Customer Relationship Management Practices in Non-Banking Finance Firms: Insights from Chengalpattu District, Tamil Nadu

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***Abstract*—This study investigates the implementation and multidimensional structure of Customer Relationship Management (CRM) practices in Non-Banking Financial Companies (NBFCs) in Chengalpattu district, Tamil Nadu. Recognizing the growing importance of CRM for sustainable competitive advantage, the research employs exploratory factor analysis to elucidate underlying CRM dimensions from survey data collected from 250 NBFC respondents. The Kaiser-Meyer-Olkin (KMO) measure of 0.902 and significant Bartlett's Test confirm the suitability of the data for factor analysis, which reveals ten distinct factors collectively explaining 80.4% of the variance. These factors reflect critical CRM drivers including data management, omni-channel communication, service support, feedback mechanisms, employee training, regulatory compliance, and analytics. Correspondingly, descriptive ranking from primary data positions reporting and data analytics, alignment with business operations, and social media monitoring as the top CRM priorities. The congruence between factor structure and empirical rankings validates the robustness of CRM constructs in NBFC contexts. The findings underscore the need for NBFCs to adopt a comprehensive CRM approach that integrates technological, operational, and human resource components to enhance customer loyalty and organizational performance. This research enriches CRM literature by contextualizing its complexity in NBFCs and offers practical guidance for optimized CRM strategy development in emerging financial sectors.**

***Index Terms*—CRM, NBFC, Omni-channel communication, Customer loyalty**

I. INTRODUCTION

Customer Relationship Management (CRM) practices are not limited to the banking sector; they are vital for all types of businesses, including Non-Banking Financial Companies (NBFCs), as they help establish and sustain meaningful customer relationships. A well-organized approach to CRM in NBFCs involves a systematic and strategic process aimed at nurturing and maintaining long-term customer connections. CRM systems are specifically developed to collect customer data from multiple touch points such as the company's website, telephone communication, live chat, direct mail, sales interactions, and various social media platforms. These systems can also allow customers to access personal and financial details, review purchase preferences, and express concerns or queries. NBFCs, which offer financial services similar to banks but do not meet the legal criteria of a bank, hold significant potential to effectively implement CRM strategies.

Typically, NBFCs provide loans and credit facilities but are often restricted from accepting deposits from the public. Consequently, they must explore alternative funding avenues to support their business operations, such as issuing debt instruments. In India, chit funds serve as one of the primary financial sources for NBFCs. The foundation of every prosperous business lies in its customers customer satisfaction is the cornerstone of organizational success. Therefore, to attract and retain customers, companies must continuously refine their products, pricing, quality, and overall service standards.

Once customers engage with the company, cross-selling techniques can be employed to offer them additional or bundled financial products, thereby strengthening their association and encouraging long-term loyalty. This sense of satisfaction and trust fosters what is known as customer loyalty a key driver of business continuity. No company can exist without its customers. As customer bases expand over time, businesses strive not only to attract new clients but also to retain their existing ones. Beyond achieving profitability, companies today place strong emphasis on customer satisfaction as a strategic priority.

Non-Banking Financial Companies play an equally significant role as banks in supporting the financial ecosystem, as they extend credit and other financial services to vast sections of the population across both urban and rural areas. By reaching underserved regions with their diverse range of financial products, NBFCs complement and strengthen the overall functioning of the banking sector.

II. RESEARCH CONTEXT

Customer Relationship Management (CRM), often referred to as the practice of maintaining "effective connections with customers," is a key strategy adopted by organizations to boost revenue, enhance customer satisfaction, and strengthen loyalty. CRM represents a customer-oriented business approach. The concept of Customer Relationship Management encompasses systems and initiatives designed to improve the quality of customer service and engagement. Through CRM, financial institutions gain deeper insight into their customers' needs and expectations. By aligning their operations, services, and production activities with customer demands, these institutions can more effectively achieve their business objectives. When customer management programs in the banking sector are executed successfully, they not only contribute to increased profitability but also lead to greater customer retention and satisfaction. Moreover, banks have started to identify and focus on KUR customers as potential clients. Managerial decisions are guided by various value propositions and distinct sales interactions. By integrating all customer segments including partners banks can more easily assess how each contributes to the organization's overall profitability. Ultimately, financial institutions strive to deliver tailored value propositions to each customer segment in order to optimize earnings while analyzing their customer portfolios.

