

# “A STUDY ON COOPERATIVE BANK IN INDIA WITH SPECIAL REFERENCE TO MARKETING STRATEGIES”

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## **Abstract**

Banking business has done wonders for the world economy. The simple looking method of accepting money deposits from savers and then lending the same money to borrowers, banking activity encourages the flow of money to productive use and investments. This in turn allows the economy to grow. In the absence of banking business, savings would sit idle in our homes, the entrepreneurs would not be in a position to raise the money, ordinary people dreaming for a new car or house would not be able to purchase cars or houses. The government of India started the cooperative movement of India in 1904. Then the government therefore decided to develop the cooperatives as the institutional agency to tackle the problem of usury and urban indebtedness, which has become a curse for population. In such a situation cooperative banks operate as a balancing centre. This research looks at the marketing and operations practises of Cooperative Bank in India's when used in this context, "marketing strategy" refers to any set of actions taken with the intention of increasing demand for a certain product or service. In light of the increased competitiveness in the banking industry, the use of this term has become widespread. To stay ahead of the competition, banks need to develop and implement strategies that provide them a distinct advantage. Providing excellent customer service is a crucial component in maintaining a competitive edge. The study's overarching purpose was to learn more about the methods Cooperative Bank uses in its marketing efforts to win new clients and keep existing ones happy. The information used for the study comes from both primary and secondary sources related to Cooperative banking.

**Keywords:** Cooperative Bank, Strategic Marketing, Marketing Environment, Digital Services.

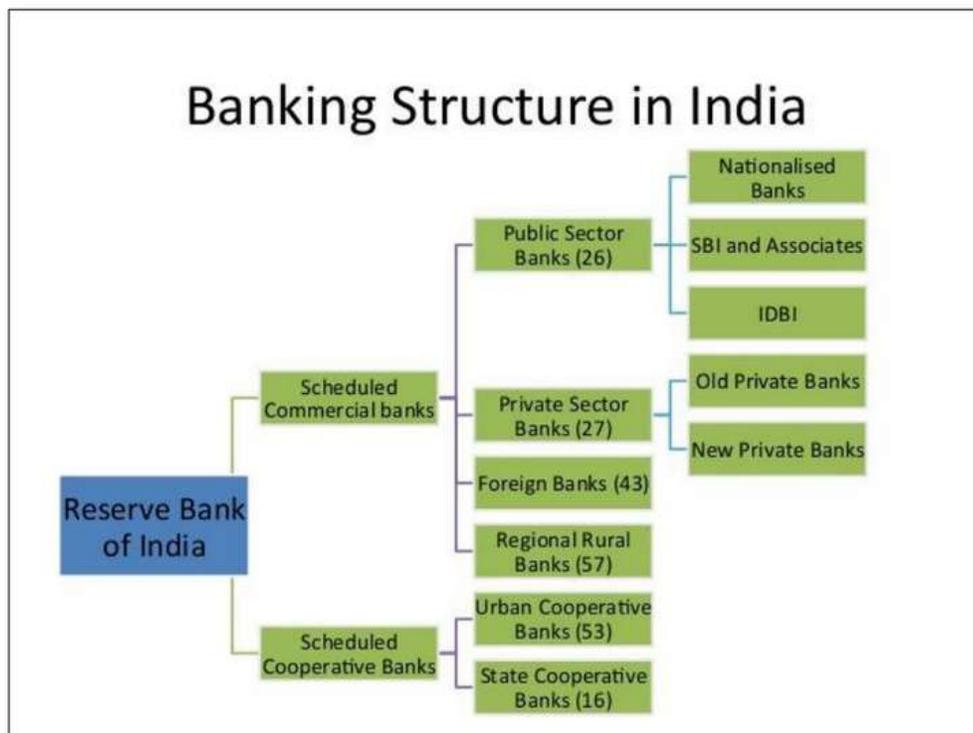
## **Introduction**

When used in this context, "marketing strategy" refers to any set of actions taken with the intention of increasing demand for a certain product or service. In light of the increased competitiveness in the banking industry, the use of this term has become widespread. After the Industrial Revolution in England in the 18th and 19th centuries, the cooperative movement took root and developed into its current technological form. Cooperative banks may trace its roots back to a proposal by Hermann Schulze and Friedrich Wilhelm Raiffeisen during the Great Depression to make financing accessible to small enterprises and the poor.

