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A Study on the Impact of Customer Relationship Management in Co-operative Banks: A Kerala Statewide Analysis

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Abstract

This study explores the impact of Customer Relationship Management (CRM) in cooperative banks, particularly in rural areas where such banks play a vital role in supporting agricultural and small-scale economic activities. Cooperative banks are integral to rural development, providing financial services like loans, deposits, and credit facilities while fostering trust among customers. CRM, as a strategic initiative, is crucial for retaining customers and enhancing satisfaction, especially in the competitive banking environment.

The study examines CRM practices in cooperative banks, focusing on customer expectations, satisfaction, and service improvements post-demonetization. Using both primary and secondary data, the research gathered insights from 150 customers across Kerala through questionnaires and interviews. The findings reveal that CRM significantly impacts customer trust, service quality, and loyalty.

Despite certain limitations, such as reliance on respondents' memory and challenges with illiterate participants, the study provides valuable recommendations for cooperative banks to develop innovative CRM measures, improve service offerings, and maintain strong customer relationships.

Keywords: Customer Relationship Management, Cooperative banks, etc.,

I. INTRODUCTION

A cooperative bank is a financial institution founded on cooperative principles, engaged in standard banking activities. These banks primarily focus on offering credit facilities to rural customers and providing financial support for agricultural and rural development activities. In rural areas, cooperative banks play a vital role, primarily financing agriculture-related endeavors such as farming, dairy production, self-employment initiatives, and the growth of small-scale industries.

Customer relationship management is one of the primary strategic initiatives in industry today regardless of whether the company serves retail or wholesale customers. In the financial industry the movement towards CRM is being fuelled by competitive pressure from both financial and non-financial services companies that are systematically raiding banks territory to pick off most valuable customers.

Banking customers are not like marketing customers bank is a financial institution, so there deals with the financial transactions. The customers went to co-operative banks for enjoying their services, like deposits, loans and other policies etc. For this purpose the banks want to maintain a better relationship between customers and management for good maintain and to eliminate malpractices.

By way of analyzing customer relationship we can clearly understood how much a firm treats its customers, what is the quality of their services, is it capable to serve the dynamic needs of customers, what will be their future ,in what way they need to making changes etc. CRM is strategy used in competitive environments that combines the information, system, policies, process, and employees of an enterprise in an effort to attract and retain profitable customers. CRM applications and technologies are tools used to implement such a strategy and must be woven into the fabric of company's business strategy, not bolted on to it.

Need of CRM in Cooperative Banks

CRM in cooperative banking sector is entirely different from other sectors because cooperative bank provides a service is purely related on Financial aspects. The main aim is to create trust among the people. In rural areas of cooperative banking services provides to establish the customer care support, making timely information about interest payment, maturity of deposit period, debit/credit

card facilities, provide agricultural loan facilities etc.,

The present day, CRM includes developing the customers' base. The bank has to intimate adequate attention to the customer at right time. It will increase the customer counting by all means. So in rural areas, the cooperative bank has to implement lot of innovative CRM measures to capture and retain the customers. CRM in cooperative banking sector is entirely different from other sectors because cooperative bank provides a service is purely related on Financial aspects. The main aim is to create trust among the people. In rural areas of cooperative banking services provides to establish the customer care

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The present day, CRM includes developing the customers' base. The bank has to intimate adequate attention to the customer at right time. It will increase the customer counting by all means. So in rural areas, the cooperative bank has to implement lot of innovative CRM measures to capture and retain the customers. CRM in the cooperative banking sector is distinct from other industries, as the services provided are primarily financial in nature. The primary objective is to build trust among the people.

In rural areas, cooperative banks focus on offering customer support, providing timely updates about interest payments and deposit maturity, and facilitating services such as debit/credit cards and agricultural loans. In the modern context, CRM emphasizes expanding the customer base. Banks must give timely and appropriate attention to customers, which helps boost customer engagement and loyalty. Therefore, cooperative banks in rural areas must adopt innovative CRM strategies to attract and retain their customer base effectively.