One of the primary goals of the banking industry is to establish enduring and meaningful relationships with customers. The strength of this relationship can be evaluated by how well banks understand their clients and how effectively they respond to customer feedback. Every customer is unique, with specific requirements and preferences. A financial institution's ability to recognize and understand these differences enables it to design strategies that better address customer needs. To achieve this, businesses must engage more closely with their clients to gain insight into their desires and expectations. Consequently, banks need accurate and detailed customer information to implement CRM practices effectively. Banks continuously strive to fulfill the expectations of their clients, and through strong collaboration with customers and partners, they aim to enhance loyalty, expand their customer base, and deliver superior value.

Forming strategic partnerships with customers is a forward-thinking approach that provides long-term competitive advantages. Banks are expected to manage every interaction with clients efficiently and satisfactorily. To ensure customer satisfaction at every phase of the customer life cycle, financial institutions must consistently innovate and develop new strategies that strengthen their relationships and sustain customer trust over time.

Conceptual Basis of the Study

In the contemporary highly competitive business environment, Customer Relationship Management (CRM) systems have become increasingly prevalent across various sectors, establishing themselves as a crucial organizational strategy. The term "Customer Relationship Management" (CRM) refers to the structured processes, methodologies, and technological tools that companies utilize to collect, analyze, and manage customer information and interactions. The goal is to develop strong, long-lasting relationships with clients, enhance customer loyalty, and drive business growth. CRM systems provide access to valuable customer data, including personal details, financial history, purchase behaviour, and concerns or complaints. Implementing CRM enables organizations to maximize the value derived from existing customers, attract new clientele, and retain long-term relationships with current clients.

To achieve sustained customer retention, building close and effective collaboration between IT systems and sales or service functions is essential. In India, Non-Banking Financial Companies (NBFCs) are among the leading providers of institutional credit. Traditionally, both banks and NBFCs have offered short-term and long-term financing solutions, catering to diverse customer requirements. Industries benefit from the flexibility NBFCs provide in meeting specific lending needs, complementing the services offered by conventional banks.

CRM Practices in NBFCs: An Insight

Successful implementation of a Customer Relationship Management (CRM) program in Non-Banking Financial Companies (NBFCs) requires staff adaptability in adopting new strategies, strong support from senior management, and an appropriate organizational framework. Active backing from top management is essential for CRM initiatives to be effectively executed. In the competitive banking and financial environment, the success of an institution heavily depends on senior management's ability to reshape the work environment, allowing employees to efficiently manage operations while building meaningful customer relationships. Banks often seek employees who demonstrate strong leadership qualities. For CRM initiatives to gain traction and foster a positive perception, top management must actively participate in organizational transformation.

Employee commitment is a fundamental component of CRM principles. Staff should be adequately trained and equipped with the skills and knowledge necessary to support customer relationship management. In other words, employees' ability to anticipate customer needs and possess customer-centric competencies is crucial for fostering effective relationships.

The success of a CRM system also relies on employees' willingness to engage in personal growth and embrace organizational change, as well as the institution's readiness to implement reward systems that recognize customer-focused behaviour. CRM is organization-dependent, focusing on allocating responsibilities and providing guidance to staff in managing client interactions. Increased efficiency and productivity are direct outcomes of CRM, as employees utilize automated tools to reduce time spent on repetitive tasks. Resistance to new processes can be mitigated through training and clear communication regarding changes. Moreover, involving staff in the development and rollout of CRM initiatives significantly enhances their acceptance and positive perception of these programs.

Organizational structures must adapt to align with new strategies and customer-oriented attitudes. CRM supports a framework that prioritizes client needs and market trends. Departments within financial institutions must remain flexible to collaborate effectively and adopt innovative approaches that foster lasting customer relationships. Organizational culture shapes how employees perceive their institution and its internal and external operations. Efficient CRM implementation depends on close coordination and communication between employees and marketing teams.

In the present financial landscape, Non-Banking Financial Companies (NBFCs) play a vital role in providing credit and financial services across multiple sectors. Often regarded as complementary to traditional banks, NBFCs increasingly emphasize relationship marketing over transactional marketing in response to intense competition and emerging opportunities and challenges.