When it comes to banking, a co-operative bank is owned and operated by its members, who are also its depositors and those who use its services. Common interests bring together members of ascertain community or profession to form a network. For the purpose of helping those who are less fortunate in the financial department and shielding them from predatory lenders that charge exorbitant interest rates, this organisation was established. Cooperation, mutual aid,

democratic decision making, and free and open membership are the guiding principles of the co-organizational operative's framework. Both the 'no profit, no loss' and 'one shareholder, one vote' tenets are upheld. Companies often make changes to their methods in order to become more efficient. In order to maximise productivity, it is essential that all operational divisions collaborate using enterprise resource planning. So that the product development teams may work closely with the communications team to craft effective messaging for the target audience. These banks, until 1996, could only lend for non-agricultural purposes. As at end-March 2011, there were 1,645 UCBs operating in the country, of which majority were non-scheduled UCBs. Moreover, while majority of the UCBs were operating within a single State, there were 42 UCBs having operations in more than one State. However, today this limitation is no longer prevalent.

While the co-operative banks in Rural areas mainly finance agricultural based activities including farming, cattle, milk, hatchery, personal finance, etc. along with some small scale industries and self-employment driven activities, the co-operative banks in Rural areas mainly finance various categories of people for self-employment, industries, small scale units and home finance. Cooperative Bank provide most services such as savings and current accounts, safe deposit lockers, loan or mortgages to private and business customers. For middle class users, for whom a bank is where they can save their money, facilities like Internet banking or phone banking is not very important. Although they are not better than private banks in terms of facilities provided, their interest rates are definitely competitive. However, unlike private banks, the documentation process is lengthy if not stringent and getting a loan approved quickly is rather difficult. The criteria for getting a loan from a UCB are less stringent than for a loan from a commercial bank.



### **History of Co-Operative Banks:-**

Robert Owen (1771 – 1858) fathered the co-operation movement. A Welshman who made his fortune in cotton trade. Owen believed in putting his workers in a good environment with access to education for themselves and their children. These ideas were put into effect successfully in the cotton mills of New Lanark, Scotland. It was here that the first co-operative store was opened. Spurred on by the success of this, he had the idea of forming “Villages of Co-operation” where workers would drag themselves out of poverty by growing their own food, making their own clothes and ultimately becoming self-governing. He tried to form such communities in Orbison in Scotland and in New Harmony, Indiana in the United States of America, but both communities failed. Although, Owen inspired the co-operative movements, others such as Dr. William King (1786 – 1865) took his ideas and made them more workable and practical. King believed in starting small, and realized that the working classes would need to set up co-operatives for themselves, so he saw his role as one of instruction. He founded a monthly periodical called the Co-operator, the first edition of which appeared on May 1, 1828. This gave a mixture of co-operative philosophy and practical advice about running a shop using co-operative principles. King advised people not to cut themselves off the society, but rather to form a society within a society and to start with a shop because, “We must go to shop every day to buy food and necessities – why then should we not go to our own shop ?” He proposed sensible rules, such as, having a weekly account audit, having three trustees and not having meetings in pubs (to avoid the temptation of drinking profits). A few poor weavers joined together to form the Rochdale Equitable Pioneers Society at the end of 1843. The Rochdale pioneers, as they became known, set out the Rochdale Principles in 1844 which form the basis of co-operative movement today. Co-operative communities are now wide spread with one

of the largest and most examples belong at Mondragon in Basque country of Spain. Co-operatives were also successful in Yugoslavia under Tito where workers council gained a significant role in management. In many European countries, co-operative institutions have a predominant market share in the retail banking and insurance businesses. The Indian Co-operative movement was initiated by the government. It spread and diversified with the encouragement and support of the government.

### **Review of Literature**

To begin, let's review some of the key concepts in the field of bank marketing management. Information is provided on how to develop marketing strategies and plans, conduct an environmental analysis, establish a recognisable brand identity, and manage marketing communication tasks.

To establish and carry out goals that cater to the demands of the market, it is necessary to have a firm grasp of the marketing methods available, as stated by Wood (2003). The success of a company may be traced back to its marketing strategies and goals. Academics have contended that marketing strategies are approved as a multi-year framework, with a strategic motivation that spells out the actions to be accomplished in the present year. According to Woods (2003), a marketing strategy is "a written item that summarises what marketing experts see about the corporate environment and draws a blueprint" for doing so. According to Lehmann and Winer (2001), a marketing plan details the operational framework for the marketing initiatives and resource commitments throughout the planning period.

### **Statement of the Problem**

➤ The cooperative financial institution is facing severe problems which have restricted their ability to ensure smooth flow of credit.

- Limited ability to mobilize resources.
- Low Level of recovery.
- High transaction of cost.
- Administered rate of interest structure for a long time.

