

# Marketing Strategies of Commercial and Co-Operative Banks and Role of Banking in Haryana

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**Abstract:** In present study we have tried to assess the new products and services available from the banks to the customers in Haryana, to ascertain the impact of information technology on the bank deals in Haryana, to ascertain the marketing strategies adopted by the bank branches in Haryana for marketing their products and services, to examine the extent of acceptance of the banking products and services by the customers in Haryana, and to evaluate the attitude of the bank personnel vis-a-vis. customers towards marketing of new products and services of banks.

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## 1. INTRODUCTION

In post-independence India, in order to facilitate improvements in agricultural production and attain food self-sufficiency, the stance of policy was to ensure sufficient and timely credit at "reasonable" rates of interest to as large a segment of the rural population as possible (Rangarajan 1996). The strategy to achieve this was threefold: expansion of the institutional base, directed lending to disadvantaged borrowers, and credit provision at concessional rates of interest. The latter was justified in terms of the perceived mismatch between the longer term returns of farm investment in relation to cultivator households' short term consumption needs and requirements to service the loans. Fisher and Sriram (2006) identify three post-independence phases in rural credit provision. First, the 1950's up to the mid-1960's when cooperatives were the institutional vehicles of choice; second, the 1970's and 1980s when attention shifted to commercial banks and RRBs and third, the reform period in the early 1990's which saw the restructuring of the banking system, the emergence of SHGs and a growing number of MFIs. In terms of scale, spread, costs, risks, and the inter-temporal nature of credit markets, financial institutions and agents in India face formidable challenges in meeting the diverse financial service needs of the country's rural population. The present rural financial infrastructure comprises a wide variety of formal, semi-formal and informal financial service providers, with distinctive cultures and characteristics. The number of organisations and agents is very substantial : 33,553 rural and semi-urban branches of

commercial banks, 13,932 rural and semi-urban branches of Regional Rural Banks, 1.09 lakh primary cooperatives, 1,000 NGO-MFIs and around 20 MFIs registered as companies (Section 25) and nearly three million SHGs. Even more numerous are the myriad of informal agents constituting a great range of financial service providers across the country. Different segments of the financial infrastructure have not developed uniformly or simultaneously, and their relative standing in terms of government policy and intervention has changed over time. Moreover, financial institutions have themselves influenced government policy (Jones 2006). In the following paragraphs, an attempt is made to trace the forces and compulsions that have led to the development of particular rural financial institutions in the country, to outline the changing fortunes and shares of these different systems, to show the present gap between rural financial needs and provisions, and to assess policy options to reduce this gap through institutional development, linkages and reform.

### 1.1. Evolution of Commercial Banks

The foundation for building a broad base of agricultural credit structure was laid by the Report of the All-India Rural Credit Survey (AIRCS) of 1954. The provision of cultivator credit in 1951-52 was less than 1% for commercial banks. In the report it was observed that agricultural credit fell short of the right quantity, was not of the right type, did not fit the right purpose and often failed

to go to the right people. With a view to give an impetus to commercial banks, particularly, in the sphere of investment credit, the nationalization of the Imperial Bank of India and its redesignation as the State Bank of India (SBI) was recommended.

### **1.2. Growth in Outreach 1951-91**

From the position prevalent in 1951-52, commercial banks came a long way with a substantial spread of 32,224 branches in rural and semi-urban areas comprising 68% of their total outlets as on 31 March 1991. The outstanding deposits of such branches at Rs.67,855 crore as on the same date constituted around 35% of their total deposits, while loans outstanding at Rs. 43,797 crore comprised 36% of outstanding credit. The agricultural advances of the commercial banking system aggregated Rs. 16,687 crore and constituted 14% of total advances in March 1991. The rural and semi-urban branches of commercial banks covered 17.6 crore deposit accounts while the number of loan accounts serviced aggregated 3.7 crore.