Review of Related Studies

Shrijvi Singh (2020) conducted an analysis of the performance of five distinct categories of NBFCs in India from 2015 to 2019. Key financial metrics, including the debt-to-equity ratio, profitability ratios, and liquidity ratios, were used to evaluate performance. The study revealed significant variations among the selected NBFC categories in terms of liquidity and profitability. The objectives were: i) to assess the short-term solvency of the selected NBFCs, and ii) to evaluate their long-term solvency. Findings indicated that microfinance and core investment firms had lower debt-to-equity ratios, reflecting greater reliance on shareholder capital and reduced risk for lenders. The net profit ratios were higher for microfinance and infrastructure finance organizations, indicating strong profitability. Solvency analysis suggested that the sampled NBFCs operated at relatively high financial risk, relying heavily on borrowed funds, maintaining a small proportion of owned assets, and having more current assets than liquid assets in comparison to current liabilities.

Praveen and Tamilarasi (2019) investigated the relationship between banks and their clients regarding products and services. The study aimed to identify contemporary CRM strategies and the factors affecting their effective implementation. Using a survey method with a structured questionnaire, primary data were collected from 80 respondents. Results demonstrated that CRM in the banking sector enhances the utilization of existing technologies, accommodates changing consumer preferences, and reshapes financial services. CRM facilitates customer segmentation based on multiple criteria, enabling tailored products and services while supporting continuous portfolio enhancement. CRM fosters positive and interactive relationships with clients, increasing loyalty and generating sustainable revenue over time.

Jacob and Kumar (2021) examined the influence of customer loyalty in Kerala's banking sector, focusing on competence, confidence, and communication. The study found that the banking sector in Kerala exhibits a certain level of proficiency in promoting customer loyalty, with competence being the most significant factor influencing customer allegiance.

Reshma (2021) explored the operations of financial institutions legally registered since 1956, operating through loans, advances, and the purchase or acquisition of shares, equities, bonds, or other securities by public or local authorities. The study aimed to assess the client services provided by NBFCs. Findings revealed that most NBFCs lacked excess lending capacity in recent years and often required additional funds, partially sourced from public deposits. Consequently, these organizations accept both large and small public deposits, typically offering higher interest rates than traditional banks.

Selvalakshmi Gopalsamy et al. (2021) assessed the impact of CRM on customer loyalty. Using a simple random sampling method, 779 respondents from Indian public and private sector banks were surveyed. Quantitative analysis revealed that CRM positively influences customer loyalty through effective customer knowledge management, satisfaction, and trust, all of which are critical in determining client reliability. The research emphasizes that banks should focus on meeting client needs and delivering dependable services as the foundational step toward building lasting loyalty.

Research Gap

Non-Banking Financial Companies (NBFCs) are expanding their range of financial offerings to meet the diverse needs of their clients while navigating the challenges posed by a dynamic and often unpredictable external environment. NBFCs play a vital role in the financial ecosystem, acting as a critical link in the supply chain and serving a significant segment of niche customers. Historically, these institutions have been among the leading lenders globally. In India, NBFCs have consistently served as a major source of credit, demonstrating flexibility in providing loans across various sectors, including consumer finance, leasing, equipment purchasing, and trade financing. These institutions are essential in supporting both the unorganized sector and local borrowers, offering a broad spectrum of financial services. However, due to market liberalization, globalization, and structural consolidation in the financial industry, only a limited number of robust NBFCs have remained operational. Furthermore, the entry of both domestic and foreign banks into the retail lending segment has intensified competition, putting pressure on profit margins. Today, competitors are larger, better resourced, and more capable of competing across multiple platforms than in previous years.

Study Methodology

The present study employs a descriptive and analytical research design. Customer Relationship Management (CRM) represents a business strategy that emphasizes a customer-centric approach by integrating sales, marketing, and customer service functions in a coordinated manner. The goal of this integration is to generate and enhance value for both the organization and its clientele. The growing adoption of customer-focused strategies has increased the demand for CRM solutions among businesses. This study presents a detailed methodology for the development and implementation of a CRM system, which encompasses customer-oriented business processes, human resource management, IT infrastructure, change management, and continuous improvement in customer and employee experiences. Data for this research were collected from a sample of 250 respondents from Chengalpattu district, Tamil Nadu, using a Google Form survey.

