

**CRM Practices and Customer Loyalty in Non-Banking Financial Companies in  
Kerala**

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**Abstract**

This study examines whether perceived Customer Relationship Management (CRM) practices relate to customer satisfaction and loyalty among Non-Banking Financial Company (NBFC) customers in Kerala. A quantitative, cross-sectional survey of 200 retail customers employed Likert-type scales for perceived CRM practices (20 items), satisfaction (10 items), and loyalty (10 items). Composite indices were computed after reverse-scoring prescribed items, and data analysis was carried out in EDUSTAT using Pearson correlations and complementary simple regressions. Results indicate positive associations between perceived CRM and loyalty ( $r = .43, p < .001$ ) and between perceived CRM and satisfaction ( $r = .42, p < .001$ ); satisfaction also relates positively to loyalty ( $r = .42, p < .001$ ). Effect sizes are modest but meaningful ( $R^2 \approx .17-.19$ ). Descriptive statistics place all constructs near a neutral baseline, signalling scope for improvement in day-to-

day interactions. Managerial implications include greater transparency of terms and charges, faster and fairer service recovery, omnichannel continuity across branch–phone–digital touchpoints, more relevant communications, and clear privacy signalling. Limitations include the cross-sectional, self-report design and an accessible sampling frame.

**Keywords:** *customer relationship management; customer satisfaction; customer loyalty*

## **Introduction**

Customer Relationship Management (CRM) sits at the core of how financial service providers design experiences, differentiate offerings, and retain customers. In India, Non-Banking Financial Companies (NBFCs) serve diverse credit needs—gold loans, vehicle finance, consumer credit, and small-business funding—often for segments less engaged with traditional banks. In Kerala’s competitive services context, perceived relationship practices—transparency of terms, responsiveness, personalisation, data security, and fairness—shape evaluations of the encounter and, in turn, loyalty intentions such as continued usage, recommendation, and product consolidation (Payne & Frow, 2005; Kumar & Reinartz, 2016; Zeithaml, Berry, & Parasuraman, 1996). CRM is not merely a technology stack; it is enacted through touchpoints: clear communication of charges, avoidance of repeated narration across channels, credible service recovery, relevant outreach, and seamless digital–assisted transitions. These day-to-day cues accumulate into satisfaction judgments that are widely viewed as precursors to loyalty in services (Oliver, 1999; Lemon & Verhoef, 2016).

Kerala provides a relevant setting to examine these links because branch-reliant and digitally active customers coexist, product preferences such as gold loans remain prominent, and expectations around service quality and privacy are high. Focusing on

customers' perceptions of CRM—what they directly experience—offers practical leverage: branch scripts, contact-centre protocols, and app journeys can be improved without structural overhauls. The present study centres on three constructs with strong theoretical grounding in services research—perceived CRM practices, customer satisfaction, and customer loyalty—to provide concise, actionable evidence for NBFC managers in Kerala (Payne & Frow, 2005; Zeithaml et al., 1996; Oliver, 2010).

The satisfaction–loyalty pathway is a well-established logic in services marketing: superior interactions increase satisfaction, which strengthens loyalty intentions and word-of-mouth (Oliver, 1999; Zeithaml et al., 1996). In financial services—where offerings can appear comparable—relationship practices often become the differentiators. Clarity of terms, timeliness of updates, proactive reminders, and credible recovery from errors signal reliability and care, reducing perceived risk and uncertainty that otherwise dampen loyalty (Tax, Brown, & Chandrashekar, 1998; Maxham & Netemeyer, 2002). Because many customers initiate requests in one channel and seek resolution in another, omnichannel continuity is pivotal: when case history and context travel across touchpoints, effort falls and perceived fairness rises; fragmentation, by contrast, erodes satisfaction (Verhoef, Kannan, & Inman, 2015; Lemon & Verhoef, 2016; Parasuraman, Zeithaml, & Malhotra, 2005).

