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## The Study of Importance of CRM in the Banking Sector amidst the COVID-19 Pandemic

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### Abstract:

Customer relationship management (CRM), is essential to every organization's success since it guarantees high customer satisfaction and builds the company's reputation. On the other hand, the continuous pandemic problem is currently causing instability in the private banking sector. Customers' access to in-person banking services has been hampered by nationwide lockdowns and stay-at-home orders, which have mandated social separation and adherence to quarantine protocols. It is anticipated that the COVID-19 epidemic will have a profound effect on the banking industry, radically changing the expectations and behavior of its clients. This article makes the case that CRM is an essential instrument for fostering business expansion in the private banking industry. The report examines the advantages of CRM and the obstacles that the industry may face.

**Keywords:** *Customer Relationship Management, Banking, Pandemic, COVID-19.*

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### Introduction:

Customer Relationship Management has been defined as the process to manage interactions with the existing and potential customers (Pohludka and Štverková, 2019). The COVID 19 pandemic is recognized as a health and humanitarian crisis as well as economic loss for the whole world. The COVID-19 outbreak became challenge for banking institutions as customer need to follow to stay-at-home, social distancing or quarantine orders. Pandemic crisis all over the world has generated significant instability in the capital markets. Banks have to play important role. It is highly important to achieve growth in banking business. Banking sector is one of the most adversely affected in pandemic crisis. Customer relationship management strategies can help private banking sector to retain its customers and drive business growth.

### Literature review:

Globally, the COVID-19 pandemic had a significant effect on a number of industries. The health sector was hardest hit during this crisis, but a number of other industries were also badly impacted, including tourism, manufacturing, the economy, governmental and private services, social activities, transportation, and food. Among these, the banking industry was one that was directly and significantly impacted by the pandemic. Customer Relationship Management (CRM), which enables banks to retain excellent customer service through the deployment of the Internet and information technology, has become a crucial instrument for banks in response to these issues.

CRM has a number of benefits, one of which is its capacity to deliver better customer service, which is essential during emergencies like the pandemic. Several critical phases in customer relationship management have been recognized by Farhan M. S., Abed A. H., and Ellatif M. A. (2018) as being essential for the banking industry. Among these phases are: Getting New Clients (Acquire): This phase entails plans and actions to draw in new customers for the bank. Improving Customer Relationships (Enhance): After gaining a client, the following stage is to strengthen the bond with them by providing specialized services and goods that cater to their individual requirements. Maintaining Relationships with Customers (Retaining): Lastly, maintaining a client base requires making sure they are satisfied and loyal through ongoing interaction and superior service.

According to Kumar and Rajesh (2009), CRM is crucial for banks that want to grow or become more profitable. They stress that, in an environment that is changing quickly due to the pandemic, any bank looking to expand must carefully address the issues that impact its client relationship management.

### Objective –

1. To study the Importance of CRM in the banking Sector.
2. To identify the challenges for CRM in the banking Sector

### Banking Areas Impacted in Covid-19:

Private banking sector is facing decrease in the profitability and credit risk of the corporate and retail clients of the banks. Long lasting crisis

management efforts will require overcoming these problems. The corrective securitization action of the government is required to mitigate the risk profiles (Ramasamy, 2020). Dependence over the digitization in pandemic crisis has caused the discontinuity in excellent customer experience for the private banking sector (Perwej, 2020). Instability and high volatility has affected the banking stocks in the capital market.

#### Indian Private Banks Case Studies:

Financial institutions in India have faced unexpected losses and missed estimates for profits in FY 2020 due to instability caused by Covid-19. HDFC made provision for Rs. 1550 crore for pandemic crisis and customers availed less than a quarter of its loan book for moratorium (ETBFSI.com, 2021). Bandhan Bank has made 100% provisions on its MFI books bringing

provisions on account of COVID to Rs. 690 crore (ETBFSI.com, 2021).

Axis bank, the third-largest private sector bank has made provisions of Rs. 3,000 crore on account of the pandemic with its 28% of books under moratorium and unexpected losses of worth about Rs 1,388 crore (ETBFSI.com, 2021).

#### Benefits of CRM in Banking:

Customer centric business models can be prepared with the help of CRM to meet their requirements. Personalize customer relationships can be obtained to increase the trust of the customers. Express digital services can be availed to the customers with CRM. Marketing of the various banking products can be made more effective with the help of the CRM (Munaiah and Krishna Mohan, 2017). Administrative task of the bankers is optimized and productivity is increased by strengthening CRM.

### Benefits of CRM in Banking Sector



**Figure:** Benefits of CRM in Banking

#### Challenges in CRM Banking:

Most of the bank officials use the technological perspective in maintaining records and to perform the transactions. Sophisticated use of CRM is not done in service and sales. Lack of knowledge and motivation in customers limits the potential use of CRM (Larsson and Viitaoja, 2017). Wide organizational strategies are required to implement the CRM.

#### Future of CRM in Banking:

Private banking sector may use Customer relationship management for enhancing the customer experience and to reduce the cost of the technology. Sales, Marketing and Customer objective goals can easily be achieved with the installation of CRM software (Cvijović *et al.*, 2017). Banking performance can be enhanced and customer retention can be obtained by means of CRM.

#### Conclusion:

In the COVID-19 situation of pandemic Customer relationship management is helping banking sector to link with their customers and to build a long term relationship with them. There are various important phases in customer relationship management. Firstly, there's the critical stage of Acquiring New Customers (Acquire), during which companies use a range of marketing strategies to

acquire new Customers. It enhance to Improve Customer Relationships (Enhance), with a focus on individual interactions and superior customer service to build trust, integrity and loyalty.

In order to promote repeat business, maintaining relationships with customers is a crucial activity that calls for constant communication, loyalty programs, and continual value delivery. CRM has many advanced features which allow banks to keep them apart from the competition. It is important options for banks to acquire customers and for its success.

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