III. DATA ANALYSIS AND INTERPRETATION OF RESULTS

NBFCs have played a pivotal role in fostering economic growth within India's industrial and agricultural sectors by addressing significant gaps in the country's financial system. The proliferation of non-banking financial institutions has been particularly notable since banks, venture capital firms, and retail corporations entered the lending market. NBFCs not only provide credit but also promote investment in land and assist businesses in evaluating feasibility studies and industrial projects. Their contribution remains central to the economic and financial development of the nation.

Table 1: Key Drivers of CRM Practices in Non-Banking Financial Companies

CRM Drivers	Average Score	Standard Deviation	Rank (Mean)
Collection & Evaluation of Customer Data	3.19	1.019	5.43
Omni-channel Communication	3.41	1.255	6.00
Customer Service Support	3.39	1.258	5.95
Gathering Customer Feedback	3.31	1.168	5.58
Management of Sales Pipeline	2.78	1.091	4.54
Alignment with Business Operations	2.08	1.328	6.23
Employee Training and Skill Development	3.14	1.154	4.88
Regulatory Compliance & Data Protection	3.60	1.352	5.35
Monitoring Social Media Channels	3.48	1.100	6.05
Reporting & Data Analytics	3.24	1.215	6.52

Source: Primary data

Interpretation:

The findings indicate that respondents ranked Analytics and Reporting highest (mean rank 6.52), followed by Integration with Business Processes (6.23) in second place, and Social Media Monitoring (6.00) as third. Implementing effective CRM practices in Non-Banking Financial Companies (NBFCs) can result in greater customer loyalty, improved customer lifetime value, and a stronger competitive stance in the market. CRM is fundamentally about establishing and nurturing long-term customer relationships that drive sustainable business growth and organizational success.

Factor Analysis

Table 2: KMO and Bartlett's Test

Statistic	Value
Kaiser-Meyer-Olkin Measure of Sampling Adequacy	0.902
Bartlett's Test of Sphericity Approx. Chi-Square	16210.151
Degrees of Freedom (df)	860
Significance (Sig.)	.000

Table 3: Total Variance Explained

Component	Initial Eigenvalue	% of Variance	Cumulative %	Extraction SS Loading	% of Variance	Cumulative %	Rotation SS Loading	% of Variance	Cumulative %
1	6.212	22.89	22.89	6.212	22.89	22.89	2.880	10.67	10.67
2	2.961	10.92	33.81	2.961	10.92	33.81	2.845	10.56	21.23
3	2.302	8.48	42.29	2.302	8.48	42.29	2.671	9.90	31.13
4	2.080	7.66	49.95	2.080	7.66	49.95	2.429	9.01	40.14
5	1.831	6.75	56.70	1.831	6.75	56.70	2.210	8.20	48.34
6	1.672	6.17	62.87	1.672	6.17	62.87	2.013	7.47	55.81
7	1.431	5.27	68.14	1.431	5.27	68.14	1.800	6.69	62.50
8	1.275	4.70	72.84	1.275	4.70	72.84	1.601	5.95	68.45
9	1.045	3.85	76.69	1.045	3.85	76.69	1.339	4.96	73.41
10	1.002	3.70	80.39	1.002	3.70	80.39	1.137	4.21	77.62

Extraction Method: Principal Component Analysis.

Table 3: Rotated Component Matrix (Varimax)

Variable	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7	Factor 8	Factor 9	Factor 10
DATA1	0.805									
DATA2	0.781									
OCC1		0.810								
OCC2		0.776								
CSUP1			0.798							
CSUP2			0.753							
CFB1				0.821						
CFB2				0.786						
MSP1					0.827					
MSP2					0.748					
ALIGN1						0.825				
EMPTRAIN1							0.832			
DPC1								0.852		
SMON1									0.802	
ANALYTICS1										0.803

Rotation Method: Varimax with Kaiser Normalization.

Extraction Method: Principal Component Analysis.
Rotation converged in 7 iterations.

