

## **AN EMPIRICAL EXAMINATION OF CUSTOMER RELATIONSHIP MANAGEMENT (CRM) IMPLEMENTATION IN ISLAMIC BANKS**

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### **ABSTRACT**

Despite, customer relationship management (CRM) has recently gained wide attention in business and service literature and become of pivotal importance to many organizations as the key to profitability, through building and maintaining sustainable relationships with profitable customers; few works investigated this phenomenon empirically in the Islamic banking context. In responding to this call, the current study aimed to fill the existing research gap in literature and contribute to the accumulative knowledge by: (1) empirically examining CRM implementation in Islamic banks. (2) measuring its effects on enhancing bank customer-based profit performance, (3) assessing the mediating role of CRM readiness in the relationship between CRM implementation and bank customer-based profit performance; (4) developing and validating a structural equation model for predicting the Islamic banks' customer-based profit performance; and (5) determining the extent to which CRM is actually applied in Islamic Banks. A multi-stage research methodology was utilized, combining quantitative and qualitative methodologies to validate the research model and empirically test the hypothesized relationships. The research design involved a cross-sectional national sample survey for data collection during April to June 2015 (n=368). The reliability analysis was taken for each construct and the results showed that the value of Cronbach's alpha of every construct is significantly higher than the reliability acceptable level (ranging from 0.81 to 0.94). Also exploratory factor analysis was used to evaluate the construct validity and the results demonstrate acceptable standard. The evidence of a good fit, reliability and validity indicated that the measurement model deemed appropriate for testing the structural model that demonstrated highly explanatory power. The results indicated that strengthen the completeness of CRM can establish lifetime value based on sustainable relationship and in turn enhance Islamic bank competitive capabilities and customer-based profit performance. The results can also help practitioners and Islamic Banks to develop more customized CRM practices.

**Keywords:** CRM Readiness, Customer Relationship Management (CRM), Customer-based profit performance, Developing Countries, Islamic Banks.