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CUSTOMER RELATIONSHIP MANAGEMENT ON CUSTOMER SATISFACTION IN THE BANKING INDUSTRY

By

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Abstract

The study examines the connection between customer happiness and customer relationship management (CRM) in the Nigerian banking sector. A survey was performed as part of the study, which employed a quantitative research approach. A questionnaire was used to gather the primary data. Due to the size of the population, a sample size of 396 customers from Ilaro, Ogun State, will be sufficient. The validity of the questionnaire was assessed using a trustworthy Cronbach's Alpha. Simple percentages were used to analyse the biodata, and SPSS's descriptive statistics and inferential statistical techniques, such as regression analysis and pairwise correlation, were used to determine the relationship between customer responses on the independent variable (customer satisfaction). The results demonstrate a favourable association between the many aspects of customer satisfaction, such as trust, commitment, binding, and commitment, and customer contentment. According to the findings, it was advised that the bank remain providing clients with great customer service in order to continue delighting them via adherence, bonding, and trust.

Keywords: Trust, Bounding, Commitment and Customer satisfaction.

Introduction

The term "customer relationship management" (CRM) originally appeared in the information technology sector in the middle of the 1990s. Every day, consumer demand and innovation in information processing gain importance, creating a more competitive environment that will support and accelerate development (Myllylä, 2019). But as the 21st century changed and developed, it evolved into the management concept that organisations and businesses now centre their operations around their customers' happiness with their goods and services (Paul et al., 2014). CRM is a term used to describe how businesses and organisations employ technology, ideas, and practises to analyse and manage their customer interactions with data across the course of the customer's lifecycle. The key goals of CRM, according to Khodakarami and Chan (2014), are to enhance company connections with clients and support client happiness, both of which will result in more sales and profits. There are arguments in favour of how CRM may directly affect the degree of customer satisfaction across a wide range of sectors. Studies that have already been conducted on the characteristics that increase customer happiness have generally related customer satisfaction to service quality. According to Domazet, Zubovi, and Jelonik (2010) and Hoang (2015), customer satisfaction is favourably influenced by service quality qualities including dependability, responsiveness, tangibleness, assurance, and empathy. In contrast, Hashem (2012) and Yilmaz (2018) found that company image and customer participation were related to the greatest degree of customer satisfaction. Sadly, a survey from 2023 states that at least 70% of client complaints come from the banking industry. According to Okoye-Chine (2021), the degree of discontent among bank clients has risen recently. Okeke (2016) highlighted that a significant degree of discontent exists in the

banking business as a result of the lack of customer relationship management. Lorenza and Nurohman(2022) attributed a lack of direction, a bad strategy, a lack of employee buy-in and accountability, inadequate resources and poorly trained employees, poor technology, a weak policy, a lack of staff motivation, and a failure to secure and maintain executive support for the projection resulting in poor customer relationship management performance. The performance of banks may suffer if consumer complaints are not addressed. Customer relationship management is crucial since it is the best and most effective strategy for fostering and sustaining connections with customers. It is not just a commercial strategy but also the creation of solid interpersonal ties between people. However, in this instance, analysts discovered after doing in-depth study that certain businesses are unable to use CRM efficiently. Therefore, the study focused on the direct connection CRM aspects of customer happiness, trust, binding, and commitment.

