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Analysis of Factors Influencing Customer Loyalty in Cooperative Banks

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Peer Review Information	Abstract
<p><i>Submission: 27 Jan 2025</i> <i>Revision: 28 Feb 2025</i> <i>Acceptance: 30 March 2025</i></p> <p>Keywords</p> <p><i>Co-Operative Banks</i> <i>Customers</i> <i>Banks</i> <i>Impact</i></p>	<p>Co-operative banks, also known as co-operative societies, are re-incorporated in the legal formal form of co-operatives. Co-operative banks/societies to obtain a license from the banking regulatory body 'Reserve Bank of India (RBI)' to establish a financial business by following the guidelines and policies issued by the 'RBI' established under the Indian constitutional provision. 68 different types of cooperative banks are integrated with the Indian cooperative banking system. Corporate banking drives all parts of the bank one of the most profitable divisions of corporate banking financial services. Understanding the distinct elements affecting client loyalty in cooperative banks is the goal of this study. which is critical for their growth and sustainability in a competitive banking environment. It will also examine how lending practices and customer service impact loyalty, enhancing cooperative banks' ability to retain customers. This study examines the bank's performance and the loan procedures it offers its consumers.</p>

Introduction

Co-operative banks, also known as co-operative societies, are re-incorporated in the legal formal form of co-operatives. Co-operative banks/societies to obtain a license from the banking regulatory body 'Reserve Bank of India (RBI)' to establish a financial business by following the guidelines and policies issued by the 'RBI' established under the Indian constitutional provision. Research work focuses on understanding the unique factors influencing customer loyalty in cooperative banks, a critical component for their growth and sustainability in a competitive banking environment. It will provide an idea about how lending practices and customer service impact loyalty, enhancing cooperative banks' ability to retain customers. Consumer loyalty is important for cooperative banks, which are maintained by their members and offer special benefits. However, these banks

face strong competition from commercial banks and online financial services. To study the cooperative bank problems or to find out the key factors that influence consumer loyalty in cooperative banks, such as service quality, customer satisfaction, trust, member participation, and demographic factors like age, income, and education. By understanding these factors, cooperative banks can improve their services, make their customers more contented, and build long-term loyalty.

Literature Review

Literature review studies have explored factors like customer satisfaction, service quality, trust, and digital banking, providing insights into customer loyalty. This study builds on them to focus on these factors in cooperative banks. Rustamov S. (2023) researched the factors influencing consumer loyalty to banking in

Azerbaijan. In this Research paper, Data was obtained from a survey conducted through a questionnaire, and responses were collected from 192 participants. The data that was gathered was analysed using SPSS. A test was performed to see if there were any notable differences between the components based on monthly income. The study found that customer loyalty is positively impacted by employee behavior, bank product accessibility, and product diversity. However, it is not significantly affected by the interior and exterior appearance of the bank.

Spriyanto .S.A., Siswanto Rahayu S.Y. ;(2023) Factors Affecting Bank Syariah Indonesia Customer Loyalty; Both descriptive approaches and quantitative data were used in this investigation. All Bank Syariah Indonesia clients were included in the study's population, and 158 participants were chosen for the sample using non-probability sampling techniques. With the use of Smart PLS software, , structural equation modelling, or SEM, was employed to examine the data. The results showed that service quality strongly and directly impact client loyalty and consumer satisfaction. This study helps Bank Syariah Indonesia improve customer connections and create more successful marketing plans.

Supriyanto A., Wiyono B.B, Burhanuddin B. (2021) Effects of service quality and customer satisfaction on the loyalty of bank customers; This study studied the impact of service quality on customer satisfaction and loyalty among 1,190 banking customers in Malang and Surabaya, Indonesia. The sample included 276 participants from Malang and 914 from Surabaya, with diverse demographics. The questionnaire was validated (loading value = 0.3932) and reliable (Cronbach's Alpha = 0.985). Data were examined by using path analysis and One-Way ANOVA in SPSS.

Nayak S.,(2021) An Analysis of Customer Satisfaction and Loyalty in Banking Sectors in India; study examined Chennai residents using services from 24 public sector and 6 private sector banks. Using convenience sampling, 650 responses from 900 distributed questionnaires were analyzed. Secondary data from books, articles, reports, and online sources complemented the study. Factor analysis, cluster analysis, t-tests, and percentage analysis were all used in the data analysis. The study is limited to Chennai and may not reflect experiences in other regions. The focus is on only the private and public sectors.

