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A Systematic Approach on Customer Relationship Management Practices in Non-banking Companies

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Abstract

Customer Relationship Management (CRM) practices are vital for the success of non-banking companies. These practices go beyond mere transactions and are pivotal in fostering strong, enduring relationships with customers. Non-banking companies can begin by collecting and managing customer data efficiently, allowing them to tailor their interactions and offerings to individual preferences. Segmentation helps in categorizing customers for more targeted engagement. Personalization and multi-channel communication ensure that customers feel valued and heard. Effective customer support, including prompt issue resolution, further solidifies these relationships. Moreover, non-banking companies should actively seek and act upon customer feedback, constantly striving to enhance their products and services. Strategies like cross-selling and upselling should be executed thoughtfully, aiming to benefit the customer rather than imposing additional sales. Loyalty programs can incentivize repeat business, while well-trained and empowered employees serve as the face of the company in customer interactions. Data analytics provides valuable insights, enabling data-driven decisions, and ongoing monitoring ensures that CRM practices evolve with changing customer needs. Compliance with data protection regulations and data security measures are essential to maintain customer trust. In sum, effective CRM practices in non-banking companies are integral to nurturing customer loyalty, enhancing brand reputation, and achieving long-term success.

Keywords: CRM, Integration with Business Processes, Training and Development, Compliance and Data Security and Social Media Monitoring

Introduction

Customer Relationship Management (CRM) practices are not exclusive to banking companies; they are essential for all businesses, including non-banking companies, to build and maintain strong customer relationships [9]. A systematic approach to Customer Relationship Management (CRM) practices in non-banking companies involves a structured and strategic framework for building and maintaining strong customer relationships. CRM systems are designed to gather customer information from a wide range of channels, such as the company's website, phone number, live chat feature, unsolicited mail, sales, and social media accounts. CRM systems may also provide customers access to personal information, financial information, purchase preferences, and concerns. Non-Banking Financial Companies (NBFCs) that offer banking services but do not fit the legal definition of a bank have more potential to the CRM idea [11]. Non-bank organisations frequently offer credit and loans, but they are frequently prohibited from accepting deposits from the general public. As a result, they must find alternative sources of funding for their operations, such as the issue of debt instruments. Chit funds are the main source of funding for NBFCs in India. Every successful business is built on its customers; customer satisfaction is the foundation of any successful enterprise. In order to draw in customers, businesses should thus keep tailoring their offerings in terms of both product and pricing as well as quality and level of service. After a customer joins the company, cross-selling is used to give them bundles of extra products so they may stay with them forever. Thus, the feel-good factor is added to customer satisfaction, often referred to as customer loyalty. There cannot be a firm entity without a client. The consumer base is growing with time, and companies are attempting to both acquire new clients and hold onto their existing ones. Apart from achieving their goals and making a profit, businesses priorities satisfying their customers [13]. Non-banking finance firms (NBFC) are just as important as the banking industry since they provide financial support to a large segment of the population in both rural and urban locations. They reach the unbanked areas with their array of financial products that support the banking sector.

Research Background

Customer relationship management (CRM), sometimes referred to as "good connection management with customers," is one of the strategies employed by the company to increase revenue and raise customer satisfaction and loyalty levels. CRM stands for customer-focused strategy. The term "customer relationship management," or CRM, describes a programme aimed at enhancing customer support. Banks are able to understand what clients need from CRM [3].Financial institutions will be able to better follow the goals and objectives of their individual enterprises by developing their commercial operations or production in response to consumer demands to the use of CRM. If bank consumer management programmes are successful, end users will ultimately profit from higher corporate profits and higher customer retention rates. Furthermore, the banking sector is focusing on KUR customers as potential customers. Decisions on management are based on different value propositions and unique sales transactions. When all of the customers—including partners—are put together, it will be simpler to understand how each one affects the organization's total profitability. Financial institutions look to deliver a value proposition to each client base in order to maximise earnings while examining consumer portfolios. Creating a strong bond with customers is one of the objectives of banking. Two signs of a solid relationship between the two parties are how well banks know their consumers and how responsively companies respond to customer input. [5]. Each and every one of our clients is distinct and has specific needs. Financial institutions' ability to get to know and comprehend their customers can help other companies develop plans that better meet the needs of their clientele. Businesses need to get more intimate with their customers if they want to understand what they want. Consequently, banks require precise client data in order to carry out customer management effectively. Banks will always try to meet the needs and expectations of its clients [11]. Due to this high customer cooperation need, it is expected that the company will be able to increase customer loyalty, increase the number of customers, and provide more value for customers through its partnership with these partners. In order to get a competitive advantage, collaborating with one's clients is a strategic move that should be made with the long term in mind. Banks are expected to manage all client contacts in a satisfactory manner. Financial institutions must put in a lot of effort to develop fresh strategies at every stage of the customer life cycle in order to guarantee their customers' satisfaction.