➤ Due to cooperative legislation and administration, Govt. interference has become a regular feature in the day-to-day administration of the cooperative institution. Some of the problem area that arises out of the applicability of the cooperatives legislative is:

- Deliberate control of cooperatives by the government.
- Nomination of board of director by the government.
- Participation of the nominated director by the government.
- Deputation of government officials to cooperative institution etc.

➤ Prior approval of RBI is mandatory for opening of new branches of SCBs. The SCBs are required to submit the proposal for opening of new branches to RBI through NABARD, whose recommendation is primarily taken into consideration while according permission

### **Objectives**

1. To investigate the current method of promoting India's cooperative banks
2. Examining the current scope and function of Urban banking operations by state co-operative banks in India
3. To investigate the potential of marketing methods for improving the efficiency and effectiveness of Urban banking by India's state co-operative banks

### **Research Methodology**

For the purposes of this investigation, Data collected from primary and secondary sources in the Urban banking sector, as well as previous research in the literature.

### **Effective Marketing Strategy “PICTURE” Model**

An Effective Marketing Strategies “PICTURE MODEL” by summarizing the above points to effectively arrest the issues and gaps identified in the present marketing strategies during the research work. This model tries to answer the perception gaps and areas of improvements found in the present study.



## Marketing Strategies

Traditional urban communities have had to rely primarily on local banks to provide all of their financial requirements. Even though urban banks are sometimes the only option for customers for miles, competition from larger banks is making it harder than ever for smaller banks in these regions to increase their deposit bases. To put this in perspective, the total deposits of banks with \$1 billion or less in assets declined by 7.5% between 2022 and 2017, while the total deposits of institutions with above \$1 billion in assets surged by the trillions. What this information shows is that customers of smaller banks are leaving them in favour of larger, more well-known ones.

## Advertising

A number of academics have stated that advertising is effective because it reaches consumers in different locations. In a short amount of time, advertising may boost sales volumes significantly. There's no denying that TV commercials cost a fortune, especially in comparison to those in the newspaper and other media. According to Moorthy and Hawkins's (2005) hypothesis, the success of a product's sales may be affected by how extensively the product is advertised. As Vakratsas and Ambler (1999) point out, it is difficult to generalise about advertising due to the wide variety of its forms and applications. However, Ambler (1999) argues that only a small fraction of observations are really informative.

- Advertising is pervasive
- Advertising is expressive
- Advertising is impersonal

## Offer Custom Retail Products

Deposits may be boosted by catering to local tastes and preferences with tailor-made retail offerings. Customized rate bonuses, currency exchange awards, fee refunds, cash prizes,

and even an in-depth examination of your business's financials are just a few examples. To attract more customers, urban banks may improve their services by adding innovative, tailor-made options like these. In other words, if you see a gap in the market, you should do everything you can to fill it. Customers that have that need will go elsewhere if you don't meet it.

### **Embrace Technology**

Adopting new technologies is another strategy that might help urban banks attract more deposits. True, people now know more about computers and finances than ever before. Smaller banks are at risk of falling behind their larger counterparts if they don't adopt cutting-edge technology solutions. Therefore, in today's data-driven world, it's crucial for these institutions to discover methods to stay ahead of the competition by using cutting-edge technology. Potential customers of modern banks expect them to provide services like mobile banking apps, social banking, and internet banking. Sixty-four percent of borrowers, according to a research by Accenture, do banking transactions through mobile devices. Customers have come to anticipate a fully digital banking experience. A solid online presence is essential for banks that want to recruit financially savvy millennials.

N26, a European online bank, is a great example of a financial institution that has fully embraced digital innovation. N26 employs cutting-edge technologies to make online banking easy and intuitive for its clientele. By using cutting-edge systems, they ensure their clients have complete command over their funds at all times, regardless of where they happen to be. It gets much worse, really. In addition to a superior product, they back it up with outstanding customer support. N26 also offers instructional materials to help its consumers and potential customers learn about budgeting, investing, and other financial topics. N26's efforts to cultivate a strong online connection with its clientele have paid off by earning the company their confidence and loyalty. Banking as an institution has been transformed into a social norm.

1. **Direct marketing:** To increase customer retention and loyalty, we employ direct marketing to reach out to potential buyers and provide superior service to our current clientele. Direct Marketing does this through direct mail, email, online, and SMS, depending on the customer's request.