Rahman H. (2013) Research on Customer Satisfaction and Loyalty: A Case Study from the Banking Sector; this descriptive study explored the relationships between independent and

dependent variables among Jamuna Bank Limited clients. Surveys were conducted using questionnaires sent via email, postage, and direct mail to 150 clients, yielding 100 responses after follow-up. Data analysis was performed using ANOVA. Lastly, a strong positive correlation between customer loyalty and customer satisfaction is found. Customer happiness and fundamental services are found to have a negligible relationship.

Objective Of Study

- Identify and evaluate the factors that contribute to customer loyalty, such as customer satisfaction, service quality, trust, and digital banking experience.
- Assess the relative importance of these factors and their impact on customer retention and advocacy.
- Provide recommendations for cooperative banks to improve customer loyalty strategies based on empirical findings and industry best practices.

Limitation Of Study

It is significant to take into account the study's limitations when interpreting its results. Firstly, the sample size of 74 respondents is relatively small, which may delay the generalizability of the results to a broader population. Additionally, there is a gender imbalance among the respondents, with 63.51% female and only 36.48% male. This difference may introduce bias, as gender differences could influence perspectives on customer loyalty factors. Moreover, the study is geographically constrained, likely focusing on a specific area or cooperative bank, which may not reflect the practices or perceptions in other regions. Lastly, there is a limitation in the belief in self-reported data, which could lead to response bias, as members might overstate or understate their knowledge and perceptions. These limitations highlight the need for caution in simplifying the results and suggest guidelines for future research.

Research Methodology

The research adopts a quantitative approach, focusing on data collection through surveys conducted among cooperative bank customers in Nagpur. Quantitative research is a systematic and practical method used to gather and analyze data, typically through structured tools such as questionnaires, to test hypotheses with statistical techniques. The goal is to obtain specific measurements and insights into customer loyalty by evaluating factors like customer satisfaction, service quality, trust, and digital banking experience.

Hypothesis

The hypotheses for this study aim to evaluate the factors contributing to customer loyalty in cooperative banks.

Null Hypothesis (H₀): customer satisfaction, service quality, trust, and digital banking experience significantly influence customer loyalty in cooperative banks.

Alternative Hypotheses (H₁): customer satisfaction, service quality, trust, and digital banking experience have a significant positive influence on customer loyalty in cooperative

banks.

Reliability and validity: Reliability and Validity use Cornbach's alpha test. And to approve the hypothesis using a two-sample t-test.

Which falls below the critical values for both the one-tail (1.66) and two-tail (1.98) tests. Consequently, the observed difference in mean scores is not deemed statistically significant at predictable levels of significance ($p > 0.05$). This shows that there may not be a substantial difference in consumer loyalty between the two groups based on the examined parameters..

t-Test: Two-Sample Assuming Unequal Variances		
	Variable 1	Variable 2
Mean	6.287671	5.90411
Variance	3.457763	2.226788
Observations	73	73
Hypothesized Mean Difference	0	
df	138	
t Stat	1.374512	
P(T<=t) one-tail	0.085755	
t Critical one-tail	1.65597	
P(T<=t) two-tail	0.171511	
t Critical two-tail	1.977304	

Variables	Alpha values
TRUST	0.635028
CUSTOMER SATISFACTION	0.504956

Table no. 1 Cronbach's Alpha Value

Findings

The findings of the project titled "Analysis of Factors Influencing Customer Loyalty in Cooperative Banks" reveal the following:

- The null hypothesis (H_0), which suggests that customer satisfaction, service quality, trust, and digital banking experience significantly influence customer loyalty, was supported.
- Conversely, the alternative hypothesis (H_1), suggesting a significant positive influence of these factors on loyalty, was rejected.
- The Cronbach's alpha coefficients indicated moderate reliability for trust (0.635) and lower consistency for customer satisfaction (0.504).
- These results highlight the need for cooperative banks to enhance service quality and trust.
- Additionally, cooperative banks should refine their understanding of customer satisfaction to foster stronger loyalty among their customer.

Suggestion

- Cooperative banks should provide better service by training staff and adopting a customer-first approach.
- Banks must build trust by maintaining process transparency, ensuring robust security measures, and promptly addressing customer concerns.
- It is important to actively gather and use client feedback to pinpoint areas that require improvement and customize services to meet the demands of customers.
- Efforts should be made to create a positive banking experience that enhances satisfaction and loyalty.

Conclusion

This study emphasizes the critical part of trust and customer satisfaction in shaping customer loyalty within cooperative banks. While the findings show that these factors have a positive impact on loyalty, the statistical analysis reveals that their impact is not significant at the 5% level of confidence in this sample. This suggests that while trust and satisfaction are important, other factors may also be influencing customer loyalty. Additional research is wanted to explore these additional factors and provide deeper insights into improving loyalty in cooperative banks.

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