Brief Literature

The amount of data on customer satisfaction that is now available has increased over time, supporting the idea that how customers perceive the services they receive from businesses influences those businesses' future decisions. According to research by Gretzel et al. (2012), Hoang (2015), Chatzigeorgiou and Christou (2016), Mombeuil, Fotiadis, and Wang (2019), customer experience in the past and current expectations shape customer satisfaction, which significantly affects the success and performance of the bank. According to Jeong and Lee (2010), customer satisfaction is defined as the emotional state in which a client can express clearly the discrepancy between their expectations and the perceived quality of the service received. Social exchange theory is one of the well-known ideas that clarifies the position of the client while assessing their expectations. Homans (1958) proposed the hypothesis first, explaining why individuals choose to use goods and services that are less expensive yet offer more advantages. In this situation, customers are more likely to be satisfied with cheap prices. In order to maintain client loyalty, foster trust, and foster confidence, banks must make sure that the necessary services are provided to the customer at a reasonable rate. El-Adly stated in 2019 that it is impossible to overstate the significance of customer happiness since it is a reliable indicator of repeat business.
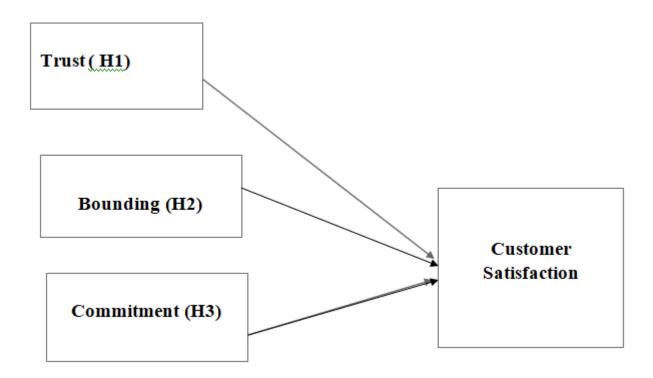
Customer Relationship Management, on the other hand, is a strategy used by the bank, according to the study, to examine and evaluate the condition of customer profiles, pinpoint consumer wants, and fill the identified niche. This increases client happiness, builds a competitive advantage over the bank's rivals in the market, and helps to increase consumer confidence (Woodcock, Foss & Stone, 2015). Utilising CRM enables businesses to develop and sustain long-lasting relationships with customers, which are important to the long-term business plan. According to Choudhury and Harrigan (2014), CRM is used not just to increase customer happiness but also to assure effectiveness in the company's marketing, operations, sales, customer services, human resources, finance, and new innovation.

Hypotheses Development

There is a sizable body of work that examines the connection between CRM aspects and customer happiness. In this study, the researcher is examining three aspects of consumer happiness, including Trust, Commitment, and Bounding.

Conceptual Framework

Source: Author's Computation

The Relationship Between Customer Trust and Customer Satisfaction

Shamsudin, Shabi, and Salem (2018) claim that trust is a prerequisite for relationships between individuals. This suggests that when someone depends on, believes in, or expects something of another person, good things happen. As a result, increasing customer pleasure depends greatly on building consumer trust. According to Kim, Cho, and Kim (2019), if a customer's trust increases by just one percent, they will be at least 10% more happy. This indicates that a customer's perception of a firm is significantly influenced by their level of confidence in the business. There aren't many research on this association, and the ones that do tend to focus on the banking sector and have contradictory findings. For instance, Kosiba, Boateng, Amartey, Boakye, and Hinson (2018) suggested that consumer trust in the retail sector has a favourable impact on customer happiness. Customer trust and satisfaction have a favourable association and a significant influence, according to research by Kanje, Charles, Tumsifu, Mossberg, and Andersson (2019); Lee, (2018); Sahoo and Pillai, (2017). While this is going on, research by Davras & Caber, 2019; Gerdt, Wagner, &Schewe, 2019; and Davras & Caber, 2019; disconfirmed expectations are paired with earlier sentiments about the customer experience and suggested that customer trust provides a negative but substantial relationship with customer satisfaction. As a result, in this investigation, the following hypothesis was evaluated.

H1: Customer Trust has positive and significant impact on Customer satisfaction

The Relationship Between Commitment and Customer Satisfaction

Commitment is yet another essential component of CRM that explains the ties that bind businesses to their clients. Iriandini (2015) defined commitment as the emotional bond formed between a business and its customers in order to increase profits and improve performance. In today's customer-centric approach, a company's dedication to its customers has established itself as one of the markers of CRM use to improve customer satisfaction and has been completely embraced as a factor in corporate strategy. Customers, especially returning ones, will often be satisfied when they feel that the business has a high level of dedication to them. As a result, this will motivate current clients to make further purchases in the future and attract new clients, both of which will boost the business' profitability.