Trust and privacy assurances add a second layer in financial contexts. Even robust back-end controls require clear, front-end explanations—consent cues, purpose statements, and visible safeguards—to build confidence in data handling (Pavlou, 2003; Malhotra, Kim, & Agarwal, 2004). Evidence across banking and related services consistently ties relationship quality to satisfaction and loyalty, with local effects shaped by channel adoption, product mix, and regional service norms (Ndubisi, 2007; Ranaweera

& Prabhu, 2003). Despite the NBFC sector's prominence in Kerala, focused empirical analyses on perceived CRM practices and their links to satisfaction and loyalty remain comparatively sparse. By concentrating on these three constructs, the present study offers a tractable, journal-length contribution with direct managerial implications for Kerala's NBFCs—namely, to prioritise transparent communication, fair and fast complaint handling, omnichannel continuity, relevant communications, and explicit privacy signalling as pathways to higher satisfaction and loyalty (Payne & Frow, 2005; Lemon & Verhoef, 2016; Parasuraman et al., 2005).

### **Research Questions**

1. To what extent are perceived CRM practices associated with customer loyalty among customers of Non-Banking Financial Companies in Kerala?
2. How are perceived CRM practices associated with customer satisfaction among customers of Non-Banking Financial Companies in Kerala?
3. To what extent is customer satisfaction associated with customer loyalty among customers of Non-Banking Financial Companies in Kerala?

### **Research Objectives**

1. To assess the association between perceived CRM practices and customer loyalty among customers of NBFCs in Kerala.
2. To examine the association between perceived CRM practices and customer satisfaction among customers of NBFCs in Kerala.
3. To determine the association between customer satisfaction and customer loyalty among customers of NBFCs in Kerala.

## **Hypotheses**

1. Perceived CRM practices are positively associated with customer loyalty among customers of Non-Banking Financial Companies in Kerala.
2. Perceived CRM practices are positively associated with customer satisfaction among customers of Non-Banking Financial Companies in Kerala.
3. Customer satisfaction is positively associated with customer loyalty among customers of Non-Banking Financial Companies in Kerala.

## **Methodology**

### ***Research Design***

The study adopted a quantitative, cross-sectional survey design to examine associations among perceived Customer Relationship Management (CRM) practices, customer satisfaction, and customer loyalty in the Non-Banking Financial Company (NBFC) context of Kerala. The unit of analysis was the individual retail customer who had availed at least one NBFC product and interacted with the provider in the recent past.

### ***Population and Sampling***

The target population comprised adult (18+) retail customers of RBI-registered NBFCs operating in Kerala with either a relationship of at least six months or at least one transaction in the preceding six months. A multi-stage approach was used: Kerala was stratified into South, Central, and North; within each stratum, active NBFC branches served as clusters; within branches, respondents were recruited via systematic intercepts with light quotas on age and gender to temper convenience bias. A small complement of secure digital invitations (app/SMS) supported reach to digitally active customers. The final usable sample comprised 200 respondents distributed across the three regions.

### ***Measures***

A structured questionnaire captured three focal constructs on five-point Likert scales (1 = Strongly Disagree to 5 = Strongly Agree). Perceived CRM Practices included 20 items covering transparency, responsiveness, complaint handling, personalization, omnichannel continuity, data security, and fairness. Customer Satisfaction comprised 10 items on overall satisfaction, confirmation of expectations, reliability, value, and experience across digital and assisted channels. Customer Loyalty comprised 10 items on repurchase intention, positive word-of-mouth, provider preference, switching resistance, and share-of-wallet intentions. Five items were reverse-worded (A7, A10, A15, B7, C9) and were reverse-scored prior to analysis. Composite indices were computed as item means, with higher values indicating stronger perceived CRM practices, higher satisfaction, and greater loyalty. A brief demographic section recorded region, age group, gender, primary product, relationship length, and main service channel.

### ***Data Collection Procedure***

Data were collected during business hours at selected branches and via secure links distributed through official NBFC communication channels. Enumerators provided a short study brief and obtained informed consent. Participation was voluntary and anonymous; no personally identifying information was collected. Average completion time was approximately 8–10 minutes.

