

## **A Study on Marketing Strategies of Banks with Special Reference to the Public Sector and Private Sector Banks in Himachal Pradesh**

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### **Abstract**

Nowadays, marketing of banking services has become very important owing to stiff competition among the various sector banks. Therefore, the policy makers of banks have started taking into consideration the marketing strategies of the banks while formulating the banking policies. Generally, the marketing strategies operates in an environment where service quality and financial returns are perceived as the essential criteria. Today's banks have become more competitive and always look for reducing the cost of services provided to customer and raise the quality of banking products and services. The paper seeks to evaluate the marketing strategies of both Public Sector and Private Sector Banks in H.P. In this competitive era, it is imperative that banks maintain a strong clientele. Thus, the focus of banks should be the consumer and their needs, and the marketing strategies must be customer oriented.

**KEYWORDS:** Marketing Strategies, Banking Services, Marketing Practices.

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### **1.1 MARKETING OF BANKING SERVICES**

We are living in a world dominated by the new idea economy, ticking to the beat of time, where customers are quality conscious, price conscious and time conscious. The challenges in this millennium for the banking industry are enormous.

The globalization of financial markets has gained additional momentum as a result of liberalization programme and adoption of new technologies. The period of last five decades has witnessed many economic developments in India. The financial sector reforms, especially banking reforms made a departure from regulated banking to market-oriented banking. Undoubtedly, the banking sector is the core of the financial sector of Indian economy. The role of commercial banks is particularly important in developing and underdeveloped countries.

Marketing concept is a customer-oriented philosophy which states that customer's satisfaction is the economic and social justification of firm's corporate existence. These philosophies hold that the bank should be customer oriented, strive for profitability, sales volume and coordinate all its marketing activities. Marketing management however is the vehicle that business uses to capture the marketing concept. Marketing management as unifying approach marshalling and directing the total resources of a business firm towards the determination and satisfaction of a customer and consumer wants in a way planned to enhance the firms' overall profit position.

Where the marketing concept is recognised, there is a total change in the basic philosophy of business. Instead of trying to sell what can be produced. Management produces what is really needed by the customer though profit criterion is there. The element of serving and keeping the customer satisfied are equally important to the bank. By realizing that it is not merely selling a particular product but particular need of a customer is satisfied effectively.

## 1.2 OBJECTIVES OF THE STUDY

The objectives of this study are spelled out as under:

- 1) To analyse the comparative marketing practices adopted by Public and Private Sector Banks.
- 2) To analyse the attitude of bank officials towards the current marketing practices followed by the selected Public and Private Sector Banks.
- 3) To identify the problems experienced at different levels and recommend suggestions to strengthen the marketing practices and strategies in the Banking Sector.

## 1.3 SCOPE OF THE STUDY

The proposed study is focused on the suggestions made with regard to improvement in marketing practices of various banks in Himachal Pradesh. Suggestions for effective marketing practices are very essential for the development of the banking industry. The scope of the proposed study is limited to Himachal Pradesh only. The study is undertaken to evaluate and examine the perception of bank officials towards the current marketing practices followed by the selected Public and Private Sector Banks.

## 1.4 SOURCES OF DATA

The research plan can call for gathering secondary data as well as primary data. The secondary data are data that are collected for other purpose and already exist somewhere. The secondary data provides a starting point for research and facilitates the comparison of the research with the existing data. The primary data are data gathered for a specific purpose or for a specific research project. The analysis of present study is based on primary as well as secondary data. More emphasis has been laid on primary data.

## 1.5 DATA ANALYSIS AND INTERPRETATION

### MARKETING STRATEGIES ADOPTED BY THE BANKS

**Table 1.1**

**Comparative Study of marketing strategies adopted by the banks**

Marketing Strategies adopted by the bank	Public Sector Bank			Private Sector Bank		
	Yes	No	Total	Yes	No	Total
Product	31 (62)	19 (28)	50 (100)	39 (78)	11 (22)	50 (100)
Price	35 (70)	15 (30)	50 (100)	42 (84)	8 (16)	50 (100)
Place	39 (78)	11 (22)	50 (100)	25 (50)	25 (50)	50 (100)
Promotion	43 (86)	7 (14)	50 (100)	37 (74)	13 (26)	50 (100)

*Source: Various Questionnaires from the Respondents*

From the above table 1.1 it is clear that there are 62 percent of the bankers in public sector banks who adopt product regarding strategies. 70 percent bank executives have the view that they are adopting price as the marketing strategy tool. 78 percent bank executives felt that they are focusing in place as the marketing strategy. 86 percent bank executives opined that they are adopting promotion as the marketing strategy (4th in ranking).

