

Importance of CRM in Agriculture Loan by Regional Rural Banks: A Study Based on Rural Banks in India

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Abstract

Customer Relationship Management has become today's hottest topics in practical and business field. Today's competitive environment and it's very difficult to sustain in the market. Here CRM helps to understand their customers' better way what their present needs and future expectation. First, when we say CRM, we define its part, means C+R+M that firstly understands your Customers and then try to maintain healthy relations with customers and finally manage the whole process and make them loyal customers which helps to increase bank performance and profitability. CRM helps to understand their customer and provides the right solution by offering a customized product. Today's competitive environment and banking sector, no exceptions. Now there is limited research study that needs of CRM in agricultural loan provides by rural banks. The rural banking sector, not growing up to the marks because of delay in CRM implementation, there having low relation among farmers and bank employees. CRM in rural banks is too much importance. A good CRM may help to reduced fear of farmers what they think about bank complex processes. If banks have a good CRM, farmers can take a loan on times when its needs. Sometimes for a loan, farmers will stop their production which directly impacts on our national GDP and growth. For less relation, in maximum time farmers take a loan from their villagers and relatives with a higher interest in terms of the mortgage. And we know agriculture production is dependent in nature weather, so sometimes in low production, they lost their properties which taken in terms of a mortgage. And sometimes they attempt suicides for debt trap which taken from villagers. Just we think if farmers take this loan amount from banks with lower interest it's May stop farmers suicide and May continues productions. So a good CRM in rural banks helps to make a customer loyal, increase banks lifetime values, helps to a substance in market and importance is that's it helps to provide loan on times which may be solved discontinues production problems and increase to contribution in total GDP. The great government bank write-off that Rs.1.4 lakh crore of bad debt (FY 2013-2015) and ICSSR report say that approx more than 80% of total agriculture loan is unpaid, a good CRM may help to collect this dues amount and which helps to increase bank's profit as well as bank's lifetime values.

Keywords: CRM, Sustainability, Rural Banks, Customer Loyalty.

1.1 Introduction

Customer Relationship Management is a sum of strategies that help to build a strong relationship with an organization and their customers. Every company stores their customer's information which helps to understand their customers' better way and fulfill their needs and wants. That information also helps to take good marketing strategies.

However, there have many reasons why CRM become the hottest topic in every business in last 12 years. Today is the competitive environment and it is very difficult to sustain in the market. So it is too much importance to understand your customers as well as your market. CRM helps to understand your customers in depth what's their present needs and future expectation. Customer Relationship Management starts from identity, qualifies, acquires, develops and retains the existing customers and makes them loyal and profitable customers. If your customers become loyal it is very difficult to beat them by competitors. CRM helps to given useful information to take a right decision.

1.2 Basic concept of Customer Relationship Management (CRM)

CRM is start from establishment, development, maintenance and optimization of long terms valuable relation among customers and the organizations. True mean of Customer Relationship Management means to understand the needs and desires of your customers. A good CRM may helps to creating sustainable competitive advantage.

1.3 Literature Survey

The literature available in the working and performance of RRBs in India is a little limited. The literature obtained by investigators in the form of reports of various committees, Commissions and working groups established by the Union Government, NABARD and Reserve Bank of India, articles of researchers, the research studies, bank officials, economists and the comments of economic analysts and news is briefly reviewed in this part. Organizations have various sources of information like internal sources of information and external sources of information (Galbreath & Rogers, 1999). Customer Relationship Management (CRM) has no proper definition yet that can describe it completely as still work on Customer Relationship Management (CRM) is going on in the world (Zineldin, 2000).

"The activities a business performs to identify, qualify, acquire, develop and retain increasingly loyal and profitable customers by delivering the right product or service, to the right customer, through the right channel, at the right time and the right cost is called CRM (Galbreath & Rogers 1999, p162)".

Customer Relationship Management helps organizations to know their customers well in order to satisfy their needs (Patton, 2005).

Customer Relationship Management is needed when organizations do not have in-depth understanding of their customers like what are their present and future needs (Patton, 2005).

The Committee on the Functioning of the Public Sector Banks under the Chairmanship of James Raj, (1978), found RRBs to be useful and preferred its expansion in the rural areas to the expansion of the rural branches of commercial banks. Some relevant segment of the report revealed that “Regional Rural Banks can play a significant role in the financing of the rural sector. RRBs should not only open more branches in the rural areas but also gradually take over the existing rural branches of commercial banks. Consequently all public sector banks and large private sector banks should be allowed to open branches only up to the district headquarters to block level”

Kurulkar and Dogirikar, (1980), in a study on Marathwada Regional Rural Bank Have found that major proportion of the beneficiaries belonged to landless category, followed by small and marginal farmers. The study revealed that there is a declining trend in the flow of credit to these weaker sections and recommended for reconsideration of loaning policies of the bank.

Lakshmi N., (1984), in a study on regional rural banks in West Bengal found that the recovery work of overdue loans together with the normal work of processing new credit proposals and enlisting new borrowers hardly allowed the bank officials any time for guiding them in adopting improved farming techniques and making better use of credit. Therefore, organizations should focus more on understanding their customers better than their competitors and that is possible through Customer Relationship Management (CRM) system.

