

Marketing Strategies of Public Sector Banks in HP

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Abstract

Marketing strategy is one of the most important areas that particularly need to be carefully examined by the policy makers of banks. This stems from the need to improve the performance and ensure sustainable growth of banks as competition in the banking industry intensifies. A sound marketing strategy becomes imperative for banks. It not only operate in an environment where service quality and financial returns are perceived as the essential criteria from customers' viewpoint, but they must also compete with conventional banks which are known to have better experience and expertise in the banking business. Banks now have a firm belief that effective marketing strategies applied in the bank reducing the cost of services provided to customers, and raise the quality of banking services provided, and to influence the response to the client alone can assure the future of banking business. The paper is review of marketing strategies prevalent in Public Sector Banks. In this competitive era, it is imperative that banks maintain a strong clientele. Thus the orientation of banks should be with a much wider focus in relation to consumer and market needs, and the consequent marketing strategies.

KEYWORDS: Marketing Strategies, Banking sector, Marketing, Marketing of financial products.

INTRODUCTION:

Indian banking is at cross roads today. With the deregulation and liberalization process in full swing, the consequent policy changes introduced in the Indian financial system in general and banking in particular are effecting unprecedented changes in its functioning. With the emerging changes did spring up new challenges of commercial viability, cost effectiveness and effective marketing strategy etc. The role of marketing strategies in the banking industry continues to change. For many years the primary focus of bank marketing was public returns. Then the focus shifted to advertising and sales promotion vis-a-vis the customer orientation is quite evident in today's banking activities. Consumers are the key factor in the market. The dictum "as the bank exists because of its customers. Thus, marketing constitutes the key strategy for banks to retain good customers and also anticipate their future demands. Many banking organizations are today applying effective marketing strategies to achieve organizational success for long time survival.

Banks are now required to cope up with stiff competition in business and also the complex regulatory norms regarding capital adequacy and provisioning. Thus, banks are forced to adopt various marketing techniques and strategies. Marketing in banks can be stated as a new phenomenon that is shaping well over the past few decades. This can be firmly said that well-designed marketing strategies are very important to promote banking services effectively. The role of the banking marketing strategies is to achieve competitive characteristic in banks as an important pillar for achieving the goals and success of these banks. The higher rates of knowledge to the marketing strategies of the human race have increased bank's elements of tangible and intangible assets that enable them to excel on banks that do not bother them and become the owner of the leadership

in achieving competitive characteristics that wants to clients. Thus the orientation of banks should be with a much wider focus in relation to consumer and market needs, and the consequent marketing strategies. While formulating marketing strategy, a bank should focus attention on (i) consumer sovereignty, (ii) attitude, (iii) responsiveness and personal skills of bank staff, (iv) revitalizing the marketing department, (v) top management support to the marketing department, (vi) participation of marketing personnel in key bank decisions.

Liberalization has really changed the banking industry. It is no longer enough for banks to just manage money efficiently; they also have to manage customers, who now have a wide choice of alternatives. The future promises to be even more exciting, interesting and challenging, thanks to technology and latest strategies that banks are adopting. No longer will banks, or any large organization, treat customers as a group and segment them into just some demographic and psychographic profiles. The Internet has enabled us to talk to each customer as an individual, with different needs and requirements.

Marketing strategy is a method of focusing an organization's energies and resources on a course of action which can lead to increased sales and dominance of a targeted market niche. A marketing strategy combines product development, promotion, distribution, pricing, relationship management and other elements; identifies the firm's marketing goals, and explains how they will be achieved, ideally within a stated timeframe. Marketing strategy determines the choice of target market segments, positioning, marketing mix, and allocation of resources. It is most effective when it is an integral component of overall firm strategy, defining how the organization will successfully engage customers, prospects, and competitors in the market arena of corporate strategies, corporate missions, and corporate goals. As the customer constitutes the source of a company's revenue, marketing strategy is closely linked with sales. A key component of marketing strategy is often to keep marketing in line with a company's overarching mission statement.

MARKETING STRATEGIES OF BANKING INDUSTRY:

Banking Industry is one of the most important service industries of the Indian economy. Its service is unique both in social and economic point of view of a nation. Earlier the attitude of banking service was that it was not professional to sell one's services and was unnecessary in the sense that traditional relationships and quality of products were sufficient to carry forward the tasks. Before the mid 1950's the banks had no understanding or regard for marketing.

In the late 1950's that marketing in banking industry emerged in the west. Its emergence was in the form of advertising and promotion concept. At that time, personal selling could not get a significant place. Gradually there was a change in the attitude of bankers, probably in time with the attitudinal change in customers. The idea of customers' satisfaction began in the late 1950's, flourished in 1960's and became an integral part of the banking services in the 1970's. But the same trend could not be applicable, especially in developing countries and to be more specific in India because of socioeconomic and political reasons.