In case of private sector banks 78 percent bank executives opined that they adopt marketing strategies related to product. 84 percent bank executives viewed that they adopt price related marketing strategy. 25 percent bank executives opined that their marketing strategies are related to place. 37 percent bank executives viewed that they are adopting marketing strategy related to place.

### 1.6 MOST INFLUENCING MARKETING STRATEGY CONSIDERED BY THE BANKS

**Table 1.2**

**Comparative Study of most influencing marketing strategy**

Most influencing marketing strategy	Public Sector Bank		Private Sector Bank	
	Number of respondents	Ranking	Number of respondents	Ranking
Product	35 (70)	3	32 (64)	2
Price	32 (64)	4	37 (74)	1
Place	39 (78)	2	25 (50)	4
Promotion	44 (88)	1	28 (56)	3

*Source: Various Questionnaires from the Respondents*

The above table 1.2 reflects that all the bank executives of public sector banks are opined that out of total respondents in public sector banks, most of the bank executives felt that marketing strategy adopted by their banks are promotion (1st in ranking). 39 bank executives have the view that place as the most influencing marketing strategy tool (2nd in ranking). 35 bank executives felt that they are focusing in product as the marketing strategy (3rd in ranking). 32 bank executives considered price as the most influencing marketing strategy (4th in ranking).

In case of private sector banks 37 bank executives considered the marketing strategies related to price (1st in ranking) as one of the influencing marketing strategies. 32 bank executives viewed that product related marketing strategy is the most influencing (2nd in ranking). 28 bank executives considered promotion related marketing strategies as most influencing (3rd in ranking). 25 bank executives viewed marketing strategy related to place (4th in ranking).

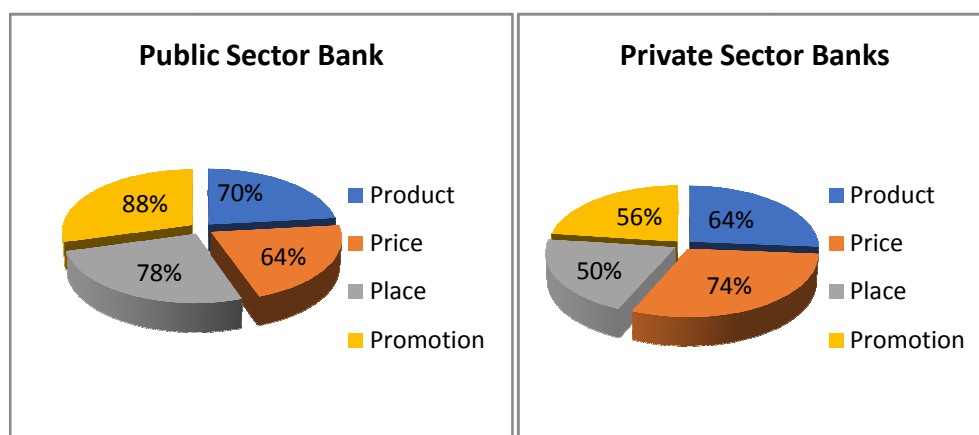


Figure 1.1

### 1.7 VARIABLES CONSIDERED AT THE TIME OF LAUNCHING NEW PRODUCT IN THE MARKET

It is necessary to find out opinion of respondents regarding the various variables like attractive features, lucrative interest rates, flexibility in nature and diversification etc. Keeping in mind this objective, the following questions were put before the respondents from both sector banks.

Table 1.3

Comparative study of Variables considered for launching new product

Variables	Public Sector Bank				Private Sector Bank				t value
	$\bar{X}$	$\sigma$	Ske.	Kurtosis	$\bar{X}$	$\sigma$	Ske.	Kurtosis	
Attractive Features	2.060	.585	-.004	.066	2.260	.664	-.712	-.712	43.438
Lucrative Interest Rates	2.780	.418	1.394	-.061	2.340	.658	-.659	-.659	13.515
Flexibility in Nature	2.336	.525	.156	-1.038	2.480	.504	2.078	-2.078	7.808
Diversification	2.300	.462	.900	-1.241	2.340	.478	1.580	-1.580	4.840

Source: Various Questionnaires from the Respondents

As it is clear from the table that official of both sector banks i.e. public and private sector bank are in the view that there are some factors which are generally taken in to account while launching the new product in the market. While comparing the mean score of both sector banks, the mean score of attractive features is 2.060 lucrative interest rates 2.780 flexibility in nature 2.336 and diversification is 2.300. As

in case of private sector banks mean scores for attractive features is 2.260, lucrative interest rates is 2.340, flexibility in nature is 2.480 and diversification is 2.340 respectively.

