



COMPARATIVE STUDY OF MARKETING POLICIES ADOPTED BY PUBLIC AND PRIVATE SECTOR BANKS IN INDIA

1Chandra Mohan Sharma, 2Vipin Kumar Bagria

1Research Scholar, Department of EAFM, University of Rajasthan, Jaipur-302004

2Research Scholar, Department of EAFM, University of Rajasthan, Jaipur-302004

Abstract:

Marketing Policy become more crucial when they are executed to design, distribute and promote banking services. The present study is descriptive in nature and takes out significant differences in the promotional strategies adopted by private and public sector banks in India. The study shows noteworthy results and opinions of customers, which can be very useful for designing effective promotional strategies for banks. The study reveals remarkable facts connected with customers' perception about promotional tools of both sectors' banks and also about the most effective tools to promote banking services.

Keywords: Indian Banking Sector, marketing policy, Customer Satisfaction.

ISSN : 2278-6848



© International Journal for
Research Publication and Seminar

1. Introduction

The competitive environment in the banking sector is likely to result in individual players working out differentiated strategies based on their strengths and market niches. For example, some players might emerge as specialists in mortgage products, credit cards etc. whereas some could choose to concentrate on particular segments of business system, while outsourcing all other functions. Some other banks may concentrate on SME segments or high net worth individuals by providing specially tailored services beyond traditional banking offerings to satisfy the needs of customers they understand better than a more generalist competitor. To be strengthened to ensure transfer of funds on real time basis eliminating risks associated with transactions and settlement process. Banks will have to adopt global standards in capital adequacy, income recognition and provisioning norms. Risk management setup in Banks will need to be strengthened. Benchmark standards could be evolved. Regulatory set-up will have to be strengthened, in line with the requirements of a market-led integrated financial system. Banks will have to adopt best global practices, systems and procedures. Banks may have to evaluate on an ongoing basis, internally, the need to effect structural changes in the organization. This will include capital restructuring through mergers / acquisitions and other measures in the best business interests. IBA and NABARD may have to play a suitable role in this regard.

The results of the study highlights that the banking sector in India is still vulnerable to crises. Even though there were remarkable changes in banking sector intended to improve the efficiency of the sector, the banks are still vulnerable to the financial crisis. The growths of NPA, growth



rate before and after financial crisis are the indicators of its vulnerability. Reforms should be further strengthened to improve the financial stability of banking sector. The vulnerability of banking sector is not desirable for the growth of economy, hence require precautionary measures. The lessons from banking sector which are not affected by the financial crisis should be incorporated into the banking sector. More researches are desirable which investigates the methods to reduce the vulnerability in the banking sector. Collectively, this paper provides some indicators which can show the effect of financial crisis in banking sector. NPA is an important factor that still prevails as an alarming signal for banking growth and survival. There are other various other indicators like credit-deposit ratio and other by which the performance of the banking sector can be analyzed in the era of global crisis. The high level of competition in the market, increased awareness and quality consciousness of the people, changing social values, increasing emphasis on good corporate governance, etc. have influenced the changes in the environment in a significant way. The 21st century will bring about all-embracing convergence of computing, communications, information and knowledge to radically change the business of banking. The growth of high speed networks, coupled with the falling cost of computing power, is making possible applications undreamed of in the past. Voice, data, images, and video may now be transferred around the world in microseconds. Not only has technology transformed the internal accounting and management systems of banks, it has also fundamentally changed the delivery systems they use to interact with their customers. However, the quest for newer and better technologies continues as worldwide, banks look for ways to meet the challenges and opportunities of a rapidly-changing environment. They recognize that without the right technology, they cannot hope to remain globally competitive. The present study investigates Sustainable Banking Strategies adopted by Indian banks by reviewing the last decade performance of scheduled commercial banks in India. The development of banking sector and its stability is essential for the overall development of the economy. The stability of banking sector is determined on the basis of its performance and quality of assets. This study examines the various issues of the NPA's and asset quality aspects of Indian scheduled commercial banks of public and private sector. The Indian banking sector underwent structural changes during post liberalization era with the implementation of prudential norms for income recognition, provisioning and asset classification. The banking sector is going to implement Basel III according in the near future. The study has been conducted by using data available for the period 2000-2011. A notable result is the financial stability of public and private sector banks showed a tremendous improvement by way of minimizing the level of NPA's i.e. sub-standard, doubtful assets, loss assets. In the process of Globalization the role of banks plays an important role to protect the Public money in one hand and to improve the quality standards in terms of management of funds, minimization of non-performing assets, asset liability management, spreads on the other. The introduction of new economic policy, prudential norms by Reserve Bank of India since 1991 in Public and Private Sector Banks facilitated a progressive