Balister et al. (1994) conducted a study of overdues of loans in agriculture to examine the repayment performance of defaulters in three blocks of Agra district in Uttar Pradesh. They found that well-to-do agriculture families accounted for a large share of overdues. They accounted 37 per cent of total defaulters and 57 per cent of total overdues. Total amount of overdues and its relative share also increased during the period of study. Lack of proper supervision over end use of loan was identified a major reason for mis-utilisation of credit which leads to increase in overdues.

1.4 Customer Relationship Management and Rural Banks

Today every organization main asset is the knowledge of their customers. By using this unique asset, banks gain competitive advantage. Bank can develop CRM by using bank branches, kiosks, ATM, internet banking and call centers. Customer Relationship Management (CRM) is not new discussion topic in the industry. Over the years, banks have invested heavily amount in CRM, especially in developing call centers. According to Gartner Group, more than 80 percent of all US banks will develop their call centers as alternative delivery channels for their delivery of existing products and services. Rural banking sector not growing up to mark because of fewer tendencies to open an account in banks and same time's unpaid loan taken by farmers as well as villagers. So in rural banks, CRM is too important to make a healthy relation among banks and village peoples.

1.5 Needs of CRM in agriculture loan provides by rural banks

1. A good CRM make a healthy relation among banks and farmers and make them loyal.
2. We know Indian's maximum farmers takes loan from villagers and relatives with high interest, a good CRM may reduce to the tendency of take loan from relatives and same time makes them confidence to loan from banks with low interest. A good CRM may reduce farmer's loan burden and also reduce to commit suicide.
3. ICSSR report say more than 80% agriculture loan is un paid , so a good CRM may helps to collect this dues amount and make profit which helps to banks sustain in market.

1.6 Regional Rural Banks- Overviews

Regional Rural Banks are local level banking organizations operating in the different States of India. They have been created with a view to serving primarily the rural areas of India with basic banking and financial services. However, RRBs may have branches set up for urban operations and their area of operation may include urban areas too. The area of operation of RRBs is limited to the area as notified by Government of India covering one or more districts in the State. RRBs also perform a variety of different functions. RRBs perform various functions in following heads • providing banking facilities to rural and semi-urban areas. Carrying out government operations like disbursement of wages of MGNREGA workers, distribution of pensions etc. • Providing Para-Banking facilities like locker facilities, debit and credit cards. Regional Rural Banks were established under the provisions of an Ordinance passed on September 1975 and the RRB Act. 1976 to provide sufficient banking and credit facility for agriculture and other rural sectors. These were set up on the recommendations of The M. Narasimham Working Group[1] during the tenure of Indira Gandhi's government with a view to including rural areas into the economic mainstream since that time about 70% of the Indian Population was of Rural Orientation. The development process of RRBs started on 2 October 1975 with the forming of the first RRB, the Prathama Bank with the authorized capital of Rs. 5 crores at its starting. 1976 five regional rural banks were set up with a total authorized capital Rs. 100 crore (\$10 Million) which later augmented to 500 crores (\$50 Million). The Regional Rural Bank was owned by the Central Government, the State Government and the Sponsor Bank (There were five commercial banks, Punjab National Bank, State Bank of India, Syndicate Bank, United Bank of India and United Commercial Bank, which sponsored the regional rural banks) who held shares in the ratios as follows Central Government-50%, State Government- 15% and Sponsor Banks- 35%. Earlier, Reserve Bank of India had laid down ceilings on the rate of interest to be charged by these RRBs. (source-Wikipedia)

1.7 Objectives of Regional Rural Banks:

The importance of the rural banking in the economic development is un explainable. As Mahatma Gandhi said “Real India lives in Villages,” and village economy is the backbone of Indian economy. Without the developing rural economy, the economic planning's objectives cannot be achieved. The real economy growth means decreases poverty, unemployment, and socio-economic backwardness. Regional Rural Banks (RRBs) are oriented towards meeting the needs of the weaker sections of the rural population consisting of:

- Small and marginal farmers,
- Agricultural laborers,
- Artisans,
- Small entrepreneurs,

- Mobilizes deposits from rural households

RRBs are expected to make credit available to rural households besides inspiring carefulness. Put it simple to ensure sufficient institutional credit for agriculture and other rural sectors. The Credit Delivery System:

- Grant of credit at cheap or concessional rates
- Lending to individuals belonging to weaker sections without checking the viability of the activity proposed to be undertaken.

1.8 Challenges to Implementing CRM in Rural Banks

In time to time importance of CRM is increase rapidly but a problem is that CRM challenges to implementation. Now we explain those challenges in short-

1. The first biggest challenges is that the measuring of CRM benefits.
2. Every organization believes in 80-20 approach, 80% profits come from 20% customers, but in case of rural farmers it's may break. If rural bank think about 80-20 approach and provides lower service to 80% customers as well as farmers, may bank face in danger.
3. Final and very importance challenge is that very difficult to understand, motivate and teach the rural peoples because of an educational factor.

1.9 Conclusion

A conclusion of the study has provided how much importance of CRM in agriculture loan by rural banks. Today is a competitive environment and it is very difficult to stay in the market. So a good CRM helps to find the customers and understand them and finally makes them loyal customers by providing right products and services at right times, through the right channel and at right cost. Finally, Needs of CRM in rural banks; especially in an agricultural loan is remarkable. A good CRM in rural banks helps to make a good relation with farmers which may help to collect dues agricultural loan and also a good CRM in rural banks may reduce to commit suicide of Farmers.

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