### ***Data Preparation and Analysis***

Responses were screened for completeness and patterned answering. Reverse-worded items were re-scored, and composite means were computed for each construct. Distributional diagnostics (mean, median, mode, standard deviation, skewness, and

kurtosis) indicated suitability for parametric testing. All statistical analyses were conducted in EDUSTAT, comprising Pearson's product–moment correlations (two-tailed,  $\alpha = .05$ ) for the three hypothesised associations and complementary simple linear regressions to gauge effect sizes (unstandardized coefficients, standard errors, t, p, and  $R^2$ ). Confidence intervals (95%) were reported for correlation coefficients. Assumption checks covered outliers (standardized residuals) and approximate normality (skewness/kurtosis of composites). Reliability checks were conducted for internal consistency of scales; detailed reliability tables are not presented as they are outside the scope requested for this paper.

### ***Ethical Considerations***

The study followed standard ethical norms for survey research: informed consent, the right to withdraw without penalty, confidentiality through de-identification, and reporting only aggregate results.

### **Data Analysis and Interpretation**

Data analysis was carried out in EDUSTAT using composite scores for three constructs: Perceived CRM Practices (20 items), Customer Satisfaction (10 items), and Customer Loyalty (10 items). Reverse-worded items were re-scored prior to computing construct means.

### **Table 1**

*Descriptive statistics of composite variables (n = 200)*

Variable	Mean	Median	Mode	SD	Skewness	Kurtosis	N
CRM Practices Mean	2.964	3.000	2.550	0.581	0.074	-0.160	200

Variable	Mean	Median	Mode	SD	Skewness	Kurtosis	N
Customer Satisfaction Mean	3.002	2.950	3.100	0.656	0.190	-0.624	200
Customer Loyalty Mean	2.932	2.900	3.000	0.662	0.102	-0.550	200

Note. Composites are means of 5-point Likert items (1 = Strongly Disagree to 5 = Strongly Agree). SD = Standard Deviation.

All three constructs centre near the neutral-to-slightly-positive range (means  $\approx$  2.93–3.00) with moderate dispersion (SD  $\approx$  0.58–0.66). Skewness and kurtosis values indicate approximately mesokurtic, near-symmetric distributions suitable for correlation and regression analyses.

**Table 2**

*Pearson correlations among composites with 95% confidence intervals (two-tailed)*

Pair	r	95% CI for r	p-value	N
CRM Practices Mean ↔ Customer Loyalty Mean	0.430	[0.310, 0.537]	< .001	200
CRM Practices Mean ↔ Customer Satisfaction Mean	0.416	[0.294, 0.524]	< .001	200
Customer Satisfaction Mean ↔ Customer Loyalty Mean	0.424	[0.303, 0.531]	< .001	200

All pairs show moderate, positive, and statistically significant associations. Thus, higher perceived CRM practices are associated with higher customer satisfaction and higher loyalty, and higher customer satisfaction is associated with higher loyalty. These results support H1, H2, and H3 at  $\alpha = .05$ .

**Table 3**

*Simple regression summaries (effect-size view)*

DV	IV	Beta (unstd)	SE	t	p-value	R <sup>2</sup>	N
Loyalty_Mean	CRM_Practices_Mean	0.490	0.073	6.708	< .001	0.185	200
Satisfaction_Mean	CRM_Practices_Mean	0.469	0.073	6.433	< .001	0.173	200
Loyalty_Mean	Satisfaction_Mean	0.427	0.065	6.586	< .001	0.180	200

Note. Coefficients are unstandardized. Each model includes a constant (not shown).

Perceived CRM practices significantly predict loyalty ( $R^2 = .185$ ) and satisfaction ( $R^2 = .173$ ). Customer satisfaction also significantly predicts loyalty ( $R^2 = .180$ ). The effect sizes are modest but meaningful for behavioural outcomes in services research, reinforcing the correlation findings and further supporting H1, H2, and H3.

### ***Overall inference***

The evidence indicates that better perceived CRM practices are linked to higher customer satisfaction and loyalty, and that greater satisfaction is associated with stronger loyalty among NBFC customers in Kerala. These results align with the proposed model and offer actionable implications for NBFC managers seeking to enhance satisfaction and loyalty through CRM practice improvements.

