Service Interaction Quality and Customer Retention Dynamics in Indian State-Owned Banks

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Abstract

In Present consumers are treated as the Product. As human resource management Service marketing rises, service interaction quality and customer retention have more significant role In India which is commonly known as CRM. CRM becomes essential with the exceeding competitive market. For Customer retention and satisfaction, in state owned banking sector Ai enameled CRM providing significant support. This paper evaluates how service retention quality attracts consumer retention dynamics by incorporating AI with customer support service. Public sector banks can maintain coordination and mutual relations by which they can gain not only consumer trust but also they increase their market share. Through maintaining customer relationships, the banks extensively enhance their profitability at a prominent range. Customer relations play a vital role in working and earnings of banking sectors.

Key Words: CRM, AI Service interaction Quality, Customer retention state owned banks, banking industry

Introduction

Across ten- years period ,Indian Banks have witnessed notable transformation aligning Liberalization. To be more profitable, the banks have become competitive and more customer oriented. Intensifying competitions gives profit squeeze gives motivation to state owned banks to customer centric service delivery. Consequently banking sector moved from traditional operational model to market driven approach. (Goyal & Joshi, 12) After several years of balance sheet consolidation and governance reforms, PSB, s delivered a strong operational turnaround, PSBs witnessed a 26% profit surge narrowing the gap with private banks 7% Growth (Times, 2025).

India's payment ecosystem has grown rapidly at the same time, along with online platform and Instant payment and interoperable payment system now key communication platform between state owned banks and customers. Banks are placing CRM at the nexus of transactional convenience and relationship building not just sales but also as platform for grievance resolution, personalization and lifecycle involvement, as UPI volumes and values have increased annually. In Nov. 2025 with a value of Rs. 26,31,632.63 crore in from Rs.23,94,925.87 crore in April 2025 (India, 2025).

This requirement has been reaffirmed by regulatory and supervisory signals. Recent complaints and RBI review customer service show both advancement and ongoing difficulties in grievance redressal and service quality across bank categories, in FY25, there was a noticeable drop against PSBs even though overall volume remained high. Therefore, CRM system should be strengthened, customer service measurements should be standardized, and analytics should be used to proactively address service issues, according to industry experts and regulators. (INDIA, 2024)

Eventually technology is being taking place as the critical enabler in modern CRM in banking, Regulatory authority and PSBs observer advocated to adopt AI ,Automated ticket trigger, Chatbots and analytics to handle the overall connection and relationship pre-active issue detection .Giving an research idea that incorporate evolution of CRM , technology with customer outcomes specially in PSBs (Malhotra, 2025)

Evolving financial ecosystem, this paper investigate customer centric practices at the state bank of India by analyzing its trends in its profitability performance. By considering profit and loss of the State Bank of India (SBI) the increasing trend of profitability becomes crystal clear that in 2017-18 it was loss of 6547.45 crores with the turn of rising in profit in 2021-22 from 31675.98 crores to Rs 61,077 crore in FY 2023-24 and further a record Rs.70,901 crore in FY 24-25. (SBI, 2025)

With the introduction of service Interaction Quality and Customer retention dynamics, there is great involvement among customers, and their increasing trend reaches a new peak. By retaining the existing customers, new ones come into the chain and maximize their lifetime values. Personal and mutual relations with the prevailing in addition to the prospective customer will need Collaboration between digital infrastructure and customer retention strategy In banking the customers relationship management (CRM) plays a very vital role and increases the customer perceived benefit by some analytical methods in applying customer relationship management.

While examining the Service Interaction Quality and Customer Retention Dynamics across Banking industry and evaluating digital adoption, there is little evidence that links Service Interaction Quality and Customer Retention Dynamics revamping in state owned banks to quantifiable outcomes.

Objectives

1. The basic aim is to evaluate of banking approach in Service Interaction Quality and Customer Retention Dynamics
2. To insight the influence of Service Interaction Quality and Customer Retention Dynamics.
3. To analyze the effect on profitability by Service Interaction Quality and Customer Retention Dynamics.
4. To investigate outcomes of digital technology and technology incorporated Service Interaction Quality and Customer Retention Dynamics tools.

Literature Review

Customer Relationship management has developed from a transactional marketing tool into strategy framework to integrate people, processes and technology to create long term customer value. (Payne & Frow, 205)

International market context indicates an increasing focus strengthening client relation with reciprocity this paper focus on long term Banking sector growth hinge on nurtured customer relationship than on single successful transaction. Banking sector that ignore this change may encounter loosing consumer trust weekend market share for long period. (PEPPERS & Rogers, 2011)

Research methodology

This investigation based on secondary sources, and to write the paper various articles are surveyed with aim of research. To prepare the research both online as well as offline research journals are analyzed. Of around 38 articles studied 16 were chosen to write the paper.

Service Interaction Quality and Customer Retention Dynamics

Service Interaction Quality and Customer Retention Dynamics refers to the business quality interaction with customer and how customer influence customers maintain healthy over relation long period of time. a business or other organization administers its interactions with customers, typically using data analysis to study large amounts of information. Service Interaction Quality and Customer Retention Dynamics includes the principles, practices, and guidelines an organization follows when interacting with its customers. It creates coordination of the organizations with the customers which helps in creating potential customers with prevailing customers. Service Interaction Quality and Customer Retention Dynamics are a technique of satisfying the customers' needs and wants through which profitability of an organization tends to increase.