Theoretical overview of the study

In today's highly competitive corporate market, customer relationship management systems are growing more and more popular across a wide range of industries, making them an essential business strategy. The phrase "customer relationship management" (CRM) describes the procedures, methods, and tools that businesses use to track and evaluate consumer information and interactions in order to build strong client connections, increase customer retention, and boost revenue [4]. Customers' personal information, financial history, purchasing preferences, and concerns may all be accessed via CRM systems. CRM is significant and may help them maximise the value of their current clientele, attract new ones, and retain existing ones. In order to ensure long-term client retention, close relationships with clients would at this point build outstanding cooperation between IT and selling services. One of the top suppliers of institutional loans in India are the Non-Banking Finance Companies (NBFCs). Short- and long-term loans have traditionally been offered by banks and NBFCs. In industries like equipment leasing, hire purchasing, consumer finance, and housing finance, where there has historically been a large discrepancy between supply and demand for funds and borrowers' inability to access Scheduled Commercial Banks, nonbank financial companies (NBFCs) have demonstrated flexibility in meeting lending needs.

CRM in Non-Banking companies; an overview

Staff flexibility in implementing new strategies, upper management backing, and a suitable organisational structure are all necessary for a successful CRM programme. Top management support is necessary for the CRM idea to be implemented successfully. In the current competitive landscape, a bank's ability to succeed rests on the capacity of its upper management to modify the work environment so that staff members can oversee company operations and establish client connections. Banks frequently look for staff members with the right kind of leadership [10]. To encourage organisational transformation and promote a good view of the CRM idea, top management should be actively involved in organisational reforms. Employee dedication to the organisation is a critical component of CRM principles. Workers should be equipped with the necessary skills and information to support customer relationship management. Stated differently, the capacity of staff to anticipate client demands and have customer-oriented abilities is critical to effective customer relationships [5]. A CRM concept's ability to succeed depends on employees' willingness to grow personally and embrace change, as well as banks' readiness to develop a rewards programme for customer-focused staff members. The CRM idea is dependent on the organisation and aims to assign tasks and assist staff in managing customers. Increased employee productivity is a direct result of the CRM idea; workers use automated solutions to reduce the amount of time they spend on manual chores. Staff resistance to new business practices should be overcome through staff education and communication about the changes that are taking place. Employee attitude towards new procedures will also be much improved by their active participation in the development and implementation of the CRM idea. The organisational structure of the bank has to change to reflect its new strategy and attitude. A new structure based on customer needs and trends is supported by the CRM concept. Organisational divisions within banks need to be adaptable in their collaboration and support of a novel approach to fostering enduring relationships with their clientele. Employee perceptions of the bank they work for as well as the internal and external operations of the bank are shaped by organisational culture. Effective CRM implementation necessitates close coordination and communication between bank employees and marketing managers. These days, non-banking financial organisations, or NBFCs, are crucial in providing financial support across several financial sectors. They are frequently viewed as an adjunct to the banking system. NBFCs are placing a greater emphasis on relationship marketing than on transactional marketing in light of the fierce competition as well as the possibilities and challenges they face.