Statement of the Problem

The existence, growth, and success of any organization depend heavily on a reliable and satisfied customer base, making customer retention more critical than expansion in the face of increasing competition. For cooperative banks, which handle customers' financial assets, trust and strong relationships are paramount. As such, Customer Relationship Management (CRM) has become essential for fostering trust, maintaining customer loyalty, and enhancing service quality. Given the significance of CRM in retaining customers and adapting to their dynamic needs, this study focuses on analyzing the impact of CRM in cooperative banks, particularly in ensuring customer satisfaction and building long-term trust.

Objectives of the Study

- To identify the impact of customer relationship management (CRM) in service co-operative banks.
- To examine customer expectations regarding the services provided by co-operative banking organizations.
- To assess the level of customer satisfaction with the services of co-operative banks.

Scope of the Study

By having this study we can examine the effectiveness of CRM in co-operative banks, and provide bank managers with information to maintain customers through making services. And it helps to bring new schemes and policies for the benefits of customers. And this study also is helpful to identifying the customer relationship with management.

Research Methodology

The current study utilizes both primary and secondary data. Primary data was collected directly from customers of various cooperative banks in Kerala through questionnaires. Additionally, unstructured personal interviews were conducted to gather further insights for the study. Secondary data sources included previous research studies, annual bank reports, journals, and magazines, along with extensive use of the internet to gather relevant information.

A convenient sampling method was employed for this study, with a sample size of 150 participants. The data was analyzed using percentage analysis as the primary tool.

Limitation of the Study

- The study was limited to 150 customers
- The respondents were giving answer directly from their memory. Therefore there is a chance of variation in collected data. Majority of respondents are illiterate people. so there is a difficult to determine the questions.

Review of Literature

P. Sri Ram and Dr. P. Ramachentrayar (2022): in their study on the role of Customer Relationship Management in Rural Cooperative Banks in Madurai District, suggested that cooperative banks should adapt their loan policies to align with customer needs and facilitate better utilization of schemes in rural areas. They also emphasized the need for cooperative banks to encourage customers to adopt internet banking services, as many customers lack adequate knowledge to effectively use these facilities.

Manvinder Singh Tandon, NarenderNath Sharma, and Vipin Kumar Bhulai (2017):The Impact of Customer Relationship Management and its Significant Relationship to Customers' Satisfaction in Co-operative Banking (A Case Study of Kangra Central Co-operative Bank) This Study evaluate the satisfaction level of banks customer towards banking policies. It is concluded from the result that, customers are very satisfied from the employee behavior and banking experience is pretty good of the Bank. It is very important to the cooperative banks to understand customers and their requirements, as well as provide wide range of services like Commercial and Private Banks.

Guptaetal (2012):have expressed on the current levels of clients' satisfaction and also tried to explore the factors that led to satisfaction in Indian banks. Data from 400 respondents were collected from various branches of the prominent banks of India and the service ambience and hygienic, involvement factors showed a positive relationship with relative clients 'satisfaction.

Khan (2011):the author has concluded that some businesses outperform the arrivals in offering superior relational value to their target customer and convert these advantages into superior performance because the company focuses on their customer relating capability, which acts as important source of advantage and has 3 interrelated components like orientation, which reveals the organizations priorities towards customer relationship, information, which includes customer information systems and the configuration.

Metal (2011): investigated key factors contributing to the growth of the customer base in Indian scheduled commercial banks. The research assessed the extent of customer utilization of banking services and measured customer satisfaction using a Structural Equation Model (SEM). The study highlighted significant opportunities and challenges associated with the Value-Added Services (VAS) offered by Indian banks. It noted that technological advancements and shifts in customer demographics have created substantial market potential. However, the study also revealed that awareness of Value-Added Services remains limited to specific sections of society.