Gummesson (2006) pointed out that commitment is essential for the link between CRM and customer happiness to function since it mediates the interaction between CRM and customer pleasure to some extent. According to the literature, dedication is one of the CRM aspects that improves customer satisfaction more than others (Read, 2009; Sauers, 2008). According to Wong and Sohal (2002), client happiness will increase as a service provider's commitment to the relationship increases. Similar findings were reached by White and Yanamandram in their 2007 study, which found that dedication plays a part in determining consumer happiness. According to Tu, Liu, and Chang (2015), loyal consumers are more likely to see their interactions with a company favourably and express a desire to continue doing so.

The Relationship between Bonding and Customer Satisfaction

The goal of bonding is to ascertain how businesses respond to customer complaints and how long customers stick with a company because of its prompt and effective approach to problem-solving. Bonding regulates social and commercial conduct and can eliminate uncertainty and foster intimate connections and trust (Hashem, 2012; Gilboa et al., 2019). Because losing customers equates to losing income, maintaining customer happiness is essential to corporate success. Businesses may increase sales by fostering a sense of contentment and loyalty with their customers. For instance, receiving frequent consumer feedback may help a business make improvements to its goods and services that make them more desirable to customers and increase customer satisfaction.

H2: There is a positive and significant relationship between Bonding and Customer Satisfaction

Empirical Review

In Accra, Ghana's insurance business, Ibrahim and Ofosu-Boateng (2020) conducted study on the impact of customer relationship management on client retention. According to the study's findings, customer relationship management directly affects how satisfied consumers are. The study also showed a strong correlation between customer relationship management and keeping customers. However, a study on customer relationship management in the banking sector (Case Of Kosovo) was conducted by Gazmend Nure in 2018.and learned that the study's major focus was on managing client interactions in Kosovo banks, where both their holding rate and total benefit to the bank are substantially greater. Customers, procedures, and technology are the three essential areas that customer relationship management (CRM) should successfully handle for banks as a development concept. Customer relationship management, customer happiness, and customer loyalty are all positively correlated, according to Sulaiman's (2018) analysis of the topic.

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Marziyehabdigolbaghi (2018) conducted research on the effect of customer relationship management on an organization's competitive advantage while taking the mediating variable of customer loyalty into consideration. She discovered that all of the study's variables were above average, indicating that their evaluation was optimal and satisfactory. In their study on the effect of customer relationship management on the marketing effectiveness of a sample of petrol stations in Adamawa State, Musa and Nasiru (2020) discovered that all the provided hypotheses had been verified. However, there is not a lot of comparable research that can be utilised to compare the results of this thesis in the context of industrialised and developing countries.

Methodology

A survey research design was utilized for this study. A questionnaire was used to gather the primary data. The population comprises customers of selected deposit money banks in Ilaro. Due to the size of the population, a sample size of 396 customers from Ilaro, Ogun State, was selected using Cochran formula. The validity of the questionnaire was assessed using content validity while the reliability was ascertained using Cronbach's Alpha. The collected data were analysed using inferential statistics. In particular, the hypotheses were tested using regression analysis.

Table 3.1: Summary of the Reliability Test

Cronbach's alpha	No of items	scale
0.777	5	Trust
0.672	5	Bonding
0.687	5	Commitment
0.887	5	Customer Satisfaction

Source: SPSS

Method of Data Analysis

Descriptive and inferential statistics were used to examine the study's obtained data. The descriptive analysis uses tables to analyse the raw data that was acquired and converted to percentages so that the researcher may make acceptable inferences from the data. Regression and pairwise correlation are used in inferential statistics to evaluate the hypothesis.