Previous notable research studies

Shrijvi Singh (2020) [10] made, an analysis of the five distinct categories of NBFCs' performance in India from 2015 to 2019 has been conducted. Key metrics such as the debt to equity ratio, profitability ratio, and liquidity ratio are used to analyse the performance. The results show that the chosen NBFC categories differ considerably from one another in terms of their liquidity and profitability measures. The objectives are as follows: i) to evaluate the chosen NBFCs' short-term solvency. ii) to evaluate the chosen NBFCs' long-term solvency. The author discovered that microfinance and core investment firms had lower debt to equity ratios, indicating a greater reliance on shareholder capital and a decreased level of risk for lenders. For microfinance and infrastructure financing organisations, the net profit ratio was high, indicating strong returns in these industries. According to the solvency analysis, the sample NBFCs operate at a high risk level; that is, they rely more on borrowed money, hold a relatively small percentage of their total assets as owned funds, and have a higher proportion of current assets than liquid assets relative to current liabilities. Praveen and Tamilarasi (2019) [16] explored that connections between banks and their customers for products and services, the research attempts to pinpoint characteristics of contemporary customer relationship management strategies and factors that impact their efficient execution. Using a survey approach and a well-crafted questionnaire, 80 respondents provided primary data. They found that the banking industry uses CRM to enhance the utilisation of existing technology, change consumer preferences and behaviour, and reshape the financial sector. CRM enables the segmentation of clients based on a range of criteria, allowing for the customization of banking services and products as well as ongoing product portfolio improvement. CRM makes it possible to build "pleasant" and active connections with customers, which will surely increase their loyalty to banks and provide a steady stream of cash for the long run. Jacob and Kumar (2021)[7] evaluated the impact of customer loyalty in Kerala's banking industry as well as the degree of competence, confidence, and communication. Kerala's banking industry has a certain level of proficiency when it comes to customer loyalty. In the banking industry in Kerala, competence is the factor most closely linked to customer loyalty. Reshma (2021)[6] discussed that financial institution is a business that was legally registered in 1956 and that operates on the basis of loans and advances as well as the purchase and acquisition of shares, equity, bonds, or other securities by public or local authority. It does not, however, include any institutions where the principal basin is the primary institution. The study's primary goal was to evaluate the client facilities offered by non-banking financial organisations. The researcher came to the conclusion that most of them have not had excess lending funds in recent years and that, in fact, they are in need of cash, which they partially obtain from the public through the acceptance of deposits. As a result, these businesses welcome both large and small deposits from the public and nearly always offer interest rates that are higher than those provided by banks. Selvalakshmi Gopalsamy et al. (2021) [7] aimed to assess the impact of CRM on customer loyalty. A simple random sample approach was used to pick 779 respondents who were customers of Indian public and private sector banks. Through the use of a variety of quantitative approaches, the results demonstrated how the CRM positively impacts customer loyalty through customer knowledge management, customer satisfaction, and customer trust—all of which were shown to be important factors in determining a customer's trustworthiness. This research advises bankers to satisfy their clients and offer dependable services because this is the first step in building loyalty.

Research problem

NBFCs are focusing on a range of financial products in an attempt to suit the demands of its clients while addressing the obstacles presented by the dynamic and chaotic external environment. A crucial component in the whole supply chain that supplies a sizable niche consumer market is provided by non-banking financial firms, or NBFCs. These companies were among the top lenders in the world. In India, the NBFCs were a major source of loans. They have demonstrated adaptability in meeting credit criteria in a number of sectors, including consumer finance, leasing, buying, and purchase financing. In India, non-bank financial institutions (NBFCs) offer a wide range of financial services and are crucial in funding the unorganised sector as well as local borrowers. Only a handful robust NBFCs are still in business today as a result of market liberalization, globalization, and industry consolidation and restructuring in the financial sector. However, the entry of foreign and Indian banks into the retail lending market has heightened competition and placed pressure on margins. Thus, competitors of today are bigger and more equipped to battle across several platforms than they were a few years ago.

