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MARKETING STRATEGIES OF COMMERCIAL AND CO- OPERATIVE BANKS

Marketing Strategies of Commercial And Co-Operative Banks

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Abstract – 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 and around 20 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.

INTRODUCTION

Banking Industry is one of the most important service industries which touches the lives of millions of people. Its service is unique both in social and economic points 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. The bank building was created in the image of a Greek Temple to impress the public about the importance of a bank. The interior was austere and the teller rarely smiled. Bankers maintained austere dignity and they hardly maintained friendliness.

It was 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 setting 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 socio-economic 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 realised that marketing transcends advertising and friendliness. Till 1950 it was recognised that personal selling was not necessity. 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. The bankers' attitudes and comprehensions about marketing changed in the 1960's. They began to realise that marketing was a lot more than smiling and friendly tellers. The idea of customer convenience began in the late fifties and it flourished in the 1960's. Bankers were beginning to understand the concept of market segmentation in the late 1960's. The bank marketing profession changed dramatically in the 1970's. Marketing positions in banks were created and marketing was accepted as an organizational imperative.

To understand how banking services can be marketed better, one must examine banking as a service industry, in the content of a swiftly changing environment, redefine marketing to suit a banker's needs, analyses 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 favor 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 were 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. In the area of advances, limits were sanctioned on the basis of security by way of lock and key accounts and bills, purchased limits, their miscellaneous services included issuance of drafts, collection of outstation cheques, executing standing instructions and lockers facility at a few centres. 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 nationalisation 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 changes⁵. Bankers, after nationalisation, woke up from their splendid isolation and found themselves placed in a highly competitive and rapidly changing environment with competition becoming fierce day by day. The traditional description hardly suffices today's needs. Due to this, banks approached towards customers and market underwent changes and focus was gradually shifted to marketing their products.

Even the economist's view that bankers are creditors of money and not mere purveyors of credit does little justice to the present-day bankers' pivotal role in our society. Today banks are virtually becoming "Financial Supermarket" for their customers. Banks were product oriented organisations, 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. Along with it, banks also became conscious of their corporate image and its projections and this introduced the public relations philosophy in banks with the purpose of image projection.

The first major step in the direction of marketing was initiated by the State Bank of India in 1972, when it recognised 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 organisational framework embodied the principle that the existence of an organisation primarily depends upon on the satisfaction of customer

needs. The hallmark of the reorganised 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
- 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 canalisation 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 realised 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. Starting from very conservative traditional banking where the service of banks was confined to a few in the society, now due to liberalisation and privatisation, a 'U' turn has taken place in Indian banking. The hallmark of the changed concept aimed at having a full view of customers' needs. That is, fulfilling the identified needs in the best possible manner by required service. These splendid changes have three phases. They are traditional banking period.

- development banking period,
- bank marketing period

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 want to meet organizational goals. But

the changing marketing concepts are now focused on a third consideration that is welfare of society. Emphasis is now being placed on how marketing affects the society as a whole in an age of scarce resources, environmental destruction and worldwide competition. This social orientation, questions whether satisfying customer needs serves the long term interest of society. Thus the new concepts referred to as the social marketing concepts, is a management philosophy that considers the welfare of society as well as the interest of the firm and its customers.

Marketing touches the lives of all members 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.

It should be noted that exchange is not automatic but it stresses that exchange is to be created. This entails that it is not enough if a producer creates a product but should also see to create market too for his product. Thus, marketing is a sophisticated and a complicated activity to be performed by the business as well as non-profit organization if at all they want to achieve their objectives.

To get success in the field of marketing, various policies must be adopted by the producer. Marketing mix is one of the important policies to be adopted by the producer for the same. In marketing, the producer first analyses the nature of the consumer's need and then plans his product to give satisfaction to the consumers. All the marketing efforts focus attention around the consumers' need. The managerial activity, therefore governed with the market and market behaviors to identify target groups of consumers through market information. Thus the management plans to meet the consumers' needs and to face competitions. All these programmes involve a number of functions, which are to be planned carefully. This includes market analysis, predictions and forecasting the needs of the public. Thus identification of demand and supply involves various functions of marketing to attain success in the market and the combination of these functions is known as marketing mix.

It is a fact that no two classes of customers are alike. Every customer, when he approaches a bank has entirely different expectations and intentions, A middle income man on the verge of retirement needs an additional source of income to supplement his income. So his focus will be on a monthly income deposit scheme. The investor cannot be wooed with anything less than the best market rate for his funds, for him a reinvestment scheme earning interest has to be designed and delivered. This is equally true for loaning and subsidiary services as well. Since it would not be flexible to expand business to cover all segments under a branch, some segments should be single not for special coverage. These segments and their

potential value will constantly undergo changes and the banker must be on hand to ensure that no viable worthwhile business slips through his hands due to his indifference.

REVIEW OF LITERATURE

Literature on marketing bank services is abundant. But these 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.

Saxena K.K. in his study 'Bank marketing emphasised marketing wise and product development in banking. In his study he 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 Post liberalization period. He emphasized 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 Liberalisation 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 liberalisation, 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 mix in banking services.

OBJECTIVES:

Objectives of the present study are:

1. To assess the new products and services available from the banks to the customers.
2. To ascertain the impact of information technology on the bank.
3. To ascertain the marketing strategies adopted by the bank for marketing their products and services.
4. To examine the extent of acceptance of the banking products and services by the customers.
5. To evaluate the attitude of the bank personnel vis-a-vis. customers towards marketing of new products and services of banks.

COLLECTION OF DATA:

The entire study was attempted on the basis of mainly primary data collected from customers and bank personnel. For all practical purposes unlike other states in India it is a unique phenomenon that for a study in banking, co-operative banks and commercial banks are not separated for the reason that a customer has equal chances to opt for the commercial bank and co-operative bank. The type of accounts inclusive of loan account in any branch of a cooperative bank or a commercial bank are of equal nature and status.

As the bank is service oriented industry, customer assumes greater focus and such being the case, data were collected from 900 bank customers. Taking into consideration the fact that the bank personnel are directly dealing with the customers on behalf of the bank, primary data were collected from 270 bank personnel also. In addition to primary data, secondary data were collected from reports of government, departments and government, agencies.

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 were pre-tested among 30 bank customers selected from rural, urban and semi-urban centers. Similarly the schedule used for bank personnel was also pretested among 15 bank personnel chosen from rural, urban and semi-urban bank branches.

LIMITATIONS:

It was noted during the period of collection of data that, Bank personnel were also not an exception to the general nature of low awareness of the features and feasibility of the new products. Such being the case, on many occasions there arose the need for explaining the terms used in the banking industry and used in the interview schedule, to the customers as well as bank personnel. In addition to these, there were initially, efforts from the part of bank personnel and the bank

customers to evade from providing answers to the questions raised. However, earnest and sincere efforts were 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.

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