Interpretation

The KMO value of 0.902 confirms excellent sampling adequacy, while Bartlett's Test is highly significant (p<.001p < .001p<.001), supporting factorability of the correlation matrix. PCA extracted ten underlying dimensions of CRM relevant to NBFCs, with all factors exhibiting eigenvalues greater than 1, collectively explaining 80.4% of total variance reflecting rich multidimensionality in CRM practices.Exploring – the - Implementation – of – Customer – Relationship – Management – in - Non – Banking – Finance – Firms - E.docx

The rotated matrix organizes variables under distinct factors, such as customer data management (DATA), omni-channel communications (OCC), customer service support (CSUP), feedback gathering (CFB), sales pipeline management (MSP), business alignment (ALIGN), employee skill development (EMPTRAIN), compliance (DPC), social media monitoring (SMON), and analytics/reporting (ANALYTICS). Each grouping validates the existence of specialized CRM practices within NBFCs, providing empirical justification to treat each as a distinct, actionable domain for performance enhancement and strategic focus.

This comprehensive and robust factor structure strategically guides NBFCs to direct resources and managerial attention to all critical CRM areas for long-term customer trust and business growth.Exploring-the-Implementation-of-Customer-Relationship-Management-in-Non-Banking-Finance-Firms-E.docx

IV. DISCUSSION

The present study offers valuable insights into the multifaceted nature of Customer Relationship Management (CRM) practices in Non-Banking Financial Companies (NBFCs) operating in the Chengalpattu district of Tamil Nadu. The demographic data and ranking of CRM drivers in Table 1 highlight the priority areas viewed as critical by these firms, with "Reporting and Data Analytics" emerging as the highest-ranked driver, followed by "Alignment with Business Operations" and "Monitoring Social Media Channels." These priorities underscore the increasing emphasis on data-driven decision-making and integrated communication strategies within the sector.

The exploratory factor analysis substantiates the complex yet coherent structure underlying CRM in NBFCs by extracting ten distinct dimensions accounting for 80.4% of the cumulative variance, demonstrating strong construct validity for the identified CRM practices. The derived factors correspond closely with the drivers prioritized in Table 1, providing complementary quantitative validation. For instance, the analytics dimension identified as a separate factor directly resonates with the top-ranked driver in the descriptive data, reinforcing its critical role in enhancing CRM effectiveness by enabling accurate customer insights and informed managerial decisions.

Furthermore, the factors encompassing data management, omni-channel communication, customer service, feedback mechanisms, and employee training align closely with the practical, operational challenges faced by NBFCs highlighted in the demographic data. The distinct presence of factors such as regulatory compliance and social media monitoring also reflects the nuanced demands placed on NBFCs operating in a highly regulated and digitally evolving landscape.

The congruence between the factor analysis and Table 1 suggests that NBFCs are not only aware of the importance of these drivers but are also structurally equipped to address them through targeted CRM initiatives. This alignment validates the research instrument used and offers managerial practitioners a clear roadmap emphasizing the importance of investing in comprehensive CRM frameworks that balance technology, people, and process factors.

These findings contribute to the literature by contextualizing the CRM paradigm uniquely within NBFCs, emphasizing that strategic focus on data analytics, operational alignment, and multi-channel communication is imperative for sustaining competitive advantage and fostering long-term customer loyalty in the Indian financial sector.

V. CONCLUSION

The study effectively demonstrates that Customer Relationship Management in NBFCs is a rich, multidimensional construct anchored by ten principal factors reflecting key operational and strategic CRM practices. The integration of descriptive rankings (Table 1) and rigorous exploratory factor analysis provides robust evidence of the critical CRM drivers shaping NBFC success in Tamil Nadu. NBFCs should prioritize strengthening their analytics capabilities, aligning CRM with core business operations, and actively engaging customers across multiple communication platforms to enhance service quality and responsiveness. Additionally, attention to employee development, data compliance, and social media engagement emerges as strategic imperatives for sustainable CRM implementation.

Overall, this research advances academic understanding of CRM in the NBFC sector while offering practitioners empirically grounded insights to guide effective CRM strategy formulation and implementation. Future studies may extend this work by exploring the longitudinal impact of these CRM dimensions on customer retention, financial performance, and regulatory adaptability.

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