Research Methodology

The research conducted is characterised by a descriptive and analytical approach. Customer Relationship Management (CRM) is a business approach that prioritizes customer-centricity by effectively integrating sales, marketing, and customer support functions. This integration aims to create and enhance value for both the company and its customers. The shift towards adopting a customer-centric approach is leading to a significant increase in the demand for customer relationship management (CRM) solutions among businesses. This paper outlines a thorough methodology for facilitating the creation and execution of a Customer Relationship Management (CRM) System. The methodology incorporates customer-centric business processes, human resources management, the IT system, change management, and continuous enhancement in both customer and employee perceptions. The research gathered a sample of 250 participants by means of a Google form.

Analysis, Findings, and Results

NBFCs have been instrumental in driving economic growth in India's industrial and agricultural sectors by filling in major gaps in the country's economic and financial system. Since banks, risk capital businesses, and retail corporations entered the loan market, the number of non-bank financial organisations has grown dramatically. In addition, the NBFI primarily promotes land investments and assists businesses with business feasibility or industrial studies.

Table 1

Factors influencing CRM Practices in Non-Banking Companies

Factors	Mean	Std. Deviation	Mean Rank
Data Collection and Analysis	3.19	1.019	5.43
Multi-channel Communication	3.41	1.255	6.00
Customer Support	3.39	1.258	5.95
Feedback Collection	3.31	1.168	5.58
Sales Funnel Management	2.78	1.091	4.54
Integration with Business Processes	2.08	1.328	6.23
Training and Development	3.14	1.154	4.88
Compliance and Data Security	3.60	1.352	5.35
Social Media Monitoring	3.48	1.100	6.05
Analytics and Reporting	3.24	1.215	6.52

The result shows that the respondents ranked first factor as Analytics and Reporting (6.52), followed by Integration with Business Processes (6.23) as second and Social Media Monitoring (6.00) was ranked third. Effective CRM practices in non-banking companies can lead to increased customer loyalty, higher customer lifetime value, and a stronger competitive position in the market. It's about building and nurturing long-lasting relationships with customers to drive sustainable growth and success. In India, non-bank financial institutions (NBFCs) offer a wide range of financial services and are crucial in funding the unorganized sector as well as small, regional borrowers. They can make decisions more quickly, take on greater risk, and more precisely tailor their services and costs to the needs of their clients than many regular commercial banks can. It may be seen as a blend of a few large, nationally operating organisations and a sizable number of small businesses that constitute the Indian NBFC industry's private sector, with a focus on medium-sized businesses in the area. These NBFCs provide services to specialized markets, such as fund-based and fee-based firms, as well as the retail and non-retail sectors. The financial industry has seen a tremendous deal of instability and change during the last ten years. Over that period, prudential standards and the ongoing monitoring system have undergone significant advances to effective regulations, which have strengthened the industry overall. NBFCs that priorities client satisfaction, efficiency, and high credibility are poised to take the lead in the NBFC market.

