly progressing banking sector. It has provided the necessary guidelines to the commercial banks of Nepal as they strive to get the best CRM strategies

5.2 Conclusion

This study's main goal is to investigate how customer relationship management affects commercial banks' marketing performance. Based on the study's descriptive data, it is accurate to assume that the majority of the bank's staff members are male and that the bank has young teams. Furthermore, the majority of bank workers have a bachelor's

degree, while a minority have a master's degree. Additionally, bank employees have a strong understanding of the concept of client relationship management.

The selected banks under study perform a respectable job of managing customer relationships in terms of concentrating on important clients, utilizing technology-based CRM and structuring the business around CRM. This is quantified using a correlation analysis, which demonstrated a strong and favorable association between concentrating on important clients, using technology-based CRM and structuring operations around customer relationship management. This idea makes it clear that the mentioned variables are what is driving the bank's marketing performance, as evidenced by the growth of deposits and customers. Similarly, the multiple regression results have validated the idea that the bank has connected the role of CRM with its marketing performance, primarily demonstrated by an increase in deposits and the number of depositors at the bank. The bank's marketing effectiveness is mostly determined by concentrating on its major clients, with knowledge management having the least impact. This is based on the relative effects of the various customer relationship functions components.

5.3 Implications

- i. In its stipulation, the finding indicates that there is a need for the bank to undertake a proper procedure of client segmentation to enable it to identify key clients. It makes it possible for well-defined strategies that will address customer needs hence increasing customer loyalty and better marketing results.
- ii. Integration of departments is critical to provide a smooth CRM approach. Blurred roles and responsibilities and interdependence of tasks are more responsive to customers' needs, as well as improve the quality of services in general.
- iii. The study implies that the marketing application of AI and big data analytics can forecast customer actions, which leads to enhancing the overall marketing results of an organization.
- iv. CRM processes are conducted frequently and adjusted for relevancy about the customers and the market. This approach can help in maintaining a long-term marketing strategy.
- v. The integration of feedback mechanisms into the overall strategy of CRM involves means to understand and address the missed opportunities of services,

creating value and making an impact on customers' satisfaction rates as well as their retention.

- vi. Providing employees with more extensive knowledge on the proper usage of CRM and the development of related technologies and methodologies guarantees that the company will be able to harness all the potential benefits from the application of technologically superior tools necessary for meeting the dynamically evolving demands of the clients, thus ultimately increasing the efficiency of work and the satisfaction of customers.
- vii. While at the moment it is not an overwhelming concern, a strong systematic foundation creates the opportunity to address the issue of knowledge management and utilizing customer knowledge for future product and operational strategy.
- viii. Lack of an adequate budget for CRM projects including IT investments and the creation of customer-focused programs that will affect marketing results has been a major issue.

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APPENDIX

Questionnaire on "The Effect of Customer Relationship Management (CRM) on Banking Performance of commercial banks in Nepal"

Namaste,

I am a student of Shankar Dev College, Tribhuvan University, pursuing MBS degree. For the requirement of the fulfilment of my degree I am conducting a research on "The Effect of Customer Relationship Management on Banking Performance of Commercial Banks in Nepal".

The survey will take about a 5 to 6 minute to complete. Your participation in this study is completely voluntary and anonymous. All the information you provide in survey will remain completely confidential. No reference will be made in oral or written reports which could link you to this study. if you have any questions at any time about the study or the procedures, you can reach out to me at adhikaryhbl@gmail.com

Thank you in advance for your time and effort in completing the survey.

Regards:

Ramesh Adhikari

Part I: Respondent's Basic information

Please tick "✓" in the group, in which you belong to:

1. Gender:

| | | | | | |
|------|--------------------------|--------|--------------------------|-------|--------------------------|
| Male | <input type="checkbox"/> | Female | <input type="checkbox"/> | Other | <input type="checkbox"/> |
|------|--------------------------|--------|--------------------------|-------|--------------------------|

2. Age:

| | | | | | | | |
|-------------|--------------------------|-------------|--------------------------|-------------|--------------------------|----------|--------------------------|
| 20-25 Years | <input type="checkbox"/> | 26-35 Years | <input type="checkbox"/> | 36-45 Years | <input type="checkbox"/> | Above 45 | <input type="checkbox"/> |
|-------------|--------------------------|-------------|--------------------------|-------------|--------------------------|----------|--------------------------|

3. Position:

| | | | | | |
|------------|--------------------------|------------|--------------------------|--------------|--------------------------|
| Managerial | <input type="checkbox"/> | Supervisor | <input type="checkbox"/> | Professional | <input type="checkbox"/> |
|------------|--------------------------|------------|--------------------------|--------------|--------------------------|

4. Years of experience:

| | | | | | |
|-----|--------------------------|------|--------------------------|----------|--------------------------|
| 1-5 | <input type="checkbox"/> | 6-10 | <input type="checkbox"/> | Above 10 | <input type="checkbox"/> |
|-----|--------------------------|------|--------------------------|----------|--------------------------|

5. Work Experience:

| | | | |
|------------------|--------------------------|----------------|--------------------------|
| Less than 1 Year | <input type="checkbox"/> | 1-5 Years | <input type="checkbox"/> |
| 5-10 Years | <input type="checkbox"/> | Above 10 years | <input type="checkbox"/> |

6. Education Status:

| | | | | | |
|-------------------------|--------------------------|-----------|--------------------------|---------|--------------------------|
| Plus 2, Intermediate | <input type="checkbox"/> | Bachelors | <input type="checkbox"/> | Masters | <input type="checkbox"/> |
|-------------------------|--------------------------|-----------|--------------------------|---------|--------------------------|