improvement in implementing best prudential practices. This paper presents an analysis of progressive and qualitative improvement in Public and private sector banks in terms of quality of Assets. In order to bring the Indian banking and finance system will be globally Competitive. For this the market players will have to be financially strong and operationally efficient. Capital would be a key factor in building a successful institution. The banking and finance system will improve competitiveness through a process of minimization of non-performing assets and efficient and effective funds management.

2. REVIEW OF LITERATURE

In financial services, people are primarily bothered about security of their funds and default risks. After the year 1969, the deposits of banks increased more than 80 times as a result of the nationalization of banks. Paul Cox, (2007) revealed a fact that financial service providers are not perceived highly trusted, so that they might have difficulty in selling risk-based products. The effort to promote banking business is quite distinguished affair. At present, it has become very tricky due to the changing trends of industry, increasing competition and efficiency of regulatory environment, and the financial system. The complexity in the banking services is also an issue of vital importance. This is the time when banks are offering new and innovative services, frequently in the market. The content of promotional tools should help the customer in making most valuable decision. This can be firmly said that well-designed promotional strategies are very important to promote banking services effectively. In marketing any product or service, customer satisfaction has been given the prime importance. The most frustrating aspect of bank marketing are lack of management support, lack of inter-departmental cooperation, crisis management, government intrusion and advertising & media problems. Sarin & Anil (2007) recommended that manpower in service organisations must work with the focus of satisfying the customer. Banking should bring out the areas requiring improvement and which further throw light on the measures to improve the quality of services. Promotional packages are very important for financial service industry. Thus the orientation of banks should be with a much wider focus in relation to consumer and market needs, and the consequent marketing strategies. The challenges put forth by the changing environment have to be effectively tackled to identify the consumer needs and providing valuable services through product innovation (Nair Raman, 2006). In banking the temporal and spatial dimensions are perceived as more important than traditional dimensions based on outcome and process elements (Kristina Heinonen, 2006). Tokunbo Simbowale (2005) examined the usage of marketing concepts & techniques and recommended that a well-structured marketing department in banks is essential for profitability & effectiveness. A study by Krishna, recommended that promotional strategies should be designed as per the nature of the services to be promoted. The advertisers should seek a narrative approach to communicate the service experience rather than a logical, argumentative approach. Narrative approach involves storytelling methodology using sequence of events. Location convenience, speed of service, competence and friendliness of bank personnel are also the most



important points with maximum value in banking services. revealed that about 90% of the respondents banked at the branch nearest to their home place and place of work. Convenience, in terms of location, was also found to be the single most important factor for selecting a branch. It has been generalized in the studies that services marketing advertisement is more challenging than the advertising of tangible products (Ray and Bose, 2006). Winning new customers costs 10 times more than simply holding onto existing ones. The case should be taken in the marketing of financial services very seriously.

3. Marketing policy of the banks:

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 (Kumar Ashok, 1991).

4. Objectives of the study

With the same perspective, the prime objectives of the study are:

- (i) To know about the various promotional tools of Private and Public sectors banks in India.
- (ii) To make a comparative analysis of customers' perception for promotional strategies of private and public sector banks in India.
- (iii) To find out the key promotional tools for banking services on the basis of customers' responses.

5. Research Methodology

The present study is descriptive in nature, which is based on empirical evidences in the form of primary data. The data collection has been done from 300 customers presently availing banking services. The respondents were approached with systematic random sampling where every 3rd visitor was approached when he/she was coming out of the bank after availing the service. The response rate was found to be 65%. The branches of the banks have been selected out of the representative districts of the states near to Delhi and NCR (National Capital Region) on judgment bases for making the samples true representatives. The study includes the customers of 10 leading banks out of which 5 are from public sector (SBI and Associates, PNB, CBI, OBC and Bank of Baroda) and 5 from private sector (ICICI, HDFC, AXIS, IDBI, Kotak Mahindra Bank). A structured questionnaire has been used for collection of data comprising open and close-ended questions. Likert scale has been used as a scaling technique in the questionnaire. Structured interviews have been taken of 2-2 employees of the above stated banks for getting the



initial information about the promotional strategies adopted by leading private and public sector banks in India.