But on comparing the data of both sector banks, we can say that standard deviation is more in all cases of private sector banks for attractive features, lucrative interest rates and diversification i.e. .664, .658 and .478, then the public sector banks i.e. .585, .418 and .462. However standard deviation is more of public sector bank for flexibility in nature with the value .525. At last, it can be said that the mean value of both sector banks inclined towards the favorable side of the average mean.

### 1.6 FACTORS THAT DIFFERENTIATE THE PRODUCT FROM OTHER BANKS

It is important to find out whether employees are appointed at right place, and equally important to know whether their jobs are changed at frequent intervals. The purpose of including this question was to make study more meaningful as it is a known fact that it is highly essential for managers to differentiate the product from other banks so that they could easily position their product easily in the market.

**Table 1.4**

**Comparative study of the factors that differentiate the product from other banks**

Variables	Public Sector Bank				Private Sector Bank				t value
<b>By easy processing</b>	1.980	.473	-.068	1.836	2.200	.648	-.243	-.623	6.808
<b>By Providing maximum returns</b>	2.720	.453	-1.011	1.021	2.320	.471	.796	1.425	-4.820
<b>By maintaining low risk</b>	2.720	.496	-1.521	1.439	2.160	.618	-.107	.371	-7.340
<b>By flexibility</b>	2.360	.525	.156	1.038	2.440	.501	.249	2.020	13.436

*Source: Various Questionnaires from the Respondents*

As it is clear from the table that officials of both sector banks hold the opinion that creating a product that is different from the other banks is important. In order to make sure that the product of one bank stands out from the other banks there are some ways whereby the products are differentiated. As depicted from the above that by way of easy processing, by providing maximum returns, by maintaining low risk and by flexibility various banks seek to differentiate product or services from other banks. The above table shows that in case of public sector banks the mean score of easy processing is 2.720, providing maximum returns is 2.320 maintaining low risk is 2.160 and flexibility is 2.440. As in case of private sector banks mean score of easy processing is 2.220, maintaining low risk is 2.160 and flexibility is 2.440 respectively.

Considering the whole, it can be said that in case of both sector banks the responses are more inclined towards the favorable side of the average mean.

## 1.7 OPINION ABOUT THE IMPORTANCE FOR THE PLACE/ LOCATION IN THE ESTABLISHMENT OF THE BANK

Table 1.5

Opinion about importance for the place/ location in establishment of the bank

Attributes	Public Sector Bank				Private Sector Bank				t value
	$\bar{X}$	$\sigma$	Ske.	Kurtosis	$\bar{X}$	$\sigma$	Ske.	Kurtosis	
Customer Identification	1.9800	.47337	-.068	1.836	2.200	.64807	-.243	-.623	-2.129
Business Growth	2.7200	.45356	1.011	-1.021	2.3200	.47121	.796	-1.425	4.667
Owning more share	2.7200	.49652	1.521	1.439	2.1600	.61809	-.107	-.371	5.034
Retaining and maximizing the customer	2.3600	.52528	.156	-1.038	2.4400	.50143	.249	-2.020	-1.273

Source: Various Questionnaires from the Respondents

It is observed that both the public sector and private sector banks the majority bank officials have admitted that the location of their banks has a very significant role in the establishment of the bank. In case of public sector banks the mean score for various attributes in 3 point likert scale for customer identification, business growth, owning more share and retaining and maximizing of customer are 1.9800, 2.7200, 2.7200 and 2.3600 respectively with the skewness of -.068, -1.011, -1.521 and .156.

In case of private sector banks the mean score for these attributes are 2.200, 2.3200, 2.1600 and 2.4400 respectively with the skewness -.243, .796, -.107 and -.249.

The above analysis clearly shows that on comparing the standard deviation of both sector banks we find that the value of standard deviation are more of private sector banks in all cases, except the value for retaining and maximizing the customer, i.e. .52528 which is more of public sector bank.