### **1.3. Growth during 1991-92 to 2003-04**

The period since 1991-92 has seen a fairly rapid expansion of credit to agriculture. Available data indicate that the flow of credit to agriculture by commercial banks and RRBs taken together increased to Rs. 60,022 crore in 2003-04. This implies a compounded annual growth rate of 22.2%. In fact, as compared with commercial banks (including RRBs), the flow of credit from the cooperative sector was much slower through this period. The compounded annual growth rate of credit for agriculture from cooperative institutions was only 13.7%. Further, the proportion of agriculture credit to total credit came down because of the rapid growth in nonagriculture credit. The Government took some major initiatives during the period to boost agriculture production and productivity through enhanced credit flow and by way of building agricultural infrastructure, particularly irrigation and connectivity in rural areas. Special Agricultural Credit Plan (SACP) was introduced by RBI for Public Sector Commercial Banks in 1994-95. Credit growth for agriculture and allied sectors under this caption reflected a CAGR of 36.45% during 2001-02 to 2005-06. SACP has since been extended to Private Sector Commercial Banks from 2005-06. The SHG – Bank Linkage Programme was started as a pilot project by NABARD in 1992. It led to the evolution of a set of RBI approved guidelines to banks to enable SHGs

to transact with banks. Initially there was slow progress in the programme up to 1999 as only 32,995 groups were credit linked during the period 1992 to 1999. Since then the programme has been growing rapidly and the cumulative number of SHGs financed increased from 4.61 lakhs on 31 March 2002 to 10.73 lakhs on 31 March 2004 and further to 29.25 lakh groups as on 31 March 2007.

Rural Infrastructure Development Fund (RIDF) was set-up in NABARD by Gol during 1995-96 with an initial corpus of Rs.2000 crore, to accelerate the completion of on-going projects of rural infrastructure. Banks which did not fulfill the priority sector credit requirement and agriculture credit mandate were required to contribute to this Fund. The fund has been strengthened every year with additional allocations in the Union Budget. A large number of irrigation and rural connectivity projects could get completed under RIDF. RBI scaled down its contribution to the Rural Credit funds with NABARD to a token amount of Rs.1 crore per annum since 1993-94. However to enable NABARD to have reasonably strong leverage for accessing market funds, the share capital of NABARD was strengthened and increased to Rs.2000 crore (paid up) from Rs.100 crore at the time of its formation in 1982. Contributions to enhanced share capital have come from Gol and RBI. By prudent funds management, the institution has also built a strong base of reserves and has been using it in its business operations judiciously to keep lending rates to rural financial institutions at significantly lower than market costs.

### **1.4. Developments – Post 2003-04**

Since 2003-04, there has been a substantial increase in the flow of credit to agriculture through commercial banks. Disbursements have increased from Rs. 52,441 crore in 2003-04 to Rs. 1,16,447 crore in 2005-06, reaching an annual growth of 43% each year. As envisaged in the Gol's strategy for "doubling of credit", 95 lakh new farmers have been brought under the institutional fold and 1,383 agri-clinics opened. Commercial banks have also played a major role in the promotion of the SHG - bank linkage movement with more than 11.88 lakh groups being linked to banks for provision of credit. Reforms in the commercial banking system include removal of procedural and transactional bottlenecks including elimination of Service Area Approach, reducing margins, redefining overdues to coincide with crop cycles, new debt restructuring policies, one time settlement and relief measures for farmers indebted to non-institutional sources.

## **2. RESEARCH METHODOLOGY**

### **DATA COLLECTION**

Data was collected as primary data directly from customers and bank personnel. As the banking industry is the service oriented industry that's why customers will be given more focus. Data was collected from 450 bank customers and into consideration the fact that the bank personnel are directly dealing with the customers on behalf of the bank, primary data was collected from 270 bank personnel also. In addition to primary data, secondary data were collected from reports of govt, departments and govt, agencies

### **SELECTION OF SAMPLE**

It is felt appropriate to select 3 districts of Haryana giving due consideration to the geographical location and the availability of the rural, urban and semi-urban population. Data was collected from Kurukshetra, Gurgaon and Sirsa districts. Branches and collection centers of **The HARYANA State Cooperative Apex Bank Limited (HARCO)**, Private commercial banks and nationalized banks were selected to collect data from their customers and employee. Customers and bank personnel were selected from rural, urban and semi-urban centers giving equal representation for all four districts.

### **TOOLS FOR DATA COLLECTION**

Data was collected in two separate interview schedules designed for the study after a pre-test. The schedule initially developed for the study with a view to collect data from bank customers will be pre-tested among 30 bank customers selected from rural, urban and semi-urban centers. Similarly the schedule for bank personnel will also be pretested among 15 bank personnel chosen from rural, urban and semi-urban bank branches.

### **ANALYSIS**

The data collected was statistically tested by employing tools like weighted average and chi-square test.