Kumar (2011): highlighted that customer relationship management (CRM) has become a key focus in the Indian market, transforming from an optional feature to a necessity. It is now recognized as a crucial tool for enhancing customer loyalty and minimizing customer attrition to competitors. Effective CRM practices have a lasting influence on customer relationships, and in today's competitive environment, their implementation is essential.

Conceptual Framework of the Study

CRM

Customer Relationship Management is a broad concept for retaining, creating and expanding customer relationships in the banking sector. CRM enables organisations to manage their customers effectively; it is simply an overall business strategy. CRM enables to anticipate, understand, manage and personalize the customer's requirements. Today, many business organisations such as insurance companies, banks and other service providers realise its importance. They also understand the potential of CRM, which help them to attract new customers and retain existing ones, which maximise their lifetime value. In the current scenario management process of acquiring customers by understanding their needs, keeping customers by fulfilling their requirements more than their expectations and through customer-specific strategic marketing approaches attracting new customers is called customer relationship management. It is also a process that invites total commitment to the entire organization regarding relationship strategies.CRM seeks to know customers from a multifarious perspective, and it's a supply of competitive differentiation. It is an integration framework and business strategy that establishes and integrates contact

channels with IT applications, provides made-to-order services by analyzing customer's information, creating target customers connect simply and deliciously with firms, then makes them become one among the participants within the worth creation of the enterprise.

CRM Process

Step 1: Create a Customer Database; - Creating customer database stores information of their customers like name gender, age and other relevant information

Step 2: Analyses the Database; -The customer database is examined using various statistical methods, such as cluster analysis and discriminant analysis, to identify different customer segments.

Step 3: Evaluate Target Customer; -Evaluate the data and segmenting customers according to their needs, preferences, choices, likes and dislikes.

Step 4: Focusing on the Customer; -Reach out to the selected customers to promote products and services using various channels, such as email, online platforms, telemarketing, or personalized mail.

Step 5: Establishing a relationship with the target customer; -Maintaining good relationship with the customers and retaining existing valuable and profitable customers.

Step 6: Assessing the ERM Program; -Assessing customer satisfaction and Measuring the CRM program with customers' feedback and response.

CRM in Banking

Customer Relationship Management (CRM) solutions are designed to centralize customer information, streamline processes, improve customer service, and foster business growth in the financial services sector. These systems enable banks to collect and store customer data, including transaction history, demographics, and communication preferences. This information can be used to tailor customer experiences, enhance interactions, and build customer loyalty. Additionally, a banking CRM system monitors customer behaviors and trends, which can help identify new sales opportunities and optimize marketing strategies.

CRM in the Cooperative Banking Sector

Cooperative banks are small-scale institutions operating in both urban and rural areas, primarily focusing on local communities, neighborhoods, and workplace groups. These banks typically provide loans to small borrowers and businesses. In rural areas, cooperative banks primarily finance agriculture-related activities, including farming, livestock, dairy, hatcheries, personal finance, and some small-scale industries and self-employment ventures. In urban areas, they focus on financing self-

employment opportunities, industries, small enterprises, and home financing. Marketing banking services is a challenging task, as the Indian banking sector is currently facing intense competition from major players like ICICI, State Bank of India (SBI), and Bank of Baroda (BOB). These banks are increasingly adopting Customer Relationship Marketing (CRM) strategies to enhance customer satisfaction, loyalty, and profitability. Service quality, as perceived by customers, is evaluated across five key determinants: reliability, assurance, tangibles, empathy, and responsiveness. Customer Relationship Management (CRM) is a comprehensive business strategy that helps banks turn ordinary customers into loyal ones. By gathering detailed customer information, banks can gain insights into customer needs and improve interactions. In today's highly competitive and complex business environment, banks must focus on attracting and retaining customers, which can be achieved by delivering high levels of service quality. Client support and loyalty are secured through consistent, acceptable customer service.

Need of CRM in the Banking Industry

Strong Competition: There is strong competition among private sector banks, public sector banks, and foreign banks, all of which are implementing strategies to attract and retain customers. Advancements in technology, research capabilities, globalization of services, a surge of new products, and the trend of offering various services under one roof are all contributing to enhanced customer service and customer satisfaction.