## Discussion of the Results

The results indicate a coherent pattern consistent with a satisfaction–loyalty logic in service settings. Perceived CRM practices show moderate positive associations with both customer satisfaction and customer loyalty, and satisfaction itself relates positively to loyalty. These linkages suggest that when customers perceive better transparency, responsiveness, personalization, fairness, and data security in their interactions with Non-Banking Financial Companies, they report smoother experiences and, in turn, stronger intentions to remain, recommend, and consolidate products. Although the effect sizes are modest, they are meaningful for behavioural outcomes in financial services where switching costs, risk perceptions, and regulatory constraints often temper the direct impact of managerial practices on loyalty.

Descriptive statistics place the three composites around the neutral to slightly positive range, which implies that customers' day-to-day experiences neither strongly disappoint nor strongly delight on average. This mid-range baseline leaves room for improvement through targeted CRM enhancements. In practical terms, gains may be found in reducing repeated problem narration across channels, accelerating complaint resolution, improving the perceived relevance of communications, and making digital journeys more intuitive. Given the higher sensitivity of financial customers to perceived risk, incremental improvements in data privacy assurances and error recovery can also raise satisfaction and, by extension, loyalty.

The regression summaries complement the correlations by showing that CRM practices explain a non-trivial portion of the variance in satisfaction and loyalty, while satisfaction also explains a similar portion of the variance in loyalty. At the same time, the explained variance remains partial. This pattern is expected in real-world services where

loyalty is also shaped by pricing, product fit, brand reputation, perceived switching barriers, and customers' life-cycle stage. For NBFCs in Kerala, product mix (for example, gold loans versus personal or SME loans), regional service norms, and the balance of branch versus digital usage likely contribute to the unexplained portion of loyalty.

An important nuance is that both CRM practices and satisfaction relate to loyalty, suggesting two complementary managerial levers. Direct efforts that customers notice as “good relationship management” can foster loyalty in their own right, while improvements that first manifest as smoother experiences and higher satisfaction also support loyalty outcomes. The data here do not test a mediating pathway, but the pattern is compatible with CRM enhancing satisfaction, with both then relating to loyalty. NBFC managers can therefore pursue dual tracks: process and channel enhancements that customers directly recognise as “good CRM,” and reliability-focused improvements that raise satisfaction even if the underlying processes are not salient to customers.

The Kerala context matters for implementation. Many customers continue to rely on branches for resolution of complex requests even as digital adoption grows. An omnichannel CRM posture that preserves continuity of information across touchpoints, minimises repeated explanations, and closes the loop on complaints can deliver immediate satisfaction gains. At the same time, tailoring outreach to product profiles common in the state, and assuring customers about data use and security, can strengthen perceptions of fairness and care—two ingredients of durable loyalty in financial services.

These findings should be read with standard qualifications. The design is cross-sectional and relies on self-reports, so inferences are associative rather than causal. The sampling strategy emphasised practical access across regions and branches with a modest digital component; results describe the studied customers and may not generalise to all

NBFC clients or to periods of market stress. Common-method variance cannot be completely ruled out, although the magnitude and differentiation of effects argue against it being the sole driver of the results.

Overall, the evidence supports a clear managerial message: sustained improvements in visible CRM behaviours and in the reliability and relevance of the service experience are linked with higher satisfaction and stronger loyalty among NBFC customers in Kerala. Prioritising faster and fairer recovery from errors, continuity across channels, and better targeting of communications appears especially promising for lifting the neutral baseline toward more favourable evaluations and loyalty intentions.

### **Implications of the Study**

The evidence that perceived CRM practices relate positively to both satisfaction and loyalty implies that relationship-management investments pay off in NBFC settings. Managers prioritise visible aspects of CRM—transparency of terms and charges, responsiveness, fair complaint handling, and perceived fairness—because these touchpoints shape satisfaction evaluations and downstream loyalty intentions. With mean scores hovering near neutral, incremental improvements in day-to-day interactions translate into meaningful gains.