Marketing came into Indian banks in the late 1950's not in the form of marketing concept but in the forms of advertising and promotion concept. Soon it was realized that marketing transcends advertising and friendliness. Till 1950 it was recognized that personal selling was not necessary. The bankers went out of their way to avoid being

accused of selling. The bankers even eliminated the word 'selling' and they called the function of customer contact 'business development function'.

To understand how banking services can be marketed better, one must examine banking as service industry, in the content of a swiftly changing environment, redefine marketing to suit a banker's needs, analyze how the marketing of financial services differs from that of other products, identify the tasks involved there in and set forth a series of steps for effective bank marketing. When modern managers the world over are busy having their marketing skills, bankers in India can ill-afford to shrug it off and keep away from global changes in banking which are in favour of "Optimal satisfaction of customers' wants and creation of customers for novel products". As a matter of fact competition was not in existence. On the one side of the fence was the State Bank of India alone, which is enjoying Government, ownership and on the other side was private Commercial Banks, local by orientation, primarily servicing the interest of the controlling business houses. Therefore neither the State Bank nor the others cared much for the public. Furthermore, their service is confined to a limited range of services which included Current Accounts, Term Deposit Accounts and Savings Bank Accounts in Deposit Area.

It was the phase of class banking and even the communication through the media was looked down upon with contempt as something against the tenets of banking culture. Even the advertisements released till 1966 were very few. After nationalization of 14 major commercial banks in 1969, banking system in India is no longer the exclusive preserve of a few Industrial Houses or business families and has become a very important instrument of socio-economic changes.

Banks were product oriented organizations, placing before the prospective customer their range of services, expecting him to choose, presuming that the customer had the knowledge, time, interest and skill to pick out the services that would suit him. The first major step in the direction of marketing was initiated by the State Bank of India in 1972, when it recognized itself on the basis of major market segments, dividing the customers on the basis of activity and carved out four major market segments. They are commercial and institutional segment, small industries and small business segment, agriculture segment and personal and services banking segment. The new organizational framework embodied the principle that the existence of an organization primarily depends up on the satisfaction of customer needs. The hallmark of the reorganized setup was customer orientation. It aimed at

- Having a total view of customers' needs.
- Meeting the identified needs in the best possible manner.
- Identification of potential customers, and
- Conducting activities at the branches on the basis of carved out market segments instead of job wise.

By 1974, the environment became more demanding with the emphasis on mass banking and canalization of credit into priority areas and lending at differential rates of interest to the weaker sections of the society. This placed strains on the profitability of banks which led to keen competition, which is detrimental to the banking system in the ultimate analysis. This time even though banks were talking of marketing, they were essentially selling. A notable change during the period was related to two major components, that is product and promotion. The other two 'Ps' that is price and place were highly controlled by central banking authority. Banking began to offer profit security regular income, retirement benefits, money for marriage of the daughter, education for

growing children etc. It was in the early 1980's that banks realized that marketing was more than that. They started thinking in terms of product development, market penetration and market development. Moreover banks also accelerated the process of equipping their staff with marketing capabilities in terms of both skill and attitude through internal and external training. Through the continuous modification and rectification in banking and implementation of financial sector reforms as per the recommendation of the committee on Financial system the functioning of banks in India has undergone dramatic changes.

RESEARCH DESIGN:

To understand how banks formulate strategies and its implementation in banking services to make effective in its operation, one must examine banking as service industry. In the content of a swiftly changing environment, redefine marketing to suit a banker's needs, analyze how the marketing of financial services differs from that of other products, identify the tasks involved there in and set forth a series of steps for effective bank marketing.

RESEARCH GAP:

Based on the above information it was felt that the research is conducted in the areas of banking performance, comparative study between public and private sector banks, pricing strategies, communication strategies, product strategies etc but there is no research is conducted by covering comprehensive strategies relating to banking business.

Therefore it is considered as a research gap and taken as a study topic to cover the above gaps and to bring out a detailed study in the above mentioned topic.

SCOPE OF THE STUDY:

The public sector banks and old private sector banks who command over 80% market share in the banking industry must seize this opportunities in big way and respond aggressively to market demand if the growth in banking has to accelerated. So, after awareness of all new challenges and opportunities, banks have to focus on no. of trends like the reach and value that banks offered to customers, its technological convenience, the high cost of intermediation leading to change in progress, yet to gain momentum, consolidation through mergers and acquisitions. To overcome these challenges banks adopted many marketing strategies like E-banking, product differentiation, reform banks as supermarket, use customer guidelines to form new strategies, use information technology in service sectors and in this regard respondent's opinions were gathered.