1. **Data Analysis and Discussion**

Table 4.1 : Summary of Distributed Questionnaires to Customers

Number Administered	**396**
Number Returned	**350**

Number not Returned	46

Source: SPSS

Table 4.2 Pairwise correlations

Variables	CUSTOMER SASTISFACTION	TRUST	BONDING	COMMITMENT
CUSTOMER SASTISFACTION	1.000			
TRUST	0.3107*	1.000		
	(0.000)			
BONDING	0.2979*	0.4329*	1.000	
	(0.000)	(0.000)		
COMMITMENT	0.3157*	0.4160*	0.4631*	1.000
	(0.000)	(0.000)	(0.000)	

Source: SPSS

The correlation matrix of the variables was shown in table 4.2 above. It has been demonstrated that bonding has a 29% link with customer happiness, but trust has a weak and positive correlation. Additionally, there is a 31% positive association between dedication and customer happiness.

Table 4. 3: Regression Analysis

CUS	Coef	Std Err	t	P>|t|	Remarks (Effect)	Relationship	
TR	0.2407571	.077794	3.09	0.002	Significant	Positive	
BOND	0.1402132	.0589386	2.38	0.018	Significant	Positive	
COMM	0.191111	.0623286	3.07	0.002	Significant	Positive	
Cons	1.77506	.2942494	6.03	0.000			

Source: SPSS

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Regression Analysis

Number of obs = 350, F(3, 346) = 20.74, Prob> F = 0.0000, R-squared   = 0.71524, Adj R-squared = 0.1451,

Interpretation of Result

The coefficient of Trust (TR) (0.2407571) in table 4.1 shows a favourable correlation between customer satisfaction. This conclusion has the broad implication that trust (TR) has a 24 percent effect on customer happiness. As a consequence, trust has a p (0.002) significance level below 0.05. Inferring that trust has a large impact on customer happiness, the null hypothesis that trust has no meaningful impact is rejected.

Bonding (BOND) demonstrates a strong correlation between customer connection (0.1402132) and bonding. This suggests that there is a strong correlation between bonding and the effectiveness of customer satisfaction. Bonding is significant at p (0.018) less than 0.05, according to the outcome. Inferring that bonding significantly influences good customer satisfaction, the null hypothesis that bonding has no substantial effect on customer contentment is rejected.

The final value for the commitment coefficients is 1.77506. This demonstrates that dedication and customer relationships are positively correlated. The broad conclusion from this finding is that commitment, as a component of customer relationship management, is essential to achieving outstanding customer satisfaction. According to the findings, commitment is significant at a p-value of less than 0.05 (0.002). Inferring that commitment has a strong link with the level of customer satisfaction, the null hypothesis that commitment has no meaningful impact on customer relationships is rejected

Conclusion

The customer relationship management and customer satisfaction in the banking business were the main subjects of the study. The survey includes bank customers in the town of Ilaro. To ascertain the extent of the link between CRM and customer happiness, the study used a quantitative research approach and analysed 350 customer replies. According to the survey, customer relationship management has contributed to rising customer satisfaction. This suggests that in the banking business, customer relationship management has a big impact on customer satisfaction. Banks can increase their capacity to draw affluent clients, boost their profitability, save operating expenses, and/or increase customer satisfaction through good customer relationship management. With additional value-added services and perks, banks' customer relations departments should be strengthened in order to draw in more patrons and devoted clients. To raise public knowledge of the availability of banking goods and services, however, there is still more work to be done in this area.

Recommendations

Customers should continue to get exceptional customer service from the bank to maintain their commitment, bond, and confidence.

Since customer happiness is crucial in any given competitive business climate, banks should continue to provide value-added connections with consumers in order to maintain them.

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Bank needs to reserve enough money to sustain and keep up its customer relationship management operations. Following deployment, there should be a deliberate effort to concentrate on the goals of customer relationship management.

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