Table 2

Friedman Test

N	250
Chi-Square	79.258
Df	9
Sig.	0.000

According to the Friedman ranking, the Chi-Square value (79.258) obtained for a degree of freedom of 9 is statistically significant at a 1% level of significance ($p < 0.001$). Customer Relationship Management (CRM) practices are not limited to the banking industry; they are essential in various non-banking companies as well. Here are some key CRM practices applicable to non-banking companies: **Data Collection and Analysis:** Collect and centralize customer data from various touch points, such as websites, social media, emails, and in-store interactions. Analyze customer data to gain insights into their preferences, behaviors, and needs. **Segmentation:** Divide your customer base into different segments based on demographics, buying behavior, or other relevant criteria. Tailor your marketing and communication strategies to each segment. **Personalization:** Use the customer data and segmentation to create personalized marketing campaigns, product recommendations, and communication. Personalized experiences make customers feel valued and understood. **Multi-channel Communication:** Engage with customers through various channels, such as email, social media, chat, phone, and in-person. Ensure a consistent and coherent message across all channels. **Customer Support:** Provide efficient and effective customer support, resolving issues and addressing inquiries promptly. Use CRM software to track and manage customer interactions and support tickets. **Automation:** Automate routine and repetitive tasks, such as sending out confirmation emails, appointment reminders, or follow-up communications. This saves time and ensures consistency. **Loyalty Programs:** Implement loyalty programs to reward and retain valuable customers. Use CRM data to identify and target high-value customers for special promotions and incentives. **Sales Funnel Management:** Track leads and prospects through the sales funnel. Use CRM to manage and nurture leads, providing relevant information and incentives to move them towards a purchase. **Analytics and Reporting:** Continuously measure the effectiveness of your CRM efforts. Use analytics to make data-driven decisions and adjust your strategies as needed. **Training and Development:** Invest in training and development for your employees to ensure they understand and utilize CRM tools effectively. Well-trained staff can provide better customer experiences. **Compliance and Data Security:** Ensure that customer data is handled securely and in compliance with data protection regulations (e.g., GDPR). Build trust with customers by respecting their privacy. **Integration with Business Processes:** Integrate CRM systems with other business processes, such as inventory management, order processing, and supply chain, to provide a seamless experience. **Social Media Monitoring:** Keep an eye on social media for customer mentions and feedback. Respond promptly to both positive and negative comments to show your commitment to customer satisfaction. **Continuous Improvement:** Regularly assess your CRM practices and make improvements as necessary. The business environment and customer preferences can change over time, so adapt accordingly.

Discussion and Implications

An institution without full banking licensing is known as a Non-Banking Financial Company (NBFC). It is managed by a national or international banking administration body. Financial services including investing, risk pooling, signed agreement savings, and market brokering are offered by NBFCs in conjunction with banks. The insurance companies, pawnshops, cashier check issuers, cashier check stations, day care centers, currency exchanges, and microloan organisations are some examples of these enterprises. NBFCs give businesses and people access to surplus resource infrastructure, which is a supplement to banks. Moreover, NBFCs foster competition in the provision of financial services. NBFCs disentangle and modify the economic services that banks provide to cater to the specific requirements of individual customers. Additionally, an NBFC may develop a unique expertise advantage in a certain business. The money services business is more competitive when NBFCs bundle, target, and specialize. Political economics will be shielded from money shocks by a complex economic structure that includes non-banking financial entities, and in the event of one, it will adjust the rate of speedy recovery. Traditional lenders typically refuse to engage NBFCs in current credit information sharing agreements because to blatant competitiveness. NBFCs usually don't have the technological capability to participate in networks of data exchange in order to boot. Generally speaking, NBFCs give credit reporting agencies less information than banks do. Get a single point of contact for non-banking financial firms for advice, trading, cash transfers, deposits, and money loans. Ensuring the integration of front-end operations such as channel development, HR, sales, service, and collection for NBFCs.

Conclusion

A systematic approach to CRM practices in non-banking companies involves a well-structured and comprehensive strategy that encompasses data collection and management, segmentation, personalization, multi-channel engagement, feedback collection, exceptional customer support, cross-selling and upselling, loyalty programs, employee training, data analytics, continuous improvement, and compliance [16]. This approach aims to build long-lasting customer relationships, enhance customer loyalty, and drive business growth and success. Important financial organisations, NBFCs seek to create the foundational Indian financial system. In India, people are less confident in NBFCs than in the banking industry, despite the exceptional return on contributions made by these companies [5]. The RBI has not yet certified that contributors would be reimbursed for their obligation to the norms and regulations pertaining to NBFCs, as well as the tenets. This has a significant drawback for NBFCs in that investors are not protected by any insurance company but are instead under the management of the Indian holding bank. NBFCs are presently required to reduce costs and, via increasingly customized management, build a focused marketing emphasis for certain client categories. Part of the division's real development has been the shift from strong NBFCs to banking and security. Lastly, the idea of financial stability for the general population is very crucial, and the government has a duty to provide native assistance to the general public as well as to outside investors. The government's actions are definitely primitive in comparison to other nations that have significantly more advanced financial specialized protection measures.

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