Educated Customers: Today's banking customers are highly educated. With the advent of new technology, the world has become interconnected, almost like a global village. Therefore, for a bank to attract more customers, it must foster strong relationships with its existing customers and work to maintain those relationships in the future.

The Decline in Brand Loyalty: Brand loyalty is currently on the decline, with customers frequently switching banks to access better facilities. Continuous introductions of new and improved products and services in the market have contributed to this shift. To stay competitive, banks must enhance their offerings, improve customer service, and build trust by addressing customer needs and maintaining regular communication. Through effective CRM, banks can foster strong customer loyalty and establish a positive organizational image.

Improved Customer Retention: In the highly competitive banking sector, retaining existing customers is crucial, and this can be achieved through CRM. With an increasing number of banks, products, and services available, and minimal switching costs, customers can easily switch to a different bank whenever they find more attractive offerings. As a result, banks face challenges not only in acquiring new customers but also in retaining their existing customer base.

Data Analysis and Interpretation

To evaluate the Impact of Customer Relationship Management in Co-operative Banks towards different factors and services provided by the analysis made is interpreted as under:

Question No	Questions	Components/ Variables	No of Respondents	Percentage
1	Customers Of Service Cooperative Bank.	Yes	150	100
		NO	0	0
2	Duration Of Holding Bank Account	Less than one year	24	16
		1-4 year	50	33.33
		4-7 year	30	20
		More than 7 year	46	31
3	Types Of Account	Current a/c	15	10
		Savings a/c	105	70
		Loan a/c	18	12
		fixed a/c	12	8
4	Reason For Choosing The Bank	Affordable banking charges	48	5.33
		Reach ability	36	24
		Variety of services	30	20
		Quality of services	36	24
5	Frequently Preferred Facilities	Loan Facilities	80	53.33
		Locker Facilities	10	6.7
		O/D Facilities	10	6.7
		Deposits/Savings	50	33.33
6	Peculiarity Of The Co-Operative Bank	Personalized services	120	80
		Wide branch network	6	4
		Variety banking services	15	10
		Computerized services	9	6
7	Satisfaction Level In The Procedure For Opening An Account	Highly satisfied	60	40.7
		Satisfied	90	60
		Dissatisfied	0	0
		Highly dissatisfied	0	0
8	Does Banker Provide Prompt	Always	88	58.7
		Sometimes	36	24
		Rarely	12	8

	Services Always	Never	14	9.33
9	Level of Satisfaction Regarding The Procedure For Withdrawal And Deposit	Highly satisfied	84	56
		Satisfied	66	44
		Dissatisfied	0	0
		Highly dissatisfied	0	0
10	Satisfaction Level With Service Charges Levied By The Bank	Highly satisfied	50	33.33
		Satisfied	70	46.7
		Dissatisfied	10	6.7
		Highly dissatisfied	20	13.33
11	Satisfaction Level With The Behavior Of Staff	Highly satisfied	80	53.33
		Satisfied	50	33.33
		Dissatisfied	10	6.7
		Highly dissatisfied	10	6.7
12	Information Regards To The Account Or Services	Always	60	40
		Sometimes	66	44
		Rarely	2	1.33
		Never	0	0
13	Reply For Queries	Always	75	50
		Sometimes	50	33.33
		Rarely	15	10
		Never	10	6.7
14	Online Banking Services	Yes	90	60
		No	60	40
15	Level Of Meeting Customer Expectations By Bank	Always	100	66.7
		Sometimes	32	21.33
		Rarely	10	6.7
		Never	8	5.33
16	Bad Experiences From The Bank	Sometimes	10	6.7
		Always	0	0
		Rarely	10	6.7
		Never	130	86.7
17	Satisfaction Level Regards To Range Of Services	Highly satisfied	62	41.3
		Satisfied	66	44
		Dissatisfied	12	8
		Highly dissatisfied	10	6.7
18	Opinion Regards To Services While Compared With	Excellent	48	32
		Very good	54	36
		Good	32	21.33
		Poor	16	10.7