6. Data Analysis and Interpretation

The responses have been captured in a scale of 5 to 1 from strongly agreed to strongly disagree. Similarly in other questions '5' is for very effective and '1' is for not at all Effective. Table 1 show that the promotional strategies of private and public sector banks are almost similar. Both types of banks take the help of almost all type of media to promote their services. The first objective of the study deals with the analysis of the promotional strategies adopted by both. The analysis is done on the basis of review of existing literature and with personal contact and informal interview with the personnel of the private and public sector banks. The major difference in the promotional strategies adopted by banks is in the two techniques of the promotion and they are "Personal Selling" and "Direct Marketing". The difference is that public sector banks do not adopt the strategies of promotion as personal selling and direct marketing; on the other hand the same are adopted by private sector banks. The reasons for this are high reliability and less profit orientation of public sector banks. Public sector banks do not go for innovative strategies of promotion, however they go for interactive marketing through internet but that is not promoted so much like private sector banks. This has been demonstrated that the respondents in the present study are mixed and are seem representative, they include – farmers (19%), shopkeepers, students (31%), highly (23%) as well as low educated (25%) persons. The maximum respondents (48.33%) were availing the services of Saving Accounts, which is followed by current account service holders (28.33), only few are availing the service of fixed deposits (11%) and Loans (7%). The loan takers also include the students in the form of education loans.

Most of the respondents answered that they were influenced by Friends and Relatives (42%) for choosing the services from a particular bank. This is the power of "word of mouth". This shows that the impact of opinion leadership and reference group is very much in banking services however advertising (21%) also affects the decision of selecting a particular bank. The difference between public and private sector banks is known to the maximum number of people (85%). Gives a clear idea about the question related to the perception of customers about private and public sector banks the results are not so surprising. People think that the advertisements and promotional efforts of private sector banks are more effective than public sector banks with a weighted mean score 3.51 for 5. The respondents strongly agreed that Private Sector Banks do more advertisement than Public Sector Banks (3.81). Further, one more aspect, that is very important in the case of services and especially in financial services i.e. truthfulness, and completeness in advertising. The respondent looks agree with the statement that the information provided by Public Sector Banks is more reliable than private sector banks because that is truer and complete (3.62).



This has been narrated in Table that private sector banks are slightly better in catching the awareness of people than Public Sector Banks in mass media advertising. 69% respondents accepted that they have exposure of advertising on television and 61% of advertising in newspapers in case of private sector banks. However in the case of public sector banks it is 66% and 52% respectively. Table gives descriptive idea about the exposure of various promotions. In outdoor advertising and online marketing, private sectors banks are again more successful to spread awareness than public sector banks, but the total awareness level has stayed low. In public sector banks 21% of the respondents were accepted that they have an exposure of outdoor advertising while the respondents for it in case of private sector banks were 28%. As online marketing is not so much adopted by public sector banks only 7% customers have the exposure of the same, while for private sectors banks the exposure of respondents is 17%. Telecalling and personal selling did not show high exposure. Almost 26% people are exposed to telecalling. Another important aspect has been discussed in Table. When customers were asked about the most effective tool for promotion of banking services, very meaningful results have come. The most effective tools in respondents' opinion is advertising on television with weighted mean value 3.84 and advertising in newspapers was at second place (3.59). This is followed by personal selling (3.43) and advertising in journals and magazines (3.26). Advertising on Television has been given the first rank and Publicity (2.25) is given the last. However there is no so significant variability in the factors if we move from one. The variability as per standard deviation is 0.5274.

Table 1: Marketing Policy by Public and Private Sector Banks

Marketing tools	Public sector bank	Private sector bank
Advertising in newspapers	Yes	Yes
Advertising in television	Yes	Yes
Personal selling/personal contact	No	Yes
In journals and magazines	Yes	Yes
Tele calling by sales persons	No	Yes
Outdoor advertising hoardings etc.	Yes	Yes
Schemes/gifts/prizes for customers	No	Yes
Public relations/events/programmers'	Yes	Yes
Online marketing/E-Mail	Yes but few	Yes
Pamphlets/Propaganda	No	Yes
Letter/Mail/ with Relevant	No	Yes



material		
Publishing News in Newspapers	Yes but few	Yes

Source: Interview of bank employees

Table 2: Demographic Factors of Respondents

Variables	Respondents (No.)	Respondents (%)
Age		
Below 20	21	7
20-30	126	42
30-45	63	21
Above 45	90	30
Gender		
Males	213	71
Females	87	29
Income		
Below 10000 PM	81	27
10000-15000	97	32.33
15000-20000	69	23
Above 20000	53	17.67
Education		
Below metric	77	25.67
Higher secondary	58	19.33
Graduation	95	31.67
Post graduation	70	23.33
Occupation		
Farmers	56	18.67
Shopkeepers	95	31.33
Salaried	81	27
Professionals	26	8.66
Students and others	42	14