Part II: Key Clients/Customers

1-Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree

| S.N | Statements | 1 | 2 | 3 | 4 | 5 |
|-----|---|---|---|---|---|---|
| 1 | Relationships with customers are given great value in our organization. | | | | | |
| 2 | The organization identifies who key clients are | | | | | |
| 3 | The bank makes an effort to find out what the key customers need. | | | | | |
| 4 | The bank offers a special service room to its key customers. | | | | | |
| 5 | The bank provides customized services to our key customers. | | | | | |
| 6 | The bank arranges special care for its special customers. | | | | | |
| 7 | The interest rate (price) for key clients is flexible | | | | | |
| 8 | The bank undertakes promotion targeting to reach major clients | | | | | |

Part III: Knowledge Management

1- Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree

| S.N | Statements | 1 | 2 | 3 | 4 | 5 |
|-----|---|---|---|---|---|---|
| 9 | The bank maintains a comprehensive database of its customers | | | | | |
| 10 | Customers' information is updated regularly | | | | | |
| 11 | I have a good knowledge of our Customer | | | | | |
| 12 | The bank fully understands the needs of our key customers via knowledge learning | | | | | |
| 13 | Individual customer information is made available through the core banking system at every point of contact | | | | | |
| 14 | The bank uses e-banking instruments to identify appropriate channels of communication | | | | | |

Part IV: Technology

1- Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree

| S.N | Statements | 1 | 2 | 3 | 4 | 5 |
|-----|--|---|---|---|---|---|
| 15 | There is an act of deploying technologies to communicate with our customers | | | | | |
| 16 | The bank applies two-way communication with its key customers. | | | | | |
| 17 | The bank provides POS (Point of sale) terminals at our major client's site. | | | | | |
| 18 | My bank uses e-mails to receive complaints | | | | | |
| 19 | My bank uses e-mails to communicate with key customers. | | | | | |
| 20 | The bank provides automated teller machines (ATMs) at all branches | | | | | |
| 21 | The bank uses a call center to communicate with customers | | | | | |
| 22 | The bank's relationship function is supported with the right software and hardware | | | | | |

Part V: Organization for better CRM

1- Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree

| S.N | Statements | 1 | 2 | 3 | 4 | 5 |
|-----|---|---|---|---|---|---|
| 23 | The bank's cross functional teams work in harmony toward the improvement of customer service | | | | | |
| 24 | The bank has a clear procedure for customer acquisition and retention | | | | | |
| 25 | The organization offers training and development programs to enhance employee's customer care skills. | | | | | |
| 26 | The organizational structure allows flexibility in dealing with customer | | | | | |
| 27 | The function of relationship management is decentralized | | | | | |
| 28 | The bank's structure considers the customers' needs and wants | | | | | |
| 29 | My bank spends enough resources to manage customer relationship | | | | | |
| 30 | The bank allows budget and personnel to improve the CRM function | | | | | |
| 31 | Employees' performance in managing customer relationships is recognized and rewarded | | | | | |

Part VI: Questions related to Perception towards marketing performance of Banks.

1- Strongly Disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree

| S.N | Statements | 1 | 2 | 3 | 4 | 5 |
|------------|--|----------|----------|----------|----------|----------|
| 32 | Deposit from our key clients makes the majority | | | | | |
| 33 | Our key client business partners open accounts with us often | | | | | |
| 34 | Our bank's account opening rates are rapid | | | | | |
| 35 | Our POS machines bring about significant deposits | | | | | |
| 36 | There is an increasing number of transactions from key clients | | | | | |
| 37 | There is an increasing trend of customer traffic in our bank | | | | | |
| 38 | There is an increasing trend of deposits from existing customers | | | | | |
| 39 | New clients are attracted to our bank due to our customer care | | | | | |
| 40 | There is a high contribution of deposits from new customers | | | | | |

THE EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT ...

By: Ramesh Adhikari

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ABSTRACT The main objective of this research study is to assess the effect of customer relationship management

(CRM) on the banking performance of selected commercial banks in Nepal. CRM is a significant tools for enhancing banking performance interms of retaining existing customers, attracting new customers and increasing deposit growth or sales growth. CRM consists of vital components like

key customer focus, customer knowledge management, organizing around CRM and technology based

CRM. In this way, marketing performance can only be achieved when CRM components function very well.

Both qualitative and quantitative approaches were obtained for **the study** . The study **used primary and secondary sources to** collect **data. Primary data were** gathered **through** a 5 **point** Likert- **scale questionnaire. The population of the study was** bank's **employees**

of selected banks of different level. The total sample size for the study was 410.

To analyze the collected data correlation and multiple regression were **used. The findings show that Key client focus had the highest effect on marketing performance followed by Organizing around CRM and technology. On the contrary, Knowledge Management is insignificantly related to marketing performance. Therefore, based on the findings the researcher has recommended that the bank should work more on those three customer relationship management dimensions (key client, organizing around CRM and technology) that significantly affect the marketing performance** . Keywords: **Customer Relationship Management, Marketing performance CHAPTER | INTRODUCTION 1.1** Background **of the study The most significant financial intermediaries in an economy** are banks(**Bouma**

, 2001). According to Bikhchandani & Sharma(2001), the goal of the banking industry is "accepting deposits of money from the public for lending or investing, repayable on demand through check/draft or any other means." The banking sector was not an exception to the global business sectors as the entry into the information technology era began in the early 1990s. The banking industry has expanded significantly since then. As such, competition in the banking industry is now unavoidable. It became exceedingly challenging for banks to stick to their goal of increasing profitability under these conditions. As a