	Other Bank			
19	Overall Performance Of Co-Operative Bank	Excellent	48	32
		Very Good	60	40
		Good	32	21.33
		Poor	0	0

The analysis highlights that all respondents of the study are customers of the service co-operative bank, showcasing its widespread reach. A significant proportion (33.33%) have been loyal customers for over four years, indicating strong customer retention. Most respondents (70%) hold savings accounts, while a smaller percentage (12%) maintain loan accounts. Affordable banking charges, reachability, and quality service are the primary reasons customers choose the co-operative bank. Additionally, the study shows that 53.33% of respondents prefer loan facilities, while others prioritize deposit and savings options. A smaller group (6.7%) utilizes the bank for locker and overdraft facilities. Personalized service emerges as a key differentiator for the bank, with most respondents citing it as its most remarkable feature. Customers expressed satisfaction with the bank's account-opening procedures and overall promptness in service delivery. A notable portion of respondents reported high satisfaction with withdrawal and deposit procedures. The study also reveals that 46.7% of customers are satisfied with the bank's service charges, while 33.3% are highly satisfied. Behavior of the staff received high praise, with 53.33% of respondents highly satisfied and another 33.33% satisfied. Moreover, the bank has successfully provided timely responses to customer queries and ensured seamless communication regarding services. All customers expressed positive opinions about the bank's online banking services and their overall experience with the bank. Compared to other banks, respondents held the co-operative bank in high regard for its variety of services and its ability to meet customer expectations effectively.

Findings and Suggestion

- Majority of the respondents were the customers of the bank for the period of 4-7 year.
- Majority of the customers are used by the savings a/c for improving their savings.
- A large number of customers choose this bank because of affordable banking charges.
- Majority of the customers are prefer loan facilities from this bank
- Personalized service is the main peculiarity of this bank
- Most of the customers are satisfied in the procedure for opening an a/c with this Bank

- Majority of customers may always get the prompt service whenever they visit bank
- Majority of the customers are highly satisfied with the procedure for depositing And withdrawal of the bank
- Most of the customers are satisfied with service charges levied by the bank
- Most of the customers are highly satisfied with the behavior of varying staff of the bank
- Majority of the respondents are sometime get informed the matters regards To the a/c or services.
- Times and properly get reply for queries is the main benefits of the customers
- It is noted that there is no online banking services
- Most of the respondents meet their expectations from the bank
- It is noted that none of respondents have bad experience with the banker
- Majority of the customers are highly satisfied with the range of services Offered by the banker
- Majority of the customers are opined services of the bank while compared to other bank
- Most of the respondents rate overall performance of this bank are excellent
- Most of the customers are experience no change in services of the banker on or after demonetization
- The recommendation of this bank to other by the respondents were positive

Suggestion

- Services are main attraction of co-operative bank. So maintaining and improving the level of service will be better to the bank for attracting more customers.
- Publicity plays a major role in banking requirements. Therefore customers must be made aware about the services. If the bank is able to provide more schemes, policies and different programmes for service it will help in attracting huge number of customers and in turn creating a positive impact on their services
- Providing of quality services will help to maintain good relationship between customers and management.
- Today everyone is busy in their life. every customers need a quick response. so in order to create online banking service , the bank had more customers.

II. CONCLUSION

The study titled "A Study on the Impact of Customer Relationship Management in Co-operative Banks: A Kerala Statewide Analysis" was conducted to examine the role of customer relationship management in cooperative banking.

Understanding customer relationships is a complex task for banking institutions, as various factors influence these relationships. It is essential for any organization to comprehend customer relationships in order to meet their needs. This understanding helps banks better serve their customers.

The study found that the majority of customers at the cooperative bank were highly satisfied with nearly all the services provided. It suggests that by offering online banking services and implementing relevant policies, the bank can establish a strong position in the banking industry.

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