### **LIMITATION**

Due to lower literacy rate in HARYANA, banking industry was not able to attain popularity for the new products and services introduced for marketing. Bank personnel were also not an exception to the general nature of low awareness of the features and feasibility of the new

products. However, earnest and sincere efforts will be taken to seek the co-operation of the respondents concerned under the sample by convincing them of the importance and relevance of the study and providing clarifications to their queries.

### **DELIMITATION**

The present study is delimited to the Banks customers and personnel of three districts representing only Haryana. The results and conditions may be different in other states of country.

## **3. CONCLUSIONS**

- Majority of Bank personnel, as evidenced by the present study was from clerical category (66 per cent). In southern region, clerks constituted 74 per cent of the total respondents from bank personnel which formed the highest group. As far as the total service of the bank personnel were concerned more than 54 per cent of the respondents from bank personnel came under the category of 20 years and above.
- Regarding the educational qualification of respondents from bank personnel, 67 per cent possessed bachelors' degree in one subject or other and 25 per cent had post graduate degree also. Regarding technical education, 95 per cent did not have any such qualification at all.
- Regarding respondents from bank customers, 82 per cent were male respondents. As far as occupation of the customers were concerned 43 per cent was from business and 35 per cent from private service and only 1 per cent from agriculture.
- For the convenience of the present study, products and services were divided into different categories. They were deposits, international banking, consultancy, advances, other products and miscellaneous. All commercial and co-operative banks had all types of deposits except NRI deposit. RBI has not yet permitted Co-operative banks to deal with NRI deposits.
- Under the category of International banking two products were identified for analysis. They were letter of credit and foreign currency. 14 per cent of bank personnel covered under the study responded that they dealt with letter of credit. In location-wise there was wide variation in business of letter of credit. Business of letter of credit was highest in urban areas

and was only one per cent in Rural bank branches. In region wise, Central region came first in the business of letter of credit.

- 53 per cent of the bank personnel covered under the study revealed that they dealt with foreign currency. In region-wise analysis also it is found that in the business of letter of credit and foreign currency, Central region made substantial dealings.
- In location-wise and region-wise, bank personnel covered under the study responded that products and services covered under the category of 'consultancy' got very poor response from customers in Kerala.
- Important products and services analysed under the category of advances were term loan, bill discounting, advances, for import and export, secured loan and unsecured loan. The study revealed that among the advances term loan was the most acceptable product to customers in Kerala,
- Location-wise analysis of advances for import and export trade, bank personnel covered under the study revealed that highest dealings of this product was in semi-urban area. In region-wise it was in the central region where maximum transaction of this product occurred.
- In the case of secured loan, location-wise analysis revealed that it was in urban area that maximum transactions occurred. Region wise analysis disclosed that Southern region came first in dealings of this product.
- Products studied under the category of 'other products' were factoring, loan syndication, higher purchase and leasing. The study revealed that these products have not yet created a ripple in Kerala.
- Important products studied under the heading 'miscellaneous' were lockers, credit card, debit card, collection and standing instructions. Location wise analysis revealed that it was in urban area the maximum use of these products occurred. In region-wise analysis it was found that lockers, collection and standing instruction were the products which were in high demand and among the regions, Southern region came first in its use. In the case of debit card and credit card these transactions have not yet created a serious impact on banking business in Kerala.
- Training is an act of increasing the knowledge and skill of an employee for doing a job. Study has been conducted to see how far marketing training has been provided to bank personnel, which disclosed

that among the three categories of the bank personnel and their training in bank marketing, there was statistically significant differences. Further the chi-square test brought out the fact that there was no significant relation between training in bank marketing with the location of the bank or the region where bank was existing.

- Even though majority of bank managers had undergone training in marketing service, bottom level employees, i.e. clerks of the bank who directly interacted with customers, received only nominal training.
- The study conducted to see the market potentiality of bank services pointed out that there was no highly potential area for marketing bank services. It was mainly due to the fact that Kerala is one of the highly banked states in India.
- Among the new products introduced by the banks, on the basis of weighted average score, high acceptance was to credit card both in location wise and region wise.
- Marketing depend heavily on effective communication which flew between the producer and consumer. Chi-square test revealed that statistically significant relation existed in both location-wise and region-wise with mode of communication. Majority of bank personnel covered under the study disclosed that personal contact

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