Service recovery emerges as a high-leverage domain. Faster acknowledgement of errors, first-contact resolution for routine issues, and clear timelines for complex cases reduce dissatisfaction and reinforce trust. A simple but disciplined recovery script—apology, explanation, remedy, and follow-up—keeps experiences predictable and signals fairness, which strengthens both satisfaction and loyalty.

Omnichannel continuity requires immediate attention. Customers often move between branch, phone, and digital channels; making them repeat the same issue erodes perceived CRM quality. A single-customer-view, shared case notes, and standard interaction IDs ensure continuity regardless of channel. When frontline staff see the same history as the contact centre and the app, satisfaction rises and churn intentions ease.

Communication relevance directly affects perceived CRM quality. Replace broad promotional blasts with need-based and event-triggered messages (for example, reminders aligned to repayment dates or product lifecycle moments). Segment by product (gold loans, vehicle loans, personal/consumer loans, SME) and relationship length so that offers feel useful rather than intrusive. Reducing irrelevant messages removes a recurring irritant and nudges satisfaction upward.

Digital experience and branch support operate together. Streamlined app journeys for common tasks (KYC updates, statement downloads, part-payment, closure requests) lower effort and improve satisfaction among digitally active users. For branch-reliant customers, assisted-digital counters and queue transparency shorten perceived waiting time and improve fairness perceptions. Both tracks contribute to loyalty when customers see consistency across touchpoints.

Data security and privacy communication matter as trust signals. Even when back-end controls exist, customers judge security by what they are told and how incidents are handled. Clear consent screens, concise explanations of data use, and visible safeguards (OTP confirmations, device binding, login alerts) raise perceived care and reduce anxiety—mechanisms that support satisfaction and loyalty in financial services.

Performance management needs aligned metrics. Track a compact scorecard that mirrors the study variables: a CRM practice index at touchpoint level, customer

satisfaction by channel, and loyalty intentions (repeat usage, recommendation, switching likelihood). Tie process KPIs (turnaround time, first-contact resolution, complaint ageing) to team incentives. Because the explained variance is modest, include complementary drivers—pricing transparency, product fit, and brand cues—so that loyalty management does not rest on CRM practices alone.

Policy and ecosystem implications in Kerala point to strengthening grievance-redress visibility and digital inclusion. Clear display of grievance timelines, escalation paths, and closure certificates in branches and apps enhances perceived fairness. Partnerships for digital literacy in local communities reduce effort barriers for first-time users, which lifts satisfaction and, indirectly, loyalty.

Finally, theoretical implications align with a satisfaction–loyalty pathway in a regulated financial context. The pattern suggests satisfaction as a plausible conduit through which CRM practices relate to loyalty, encouraging future work that tests mediation and compares channels or product categories. For practitioners, the actionable message remains straightforward: make interactions transparent, fast, and consistent across channels; personalise communications; and communicate security clearly—steps that jointly raise satisfaction and consolidate loyalty among NBFC customers in Kerala.

## **Conclusion**

The study shows that perceived CRM practices are meaningfully linked to customer satisfaction and, in turn, to customer loyalty among NBFC customers in Kerala, with all three hypothesised associations supported by EDUSTAT-based analysis and effect sizes that are modest yet practically relevant for behavioural outcomes in financial services. With average perceptions hovering around a neutral baseline, the results point to clear managerial levers: make terms and charges transparent, shorten resolution times and

strengthen service recovery, ensure seamless continuity across branch, phone, and digital channels, personalise outreach to product and lifecycle needs, and communicate data privacy safeguards clearly. These actions can lift satisfaction and consolidate loyalty intentions such as continued usage, positive word-of-mouth, and product consolidation. The findings should be interpreted in light of the cross-sectional, self-report design and an accessible, branch-centric sampling frame, which limit causal inference and generalisability. Future research could examine mediation and comparative channel or product effects, and employ longitudinal designs to trace loyalty formation over time. Overall, the evidence underscores that everyday relationship practices—when made faster, fairer, and more relevant—offer NBFCs in Kerala a practical route to stronger customer satisfaction and loyalty.

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