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## **MARKETING OF BANK SERVICES IN COMMERCIAL AND COOPERATIVE BANKS**

# Marketing of Bank Services In Commercial and Cooperative Banks

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**Abstract – Banking industry is one of the most important service industry 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.**

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## INTRODUCTION

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. Till 1950, it was recognized that personal selling was not necessary. 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 realize 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 is a service industry, in the content of a swiftly changing environment, redefine marketing to suit a banker's needs, analyze 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.

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 the way of lock and key accounts and bills, purchased limits; their miscellaneous services included issuance of drafts, collection of outstation cheque, executing standing instructions and lockers facility at a few centers. 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 nationalization 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 changes. Bankers, after nationalization, 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 approaches 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 organizations, placing before the prospective customer the range of services, expecting him to choose, presuming that the customer has 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 recognized 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 organizational framework embodied the principle that the existence of an organization primarily depends up on the satisfaction of customer needs. The hallmark of the reorganized setup was customer orientation. It aimed at

- having a 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 canalization 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 components 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.

## STATEMENT OF THE PROBLEM

As the society moves through the beginning of the 21<sup>st</sup> 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 the 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 those programs 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, middle income man requires retirement needs, an additional source of income to supplement his income. So his focus will be on a monthly income deposit scheme. The investor can not think 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' emphasized marketing and product development in banking. In his study, he stressed the importance of market segmentation which co-related to product development. Murugesan, 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. 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 Ratna kumari S. conducted a study on the attitudes of borrowers towards credit lending system of Regional Rural Banks. Asthana A.K. conducted a case study on "Marketing of Banking Services by the Mehsana Urban Co-operative Bank Ltd. The study was to identify the proper combination of marketing mix in banking services.

## RESEARCH METHODOLOGY:

The customer of a bank today is most discerning. With banks operating in a buyer's market, the customer looks for a bank which can meet all his present and future requirements at an affordable competitive cost. He is also increasingly quality-conscious. Almost everyone would appreciate that no two classes of

customers are alike. Therefore in any environment relating to a bank's branch or region, the potential clients can always be classified into different homogeneous segments and distinct package judiciously offered to each segment. As Alan Roberts observes, "Market segmentation is the strategy of dividing markets in order to conquer them, a continuous policy of looking for differences, geographical or otherwise in the total market and the continuous exploitation of these differences'. Market segmentation differentiates customers with similar banking needs from those with dissimilar needs. If homogeneity is greater in needs and behavior of a group of customers then it is easier to understand them. In addition to that, segmentation provides a solid basis upon which the marketing strategy of a bank can be designed. Furthermore, segmenting the market also helps to evolve a distinctive marketing package for each segment based on the needs of different customer segment. This, in turn, helps the marketer to cultivate in the customer's mind a perception of psychological membership of bankers' offerings. A customer is more likely to have a feeling that the given marketing package has been specially designed for a person like him only, and not for everyone.

Marketing literature is teeming with information about the different basis on which market segmentation may be attempted. Some of the popular basis of segmentation is geographic, demographic, psychological, volume, benefit' etc. Geographic segmentation in the banking context, one may have variations like metropolitan, urban, rural, North- West, east, south, large city, small city on the basis of population, hill area, tribal area and desert area. By this segmentation, it is assumed that customers in a given geographic region would show a high degree of homogeneity in their banking needs.

Generally, geographic segmentation could be further extended on the basis of demographic segmentation of customers. Typical demographic parameters in use are age, sex, income, occupation education, social class etc. In India, geographic and demographic segmentation combined together are likely to yield far more homogeneous segments than either of them individually. Another more sophisticated criteria that a bank may use for segmentation is psychographic benefit parameters. Amongst psychographic parameters, one could use segmentation variables which reflect personality traits of customers like leader-follower types, extrovert-introvert types, and conservative-liberal types. This type of segmentation requires in-depth understanding of customer psychology.

Even then it may remain uncertain to what extent these personality traits actually determine customer needs and behavior. Because of these reasons,

psychographic segmentation may be very difficult to implement in banks.

## OBJECTIVES OF THE STUDY:

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 branches 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-à-vis. customers towards marketing of new products and services of banks.

## HYPOTHESES

1. Banking industry has introduced the new products and services on a large scale.
2. Information technology influences the banking business significantly.
3. Marketing strategies for the products are evolved and executed for attaining maximum monetary benefits to the banks.
4. The customers have not responded favorably to the new products and services of the banks.
5. Bank personnel and customers are apathetic to the new trends in bank marketing.

## COLLECTION OF DATA

The entire study was attempted on the basis of mainly primary data collected from customers and bank personnel. 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 is 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.

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