NEED OF THE STUDY:

The research is to evaluate of the banking sector in India has primal importance due to intense competition, and changing banking reforms. This research is very important because in today scenario there is strong competition in public and private sector banks. It's very important for us to know which sector is performing well and what are the marketing strategies adopted by banks (public sector or private sector).

OBJECTIVES OF THE STUDY:

- 1) To evaluate the perception of customers or customer satisfaction level regarding the available marketing practices of Banks.
- 2) To analyse the attitude of bank officials towards the current marketing practices followed by the selected Public Sector Banks.
- 3) To identify the problems experienced at different levels and recommend suggestions to strengthen the marketing practices and strategies of Public Sector Banks.

METHODOLOGY AND SAMPLING:

i) Methodology:

Application of appropriate methods and adoption of scientific procedure is a sign of systematic enquiry. This has an important bearing on the collection of reliable and accurate information as well as on the outcome of the study.

ii) Sampling :

A sample of 600 customers and 50 banking personnel has been taken at stratified random sampling covering all categories viz. bank employees, managers, customers covering from different banks from both the sector banks were considered. The sample covers all the levels of the customers viz., small, medium and large.

iii) Data Collection:

Data has been collected from both primary and secondary sources. To do the research personal visit in the banks was done. A structured questionnaire was circulated to the selected Employees of the banks in order to collect first hand information. This has been followed by personal interviews of informal nature and also with customers of the different selected bank of the study.

Data was collected through the techniques of schedule, interview and observation. One comprehensive schedule meant for investors was designed and the same was administered after pre testing in a pilot study. Interviews with the sample respondents took place at the times convenient to them. Personal interviews were conducted with all the respondents. The interviews were often prolonged & spread over multiple sessions.

Secondary sources of data were also used and they include record files, brochures and other published and unpublished material of the institutions as well as outside stock broking agencies. The enquiry is essentially in the nature of a qualitative study. Though the study has not used any advanced quantitative methods, a few statistical techniques like the following were used wherever necessary to make the data more precision and systematization.

STATISTICAL TOOLS:

To analyze and compare the study, various tools are been followed, out of which tools conveniently used for making analyses and interpretation of the data are:

- T-test
- Chi square Test

Scoring and Measurement of variables:

The different items in the Schedule indicate different scale factors, i.e., variables. The different items relating to both the dependent variable and the intervening variables are provided on Likert pattern of 5-point scale and 3 point scale.

SCOPE OF THE STUDY:

Banks are very essential in present scenario for the growth of any country. The proposed study will be focused on the suggestions made with regard to improvement in marketing strategies of various banks in Himachal Pradesh. Suggestion for effective marketing practices is very essential for the development of the banking industry & the efforts have been made to improve the banking services in the state. The scope of the proposed study is limited to Himachal Pradesh only. The proposed study is confined to evaluate and examine the perception of customers or customer satisfaction level regarding the available marketing practices of banks and analyse the attitude of bank officials towards the current marketing practices followed by the selected Public and Private Sector Banks.

LIMITATIONS OF THE STUDY:

The study has some limitations, these limitations that need to be accepted and addressed regarding the present study.

- 1) The study is restricted to commercial banks located in Himachal Pradesh only. This research study was time bound and due to this only a few aspects of the problem were taken up for study.
- 2) Most of the data will be collected through questionnaire and some time customers and bankers (bank employees) concern authorities are not willing to fill up questionnaire due to more workload on them.
- 3) Most of the data are collected from urban customers only. Rural customers are not covered under study and still they are the important part of overall banking system.
- 4) When the data will be collected through observation and interview method the customers and employees are not in a position to give the correct answer. Sample size of 300 Customers each from Public and Private Sector Banks and 100 bank officers' each from Public and Private Sector Banks is relatively small to make the study very comprehensive.
- 5) Due to lack of time and resources the study was conducted only in three districts of Himachal Pradesh i.e. Shimla, Solan and Mandi.

Despite of these limitations, all precautions have been made in order to make its impact negligible on the research results and findings.

SOCIO ECONOMIC PROFILE OF RESPONDENTS:

Employees and customers both have a very significant role in influencing the effective functioning of an organization. The quality of services by the organization and the consequent image or goodwill created in the eyes of public at large depends on the efficiency with which the personnel perform the tasks.

In view of the significant role of personnel in the effective functioning of organization, it would be fruitful to examine and understand their socio-economic characteristics that influences, in a large measure of, their behavior and performance. Therefore, an attempt is made in this section to present the socio-economic profile of selected employees and customers of selected Banks of three district of the Himachal Pradesh viz., Shimla, Solan and Mandi.