Source: primary data

Table 3: The Most Effective Promotional Tools for Banking Services

Ranks	Name of the Promotional Tool	Weighted Mean Score (Out of 5)
1	Advertising on Television	3.84



2	Advertising in Newspapers	3.59
3	Personal Selling/Personal Contact	3.43
4	In Journals and Magazines	3.26
5	Tele Calling by Sales Persons	2.89
6	Outdoor advertising Hoardings etc	2.85
7	Schemes/Gifts/Prizes for Customers	2.85
8	Pubic Relations/Events/Programmes	2.66
9	Online Marketing	2.59
10	Pamphlets/Propaganda	2.32
11	Letter/Mail with Relevant Material	2.29
12	Publicity	2.25
	Standard deviation	.5274

Source: primary data

7. Conclusion

Promotion has different aspects for different industries, products and services. Its final goal is to communicate positive word of mouth among existing and potential customers about the corporate, product and service. In banking the customers must be ensured that services provided by a particular bank have been designed to give them maximum value of their money. In brief, it can be said that in India wherever the dilemma of private and public sector comes always two things are considered. Public sector is more reliable but not so good in the quality and innovativeness. Private sector is not considered so reliable, there may be hidden charges in the services and false and misleading information in the advertising but they are better in the service quality. Private sector banks must be more true and reliable first. They have to win the hearts of the customers, after that they will be able to win minds as well. In traditional tools of promotion both sectors' banks are almost same. Private Sector banks are adopting more push strategies to attract and catch the customers. This creates the difference between promotional strategies adopted by Public and Private Sector Banks.

9. Scope for Future Research



The study is related to the districts of Haryana, which are near to Delhi and NCR. The future researches can be conducted by taking other areas as population. The same can be tested in National Capital Region. A comparative analysis of Semi-Urban areas and NCR can be done of promotional strategies. The future researches may include public, private, foreign banks exclusively on the same topic. As information technology is now entering into villages and semi urban areas also, the scholars may concentrate on carrying out research on direct marketing and Internet marketing tools as well as Internet advertising of banking services. Further the various components of promotional mix can be studied exclusively.

References:

- Ananda S. and Murugaiah V. (2005), “New Marketing Dimension for Financial Services Industries.” Indian Journal of Marketing, Vol. 35, pp. 34-38.
- Berry L, Kehoe, W J, Lind green J H, (1980), “How Bank Marketers View their Jobs”, The Bankers’ Magazine (USA), Vol. 163, pp. 35-40
- Kristina, Heinonen (2006), “A Conceptual Framework of Online Banking Services” Journal of Financial Services Marketing; Vol. 12, pp. 39-52.
- Kumar, Ashok (1991), “Marketing Strategies in the Banking Sector”, IBA Bulletin, Vol. 6, pp. 13-14.
- Larches M, Rosenblatt, J A and Manning T (1986), “Services Used and Factors Considered Important in Selecting a Bank: An Investigation Across Diverse Demographic Segments”, International Journal of Bank Marketing, Vol. 4 (1), pp. 35-55.
- Median A (1976), “Branch Manager’s Attitude on Bank Objectives and Operations”, Proceedings of the European Academy of Advanced Research in Marketing Conference, France, pp. 215-228.
- Nair V Raman (2006) “Marketing of Financial Services by Commercial Banks in Karla”. The Isfahan Journal of Management research, Vol. 5, pp. 66-78
- Paul Cox (2007), “Should a financial service provider care about trust: Study of retail saving and investment allocations” Journal of Financial Services Marketing; Vol.12, pp.75 – 87.
- Ray Subtasks, Suchetana Bose (2006), Strategizing Advertisements in Services Sector; Marketing Mastermind. Vol. 3, pp. 23-29.
- Sarin Anil (2007), “Contemporary Issues in Services Marketing.” Indian Journal of Marketing. Vol. 37, pp. 40-44