2. **Interactive marketing:** we use interactive marketing to hear what our consumers have to say, both in-person at our locations and online via a variety of mediums, including social media. Due to the increasingly complex nature of the banking industry, we make an effort to innovate in the field of online banking and to pay attention to the feedback of our customers through various digital and mobile channels as well as via our presence on social media.

3. **Word-of-mouth marketing:** we know that the banking business is going through some hard times. As the banking industry faces more mature and fierce competitive challenges, it is more important than ever to keep customers loyal. To accomplish this goal and strengthen our market and financial positions, we are focusing our efforts on expanding our clientele and enhancing the quality of our services. Banks in Ghana need to identify the dimensions of customer-perceived service quality and the service quality elements that are relevant to customers' selection processes in the current environment, which is characterised by fast change and smart clients. Once the many elements of service quality are established, service managers will be more equipped to influence and enhance the quality with which their clients see the service being provided.

4. **Personal selling:** Deregulation and increased competition in Ghana's banking

business, together with the proliferation of complicated products and services and the rising significance of relationship banking, have pushed the need of good personal selling to the fore. Therefore, Odobiri employs a sales staff that travels to meet with existing and potential clients face to face.

### Reaching Out through Mobile-Banks and Agents/Representatives

Banks in urban areas should have mobile banks and use bank agents and representatives to contact the community at large. These financial institutions may attract new clients, loans, and deposits by hiring field assistants/representatives to often visit urban areas. These representatives may be local traditional moneylenders, fertiliser shop owners, general store clerks, ignorant young adults, LIC agents, or UTI agents who are well-respected in their communities. Because most villages utilise the melas (mandis) on a weekly basis to buy and sell agricultural supplies and consumer goods, the mobile banks will operate on the same days as the melas to maximise convenience for the local population. Deposits, loans, and other banking services are the bread and butter of mobile banks.

### Flexible Multi-Service Providers

More weight should be given to deciding which agro industries and crops should be prioritised over establishing district-wide targets, given the current environment of fluid operations. By taking this course of action, regional urban banks are given guidance based on social aims without having their autonomy as businesses be jeopardized. All the banks in a given area are at liberty to establish their own goals. Priority setting on the district level is more of a guideline and a way to increase banks' expertise than anything else, and they are under no obligation to implement it. The results of such an analysis may provide light on the direction of future growth, the government's top priorities, and the policy goals in general.

Despite the rich history of the co-operative movement, the market share of UCBs in the banking sector has been gradually declining and today stands at around three per cent. The share of UCBs in deposits and advances of the banking sector as on March 31, 2020 is provided in Table 1

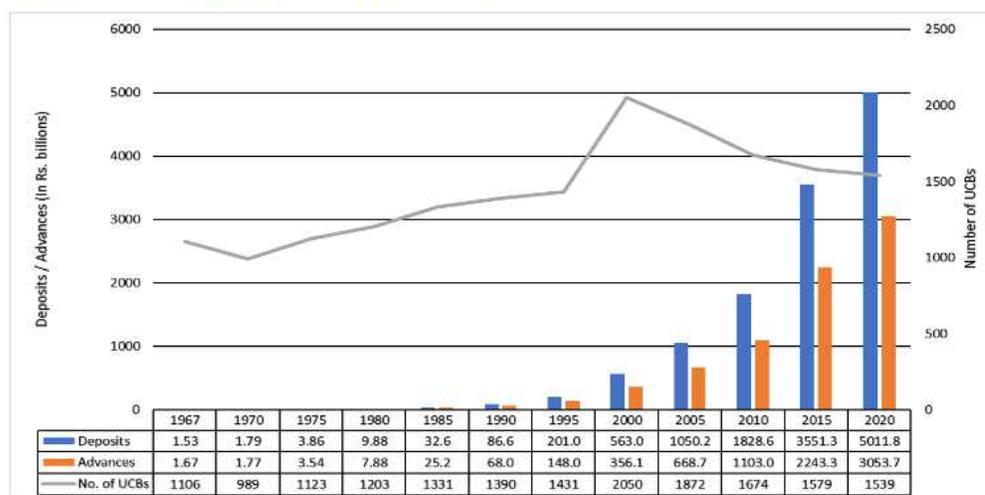
**Table 1: Share of UCBs in Banking Sector**

(Amount in ₹ crores)