1. During the study 79.3% of the male and 20.7 female respondents have participated in the sampling process.
2. The majority of the customers responded in the sampling process was above the age group of 35 years from all the selected banks.
3. Basing on the marital status of the customers 54% of the respondents were married and remaining 46 % were unmarried.
4. Educational qualifications of most of the respondents are graduate i.e. 75%..
- 5 Most of the customers (51%) are from Govt. service

6. Majority (46%) of the respondent's income are between ₹2,00,000 to ₹5,00,000 per month.

FINDINGS:

1. The mean score of customers regarding the Knowledge about the monthly interest scheme is 4.063. It is higher than the mean standard score 3 in five point scale table. It is observed that the majority of respondents have the knowledge about the Monthly Interest Scheme of the bank.
2. In terms of respondents' knowledge regarding the Insurance Linked Saving Bank Account is 3.376 which is more than the average standard score 3 in the five-point scale. So it can be inferred that most of the respondents have the knowledge of insurance linked saving bank account.
3. It is observed that the mean score of the responses relating to automatic extension deposit is 2.026 which is less than the mean standard score 3.
The mean score of the responses relating to automatic extension deposit is 3.400 which is more than the mean standard score 3. It can be inferred that public sector bank customers have a very good knowledge of automatic extension deposit.
4. While analyzing the respondent's knowledge regarding the loan schemes the mean score of the responses relating loan schemes is 3.456 which are few higher than the average standard score. So overall it can be said that customers of both sector banks leads to the positive conclusion.
5. It is quite clear from the study that the customers of public sector banks have a good knowledge regarding the currency exchange scheme. The mean score of the responses regarding the currency exchange scheme is 2.143 which is less than the average standard score.
6. It is also noted that the mean score of frequency of using internet banking and tale-banking are 4.240 and 4.236 respectively which are higher than the mean standard score. The variation in the respondent's opinion is valued at .619 in case of internet banking and .634 for tale-banking. Frequency of using internet banking and tale-banking of the respondents ranges between very high to high.
7. In case of public sector banks, with respect to the responses relating to electronic bill payment the mean score is 4.150 which is higher than the average standard score 3 on the five-point scale. The standard deviation is .704 and skewness is -.914 which shows that opinion ranges between very high to high.
8. When views about the e-cheque were taken the mean score is 2.746 which are slightly lower than the average standard score. The variation in opinion is recorded at 1.186.
9. So far as the awareness level of the customers belonging to the private sector banks is concerned the awareness level relating to Account Handling Charges is 3.810 which is higher than the average standard score 3 in the five point scale.

SUGGESTIONS:

In view of the above discussion and findings, the following recommendations will be useful to the banks for effective marketing of their services for better delivery to customers which in turn increases performance by patronage towards the bank and improves the customer loyalty.

1. Banks should embark, from time to time on marketing research. This is because of effective marketing strategies are a product of marketing research. Thus, good and adequate marketing mix is a product of effective marketing research too. Marketing research will bring about innovation, better services for customer and better method of production and processing.
2. In adopting marketing strategies, banks should also compare other banks and other sector banks success and the failure of such strategies in the industry.
3. It indicates public sector banks equally offers all the modern banking services but only needs to generate more users through providing effective responses of customers dilemma through direct communication at the point of sales, which helps to better inform and educate the customers.
4. Public banks need to improve their layout, physical facilities, banking hours, speed in operations, and reduced paper work.
5. Nowadays most of the young generations are self earning, so they prefer best banking services. So, all the bank categories could inform and attract such potentials by adopting highly explored media such as internet, cinema, mobile, sports, and digital hoardings as promotional strategy.
6. As per the finding, customers with different income & occupation having different expectations as they are differently satisfied, banks can provide customized products & services to them.
7. Improved Internet connectivity is very essential for the successful use of innovative products and services such as internet banking, electronic fund transfer, electronic bill payment, e-cheque and e-investment. The banking industry therefore, needs to ensure regular internet connections with sustained power supply for increasing customer satisfaction.
8. As a strategy the banking authorities can form separate banks for female customers by separate slots for them for female and if possible employ female staff for better conversation & response.
9. The management of the banking institutions should be transparent and follow the laid down rules so as to create and sustain public confidence. This will definitely increase savings and in turn improve the level of economic growth.

SCOPE FOR FURTHER STUDY:

The main purpose of the study is in turn indicates the gap between what is known and what is unknown. The present study being exploratory seems to provide the basic infrastructure by providing an understanding of the various marketing strategies of selected public sector banks. The study also provides suitable methodological base which can be useful for further research. One important area is behavior aspect of the customers. The customer's behavioral aspect in banking sector with particular reference to products and services needs to be studied. As it evident from the study, the functioning of public banks is not that encouraging. If these problems are studied at length means and ways can be identified to make the banking operation in public sectors will be more meaningful and useful to the society. Such an approach is believed to be conducive for promoting appropriate banking culture

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