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REVIEW ARTICLE

MARKETING STRATEGIES ADOPTED BY COMMERCIAL BANKS

Marketing Strategies Adopted By Commercial Banks

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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. The strategy to achieve this was threefold: expansion of the institutional base, directed ending to disadvantage 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 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 1980's when attention shifted to commercial banks and RDBs and third, the reform period in the early 1990's which saw the re-structuring 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 organizations 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 registered as companies 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. 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 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 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, 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 non agriculture 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 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. 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 lakh on 31 March 2002 to 10.73 lakh 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 GoI during 1995-96 with an initial corpus of Rs. 2000 crore, to accelerate the completion of ongoing 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 from Rs. 100 crore at the time of its formation in 1982. Contributions to enhanced share capital have come from GoI 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 GoI'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 SHG-bank linkage movement with more than 11.88 lakh groups being linked to banks provision of credit. Reforms in the commercial banking system include removal of procedural and non-procedural approach.

STATEMENT OF THE PROBLEM

As the society moves through the beginning of the 21st century the marketing concepts have to evolve and take new meaning. The traditional marketing concepts have focused on satisfying consumer needs and wants to meet organizational goals. But the changing marketing concepts are now focused on a third consideration, that is welfare of society. Through the cost of purchase, each of us supports the cost of marketing activities. During each purchase, large or small, a significant amount of the purchase price pays for marketing activities. In present study, we will try to analyze the changing marketing strategies and their role and impact on society.

OBJECTIVES OF THE STUDY

Objectives of the present study are :

- To analyze the new products and services available in the banks.
- To assess the impact of information technology on the bank.
- To ascertain the marketing strategies adopted by the bank branches for marketing their products and services by the customers.
- To examine the extent of acceptance of the banking products and services by the customers.
- To evaluate the attitude of the bank personnel vis-à-vis. Customers towards marketing of new products and services of banks.

RESEARCH METHODOLOGY

4.1 DATA COLLECTION

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

data were collected from reports of govt, departments and govt. agencies.

4.2 SELECTION OF SAMPLE

It is felt appropriate to select 3 samples giving due consideration to the geographical location and the availability of the rural , urban and semi-urban population. Data will be collected from different branches and collection centers of COOPERATIVE BANK LTD an apex bank, Private commercial banks and nationalized banks will be selected to collect data from their customers and employee. Customers and bank personel will be selected from rural , urban and semi-urban centers giving equal representation.

REVIEW OF RELATED LITERATURE

Literature on marketing bank services is abundant. But this works are general in nature indicating mostly the governmental policies and their commitment towards the operation of banks only. However, few of the studies are reviewed here , as they would facilitate a clear backing for carrying out the present study.

An exhaustive study was conducted by Rajeev K. Seth in 'Marketing of Banking Services'. A major aspect of his study is the concept of psychological ownership and its relevance in bank marketing and an approach for developing customer satisfaction, product packages and need for local touch.

Bank marketing emphasized marketing wise and product development in banking . In this study stressed the importance of market segmentation which co-related to product development.

Murugesan D. in his paper, 'Role of Marketing in Banking Services' has examined about the banking services of Postliberalisation period. He emphasised how effectively banks could provide diversified service without complaining on profitability. Mousmi Ghosh in a case study highlighted the helplessness of a customer for availing service from a nationalized bank.

Bishwambhar Shah conducted a study on "Product Strategy for banking sector Post Liberalization Period" . In the study he analyses the various aspects of products strategy in relation to banking sector in India encompassing the performance of banking sector after liberalization, need for product strategy and constituents of product strategy.

Nagu Reddy K. and Ratnakumari S. conducted a study on the attitudes of borrowers towards credit lending system of Regional Rural Banks. The study was based on Rayalaseema Grameena Bank, Andhra Pradesh and it was found that Socio-economic status had significant association with all categories of borrowers without exception.

Asthana A.K. conducted a case study on "Marketing of Banking Services by the Mehsana Urban Co-operative Bank Ltd, Mehsana (Gujarat). The study was to identify the proper combination of marketing max in banking services. Though there are not any noticed studies with regard to marketing of banking services, no attempt has so far been made to analyze the marketing of banking services.

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