Types of Service Interaction Quality and Customer Retention Dynamics

Following different types of Service Interaction Quality and Customer Retention Dynamics software in bank:

1. **Operational Software:** With the help of operational software one can manages the business based on the customer's data collections.
2. **Analytical Software**: By analytical CRM software one is allowed for data visualization, for clarity into banks consumer, their interactions through the business and possibilities of yours.

3. **Collaborative Software:** in this software the emphasis lays on the way you can interact through your seller as well as from the distributors based on shared consumer data.

4. **Campaign Management Software:** this software is combination of operational and analytical CRM that helps to run the marketing and sells campaigns refereeing the contact details collected in the system.

5. **Strategic Software:** this software puts customers at prior, giving permission you to use details about consumers and market trends that makes the business decisions better.

Importance of Service Interaction Quality in Banking

A Service Interaction Quality system for banks organizes all the details on all the consumers and prospects. As all of it is available in only a single place, your groups get the bigger picture about the consumer. This stunts their level of understanding about the consumer and supports them pitch right.

Handles Segmentation

Resources are the key through which the business runs in efficient and effective manner. The profit and advantages of Service Interaction Quality in banking is it reduces the wastage of marketing pace. It supports in the creation of segments; wherein same segment customers have same kind of profiles and requirements.

Increases Collection Efficiency

The disbursement is just one part of credit cycle. But other side is on time collection of outstanding amounts. Due to default in recovery banks may face losses and credit become NPA. Without timely collections, your profits can quickly erode, bad debts can tarnish your balance sheet, and banks can lose customer trust and confidence.

Speeds Up Consumer on Boarding

Time is called money from business point of view. The most important benefit of Service Interaction Quality and Customer Retention Dynamics in state owned banks is time oriented and time saver as it guarantees faster, more predictable deliveries. Streamlining and automating processes not only saves significant time but also improve customer relation.

Enhance Customer Experience

Customers are the real assets of the organizations. In modern era CRM software is contributing towards the improvement of customer experience. That's because customer experience is one thing no business can afford to ignore today.

Service Interaction Quality and Customer Retention Dynamics in Banks

Service Interaction Quality and Customer Retention Dynamics is a prominent technique to solve the hurdles, which are as follows –

1. It is hard to find customer data in group surroundings and which shows service quality and customer retention dynamics-built trust in customer regarding safety of their information.
2. Banks would like to identify high volume or ideal customer and in conducting customer profitability analysis.
3. There is invisible practice of customer experience and ecosystem or customer interaction map.
4. It is challenging to segment customer data or identify target customer.

Product vs Customer-Centered Business Strategy

If we compare current business strategy with the traditional approach, it will be clearly identified that previously our organizations are organized all around design driven and capability driven rather than a customer-oriented approach. Through the drastic shift of banks and financial institution towards customer-centric approach, they are served by the following importance:

1. Higher Returns on Invested Capital
2. More Profitable Customers

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3. Lower Capital Costs (Due to the Consistency of Financial Results that Comes from those Long-Term, Carefully Managed Customer Relationships)
4. Larger Investment Opportunities (Due to their Understanding of Customer Finances and Unmet needs)

Analysis of Profitability Trends

As per the public disclosure profit and loss statement of SBI's STATE BANK OF INDIA'S it will be very easy to clarify the drastic change in the performance and profitability of banks. In the year 2017-18 the operating loss was 6547.45 crore, in the year 2018-19 it shifts at a profit of 862.23 crore, in the year 2019-20 the trend of profit lifts up to 14488.11 crore, in the year 2020-21 it tends to 20427.88 crore and recently in the year 2021-22 it was recorded to 31688.28 crore (source: SBI Report). With the above analysis it is analyzed that with the involvement of CRM in banking helps in improving the profitability of the organization.

Analytical Service Interaction Quality and Customer Retention Dynamics

Analytical Service Interaction Quality and Customer Retention Dynamics are a regular software for predictive analytics. Methods of predictive analysis are applied to customer data to pursue Service Interaction Quality and Customer Retention Dynamics objectives which is to have a comprehensive view of the consumer no matter where their data stay put in the bank or the department involved.

Predictive Analysis

Predictive analytic leverages diverse statical tools, data mining and game theory that analyze current and historical facts to make predictions about future events.

In business, predictive models exploit patterns found in historical and transactional data to identify risks and opportunities. Models capture relationships among many factors to allow assessment of risk or potential associated with a particular set of conditions, guiding decision making for candidate transactions.

Service Interaction Quality and Customer Retention Dynamics use predictive analysis in applications for marketing campaigns, sales, and customer services to name a few.

These tools are required in order for a company to posture and focus their efforts effectively across the breadth of their customer base.

Conclusion

With the entire matter of study, it is concluded that in modern era Service Interaction Quality and Customer Retention Dynamics in Banks includes developing customer base. Customers are considered as the real assets of the business organization. State owned banks have to pay proper attention to raise the customer portfolio, and will be possible only by targeting customer's satisfaction at the focal point. This will help in building customers trust and grasping new and potential customers with the retention of prevailing customers. Customer satisfaction helps the organization in tending the profitability as well. Hence, Service Interaction Quality and Customer Retention Dynamics in Banks is an adequate technique or methods which helps the organization to maintain its efficiency and growth. There should be a shift from bank centered to client experience program centered activities.

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