### 1.8 STATUS OF COMPUTERIZATION IN VARIOUS SECTOR BANKS FOR PROCESSING FINANCIAL DATA

Table 1.6

Status of computerization in banks for processing financial data

Attributes	Public Sector Bank				Private Sector Bank			
	Yes	No	UD	Total	Yes	No	UD	Total
Manual System	00 (0)	50 (100)	00 (0)	50 (100)	00 (0)	50 (100)	00 (0)	50 (100)
Computerized System	36 (72)	14 (28)	00 (0)	50 (100)	42 (84)	8 (16)	00 (0)	50 (100)
Both	14 (28)	36 (72)	00 (0)	50 (100)	8 (16)	42 (84)	00 (0)	50 (100)

Source: Various Questionnaires from the Respondents

It is observed that in case of public sector banks the majority, i.e. 36 bank officials have admitted that their bank is fully computerized. The table, 5.7 indicates that 14 bank officials opine that their bank is partially computerized and only 4 percent admit that their bank is going to be computerized. It is further observed that none of the banks are using manual system.

The above analysis clearly shows that in case of private sector banks the majority of the bank officials i.e. 44 bank officials have admitted that their banks are using computerized system and 6 bank officials opined that they are using both manual and computerized system. The above table also indicates that none of the bank executives opined that their banks are using manual system for processing financial data.

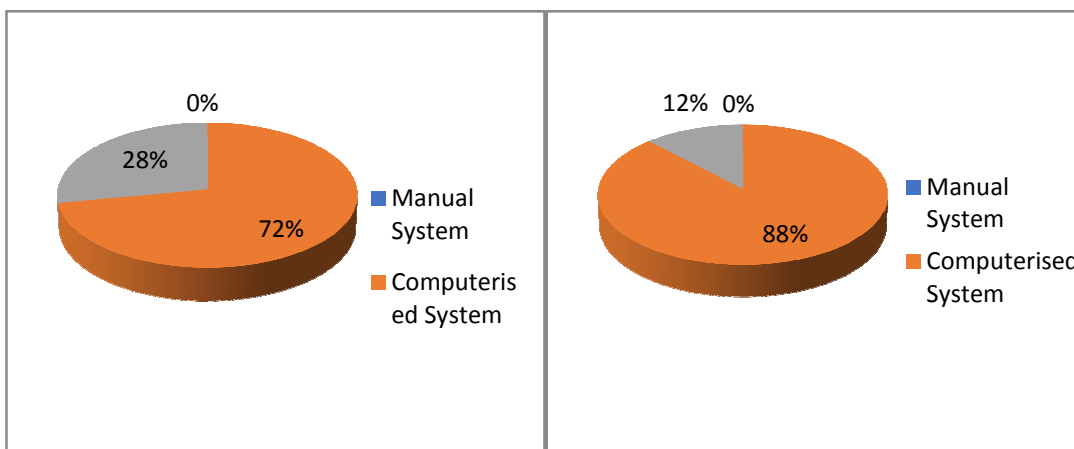


Figure 1.2

From the Figure, 1.2it is clear that in case of public sector banks the majority of the respondents opined that 72 percent are fully computerized, 28 percent banks are adopting both computerized and manual system for processing financial data. Only 4 percent banks are using manual system. Whereas in case of private sector bank majority of the respondents i.e. 88 percent banks are fully computerized and 12% banks are using partially computerized and partially manual system of banking for processing financial data. None of the private sector banks are using manual system for this purpose.

**1.9A COMPARISON OF SATISFACTION LEVEL OF EMPLOYEES WITH THE EXISTING JOB FACILITY**

**Table 1.7**

**A Comparison of satisfaction level of employees with the existing job facility**

Statement	Public Sector Bank				Private Sector Bank				t value
	$\bar{X}$	$\sigma$	Ske .	Kurtosis	$\bar{X}$	$\sigma$	Ske .	Kurtosis	
Present Salary	2.1600	.84177	.753	.350	2.3400	.77222	.703	.268	2.272
Other benefits like pension, retirements, gratuity, bonus etc.	3.0400	.87970	-.080	-1.727	2.1800	.84973	.679	.168	-6.143
Your job	2.5600	.78662	.711	.568	2.5000	.93131	.237	.797	.903
Promotion Policy	2.6600	.82338	.261	-.753	2.2800	.80913	.400	-.101	4.030
Job Pressure and workload	2.3400	.89466	.002	.065	2.2600	1.04608	-.106	-1.479	.418
Opportunity to enhance job skills	2.5600	.86094	.007	-.577	2.1800	.84973	.471	-.172	3.060
Bank training programs and seminars	2.1200	.93982	.521	-.517	2.3200	.95704	.176	-.867	-2.475