Entity Type	Deposits	Share in Deposits (%)	Advances	Share in Advances (%)
Public Sector Banks	90,48,420	58.50	61,58,112	54.29
Private Sector Banks	41,59,044	26.89	36,25,154	31.96
Foreign Banks	6,84,289	4.42	4,28,072	3.77
Small Finance Banks	82,488	0.53	90,576	0.80
Regional Rural Banks	4,78,547	3.09	2,86,919	2.53
Rural Co-operative Banks <sup>6</sup>	5,13,640	3.32	4,48,659	3.96
Urban Co-operative Banks	5,01,178	3.24	3,05,368	2.69
<b>Total</b>	<b>154,67,606</b>	<b>100.00</b>	<b>113,42,860</b>	<b>100.00</b>

Source: Database on Indian Economy: Primary (Urban) Co-operative Banks' Outlook

**Chart 1: Growth in the UCB Sector since 1967**



While a comparative analysis of UCBs with other market players on certain financial indicators was done earlier in the chapter, the Committee analysed the financial performance of UCB sector over a period of the last five years to understand the emerging trends. The analysis of major financial indicators is presented in charts and tables below.

**Table 2: Region-wise distribution of UCBs, branches, deposits, and advances**

(As on March 31, 2020; Amount in ₹ crores)

Region	No. of UCBs	No. of Branches	Deposits	Advances
Northern Region	70	451	14490	7587
North-Eastern Region	16	52	1547	730
Eastern Region	58	164	7652	4141
Central Region	128	474	15599	7857
Western Region	718	7771	375931	229804
Southern Region	549	2283	85959	55250
<b>All India</b>	<b>1539</b>	<b>11195</b>	<b>501178</b>	<b>305368</b>

### The Relationship between Strategic Planning and New Product Introduction

The study sought to establish the effect of introduction of new products on the strategic planning of Cooperative Bank. Table 3 (a) shows an R value of 0.161 showing that there is a relationship between the strategic planning and new products. The R squared value of 0.26 shows only 2.6% of the strategic planning in Cooperative bank is explained by introduction of new products in the market. The remaining 97.4% is explained by factors that have been put in place in the bank. In table 3 (b) the model had a significance level of 0.000. This was indication that introduction of new products alone into the market could not get the bank to achieve effective strategic planning. As shown in figure 3 (c) strategic planning had a t value of 0.651 and a p value of 0.000. The significance of the predictor variable considers individual variables whose  $p < 0.05$  and therefore those variables are considered

**Table:3 Relationship between Strategic Planning and New Product Introduction**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.161 <sup>a</sup>	.026	-.035	1.182		
a. Predictors: (Constant), NEW PRODUCTS						
<b>b) ANOVA<sup>b</sup></b>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.593	1	.593	.424	.000 <sup>a</sup>
	Residual	22.352	29	1.397		
	Total	22.944	30			
a. Predictors: (Constant), NEW PRODUCTS						
b. Dependent Variable: STRATEGIC PLANNING						
<b>c) Coefficients<sup>a</sup></b>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.130	1.282		1.662	.000
	NEW PRODUCTS	.222	.341	.161	.651	.000
a. Dependent Variable: STRATEGIC PLANNING						

### Suggestions

- The banks should adopt the modern methods of banking like internet banking, credit cards, ATM, etc
- The banks should plan to introduce new schemes for attracting new customers and Satisfying the present ones.
- The banks should plan for expansion of branches.
- The banks should improve the customer services of the bank to a better extent.

### Limitations

1. The study is based on the data of past three or four years only.
2. The data for study mainly based on a single bank.
3. As majority of the customers are employees of the bank, they might be biased in giving the information
4. The time period of the research was limited.

### Conclusion

Strategic Marketing Management Analysis of cooperative Bank is the purpose of this paper. Banks, including urban, urban banks, need to employ effective marketing strategies in their operations to please clients in a first-class way in today's fiercely competitive marketplace and rapidly evolving client desires and requirements within the business landscape. Consumers' shifting tastes and preferences in the modern economy have driven banks both small and large

to adapt in order to stay competitive and retain their clientele. Inevitably, this will raise the bar for service across the sector, which in turn will stimulate growth in the economy. Financial institutions need to develop and implement strategies that provide them an advantage over their rivals. The key to success in today's market is a focus on, and dedication to, happy consumers. The study's overarching purpose was to learn more about the methods Urban Bank uses in its marketing efforts to win new clients and keep existing ones happy. For regional urban banks to remain competitive, they need to find new ways to generate revenue that do not compromise their commitment to serving underserved communities in Urban areas and other economically depressed areas. With fewer branches, individual banks will be more profitable, and more urban areas will be within reach thanks to the establishment of mobile banks, bank agents, and bank representatives, as proposed in this article. Agents and sales representatives should be compensated primarily via commissions on new business. There are a variety of potential sources from which to recruit and train the agents.

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