Opportunity for employees decision making	2.5000	.90914	.170	-.724	2.1800	.82536	.555	.082	3.466
Restructuring of bank organisation automation	2.3400	.89466	1.04	1.758	2.2400	.87037	.857	1.208	1.093

*Source: Various Questionnaires from the Respondents*

A clear view of table 1.7 portrays the fact that public sector banks executive are least satisfied with the present salary against the mean of 2.1600 and skewness of .753. Even the satisfaction level of the public sector bank executives for other benefits like pension, retirements, gratuity, bonus etc. is below the average mean i.e. 2.18 and skewness of .679.

Maximum satisfaction is shown towards satisfaction level of the public sector bank executives for other benefits like pension, retirements, gratuity, bonus etc. against the mean score of 3.0400 and skewness of -.080, followed by job (2.56, .786), opportunity to enhance job skills (2.56, .007) and opportunity for employees decision making (2.50, .170).

In case of private sector banks the mean scores are 2.3400, 2.1800, 2.5000, 2.2800, 2.2600, 2.1800, 2.3200, 2.1800 and 2.2400 against the skewness .703, .679, .237, .400, -.106, .471, .176, .555, and .857 respectively.

Thus, a clear cut disparity could be seen in case of both sector banks for the satisfaction level of employees regarding their existing job facility.

### 1.10 FACTORS BEING CONSIDERED WHILE FORMULATING PROMOTIONAL STRATEGIES

**Table 1.8**

**Factors being considered while formulating promotional strategies**

Statement	Public Sector Bank		Private Sector Bank	
	No. of Respondents	Ranking	No. of Respondents	Ranking
Becoming a market leader by introducing new innovative products	40 (80)	2	47 (94)	2
Just follow other banks	12 (24)	5	6 (12)	5
Do some modifications in your existing schemes as per market needs	42 (84)	1	44 (88)	1
Remove the existing schemes which are rendered inefficient	22	4	20	4

or costly to the bank	(44)		(40)	
Feedback received from your branches on different aspects	37 (74)	3	43 (86)	3

Source: Various Questionnaires from the Respondents

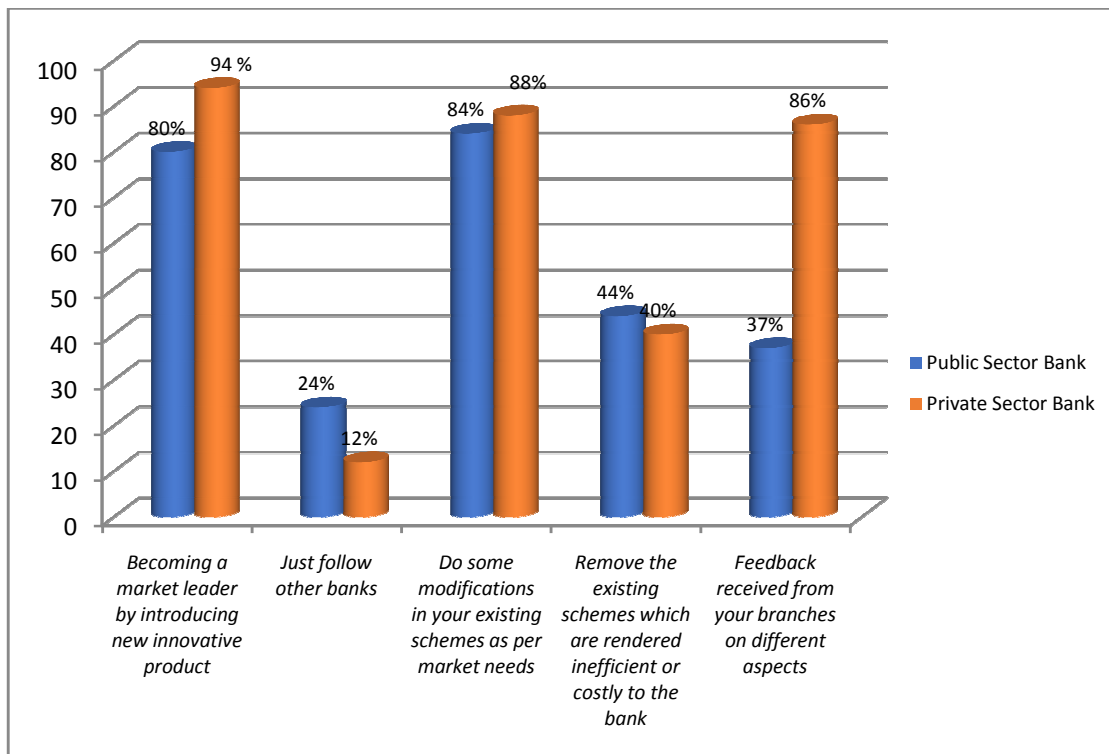


Figure 5.10

The analysis of bankers on the basis of factors being considered while formulating promotional strategies depicts that out of total respondents in the public sector bank 42 bankers considered that some modifications in the existing schemes as per market needs (1<sup>st</sup> in ranking), 40 bank executives have considered that becoming a market leader by introducing new innovative products (2<sup>nd</sup> in ranking), 37 respondents have considered that feedback received from your branches on different aspects (3<sup>rd</sup> in ranking) Remove the existing schemes which are rendered inefficient or costly to the bank (4<sup>th</sup> in ranking), 12 bankers have considered just follow other banks while formulating own banks promotional strategy (5<sup>th</sup> in ranking).

In case of private sector banks on the basis of above analysis 47 respondents have considered that becoming a market leader by introducing new innovative products is the main factor in their promotional strategies (1<sup>st</sup> in ranking), 44 bankers have considered that some modifications in existing schemes as per market needs (2<sup>nd</sup> in ranking), 43 bankers have considered that they will formulate the strategies on the basis of feedback received from different branches on different aspects (3<sup>rd</sup> in ranking), 20 bankers have considered the to remove the existing schemes which are rendered inefficient or costly to the bank (4<sup>th</sup> in ranking), 6 bankers have felt that just follow other banks (5<sup>th</sup> in ranking).

## 1.11 CONCLUSION AND RECOMMENDATIONS

Banks in India prior to new economic policy was protected by government and was having assured market due to almost state monopoly in banking sector. However, under the new environment Indian banks need to reinvent the marketing strategies for growth. In India geographical development is not even throughout the country, there are fully fledged urban areas covering the metropolitan cities. On the other hand, there are underdeveloped rural areas too. For effective bank marketing, a different approach for different areas is required. In urban areas customer service is of paramount importance as the level of literacy and, therefore, awareness of people is more.

In a state like Himachal Pradesh where most of the populations live in rural areas Banks need to devise such strategies that cater to the rural folk only. In the rural areas for bank marketing personalized banking will go in long way. Due to cut throat competition and new entrants, the banks have enforced to undertake speedy changes in their operations to maintain the market share. They are using new and innovative services to retain and maintain their customer base but in comparison of urban areas they are focusing more on rural areas and providing services like merchant banking, insurance, mutual fund, any time anywhere banking etc. to their customers apart from borrowing and lending.

The recommendations to the banks are that they have to increase the level of customer satisfaction regarding the banking services. Because customer perception towards the various banking services have been seen in the literature. There are following strategies that should be applied by banks:

1. Banks should strive to strengthen the customer relationship and move towards "Relationship Banking." As customers are increasingly moving away from traditional branch banking.
2. As social media is one of the most important platforms to get connected to the wide array of customers. There are various social media platform for banks to market their services. Therefore, banks must grab the opportunity to enlarge their market share through this platform.
3. Banks should aggressively market their retail products and adopt retail banking in order to tap the huge market potential.
4. Banks must provide better products and services and at low cost which the traditional banks can't provide. So, they need to expand their base of internet banking to have more sophisticated customers.
5. Banks should ensure that financial transaction through online banking is as safe and secure as traditional banking.
6. Banks should organize seminar and conference to educate the customer regarding uses of online banking as well as security and privacy of their accounts.
7. Banks should take complaints as feedback from customers, as these highlight areas of weakness in bank's service which calls for some change or improvement. Therefore, earnest efforts should be made to redress the grievances and more important than this is to make them know of the efforts that the bank has taken in this direction.

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