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REVIEW ARTICLE

A CRITICAL STUDY ON MARKETING OF FINANCIAL SERVICES IN PRIVATE SECTOR BANKS

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A Critical Study on Marketing of Financial Services in Private Sector Banks

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INTRODUCTION

A service can be described as the way in which we deal with our customer each time they have a 'service encounter'. This encounter is the direct interaction between the organization and one of its customers and can occur in one of many ways. For example, a bank customer who wishes to draw money from his account can do so in one of many ways. He can go to a branch and request the money from a cashier, he can go into the branch and use an ATM, or he can use an ATM situated in a remote location away from the branch of the bank. Each of these is an interaction with the organization, and the way in which the customer is dealt with during that interaction is important to the customer and the way he or she feels about the service.

The customer may be given something tangible to represent the service but, ultimately the purchase of service is the purchase of something intangible. Further, services are usually inseparable from the service provider. It is difficult to achieve standardization of output in services. In other words, services are usually designed around specific requirement of the individual customer. Now, services are perishable and cannot be stored. Finally lack of ownership is the basic difference between a service and a good. Customer has access to but not ownership of activity or facility e.g. a credit card. The payment made is for the use of, access to or hire of items and not of ownership.

According to Whitehead, *"A Bank is defined as an institution which collects surplus funds from the public, safeguards them, and makes them available to the true owner when required and also lends sums be their true owners to those who are in need of funds and can provide security."*

Banking Company in India has been defined in the Banking Companies act 1949, *"One which transacts the business of banking which means the accepting, for the purpose of lending or investment of the deposits of money from the public, repayable on*

demand, or otherwise and withdraw by cheque, draft, order or otherwise."

The banking system is an integral subsystem of the financial system. It represents an important channel of collecting small savings from the households and lending it to the corporate sector. The Indian banking system has Reserve Bank of India (RBI) as the apex body for all matters relating to the banking system. It is the Central Bank of India. It is also known as the Banker to All Other Banks.

NEED OF THE STUDY

The recent years have witnessed significant developments in international banking. Competition, disintermediation, new services and unique promotion schemes are some of the emerging features of changing international banking scenario. The globalization of financial markets has been further accelerated by the development of technology particularly in the field of information technology and electronic banking system. Now the customers are also more informed and learned to choose a better bank for themselves. Again, on the managerial side, the Narasimham Committee has made a strong plea for full autonomy of the commercial banks in India with RBI as supervising and controlling authority.

So, the major problem before the commercial banks is their long-run survival and forging way ahead by retaining their valued customers.

OBJECTIVES OF THE STUDY

The present study mainly focuses on the Marketing of Financial Services. So the main objectives are:

- To identify various financial services provided by the two private sector banks viz. ICICI Bank and HDFC Bank.
- To determine the customers' awareness level and opinion about new financial services.

- To examine the satisfaction level of customers' regarding quality and price of financial services provided by the banks.
- To identify the problems faced by the banks.
- To find out the significance of difference between the expectations and experiences of customers about financial services of the banks selected for the study.

REVIEW OF LITERATURE

Marketing by service industries are yet to gain momentum, especially when it comes to marketing by private sector commercial banks. In India, the liberalization of the financial sector has impelled all the players to redefine what business they are in and strategically think how to stay ahead in the existing business. Marketing orientation of banks is imperative for survival and success.

Marketing of financial services by banks is under active and extensive discussion among academicians and bank personnel. Surveys and researches have been conducted both by academic researchers and practitioners on the various aspects of services marketing in general and financial services marketing by banks.

Udel identified marketing promotions as the most important facet of marketing strategy leading to effectiveness. Advertising, an aspect of promotional strategy, both an informative and persuasive role, and in this respect can alter customers' perceptions of a service.

National Institute of Bank Management's study on deposit mobilization concluded that mobilization of resources is one important facet of the various services performed by banks. Banks should classify depositors into segments and take intensive measures to market their services to them. They should design suitable schemes to mobilize the savings and attract them through suitable media of publicity. The various techniques of banks are essentially based on the principles of mobility, flexibility, convenience, reduction of cash drain, automatic facilities and special inducements. More personalized service to achieve deposit mobilization at branches.

Daniel et. carol in his paper "Ten commandments for Bank Marketing" has framed a set of Ten Commandments for bank marketing as is very much clear from the title itself. According to him inclusion of marketing functions within the marketing participation in key banking decisions, product orientation, learning curve of chief marketing executives, quality of marketing personnel, development of a record of accomplishment and use of outside services etc. are the main commandments for successful bank marketing.

In **Rossier's study**, it was suggested that banks should not open a branch without first analyzing market potential and determining the expenditure

required to obtain a sufficient market share. The risk in expansion is not so much one of opening unprofitable branches, but rather of allocating scarce resources of managerial talent, qualified personnel and capital to marginal projects.

A study by **George William R and Hiran C Barksdale** on the marketing activities in the service firms discovered that service marketing is generally on the low ebb. Service firms tend. to be less marketing oriented; less likely to have marketing mix activities carried out in the marketing department; less likely to perform analysis in the area of service product; more likely to undertake advertising internally rather than go to specialized advertising agencies; less likely to have overall sales plan; less likely to develop sales training programmes; less likely to utilize the services of marketing consultants and marketing research firms; and less likely to spend much on marketing, as a percentage of gross sales.

Rathmell has suggested the dominant channel configuration in the service sector where agents and brokers play the key role in distribution of services.

Study by **Bessom, Richard M and Donald W Jackson Jr.** of 400 service and marketing firms revealed that service firms are less likely to have marketing departments, to make use of sales planning and training, and to employ marketing professionals like consultants, advertising firms and market research agencies.

Geiger's study was to establish the needs of customers. Social structure of the bank's customers and the image that the customers had of the banks were studied along with customers judgment of the range of services that the banks had to offer, the effectiveness of various advertising and other sales promoting measures, and the customers' will to save and other habit. Findings indicate that satisfied customers are more positively minded than those who are critical of what their banks have to offer them.

A study by **Meidan** revealed that about 90 percent of the respondents banked at the branch nearest to their home place or place of work. Convenience, in terms of location, was found to be the single most important factor for selecting a branch.

Sasser has described several strategies for producing a better match between demand and supply in service business. On the demand side, the firm can make use of differential pricing, cultivating non-peak demand and developing complementary services. On the supply side, for effective matching with demand; peak-time efficiency routines can be introduced, facilities for future expansion can be delivered, and increased consumer participation can be encouraged. He further

observed that the firm is unable to store or transport services that only direct distribution is possible, thereby potentially limiting the number of markets the firm can cover. Apart from the stress laid on 'right place' and 'right time' in case of distribution goods, there is additional importance given to the performance of service in the 'right way' as well.

Pickering suggested that advertising could increase brand loyalty, thereby decreasing price elasticity through increased price differentiation.

Meidan had also revealed the fact 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.

Shostack summarized that most market offerings are a combination of tangible and intangible elements. It is whether the essence of what is being bought is tangible or intangible that determines its classification as a good or a service.

Gitlow suggested that price not only influences the market position but also significantly affects customers' perceptual positioning. It is, therefore, important to keep market position in mind while deciding on pricing strategy.

A study conducted by **Preston et al** indicates that there is no significant difference between the retention rates of premium-attracted and of, non-premium offered deposit accounts. Consequently, the conclusion is that customers attracted by a free premium were just as loyal as those customers attracted by a lower –price banking service premium.

In **Rayburn's study**, it was suggested that the purpose of the advertising and promotional functions is to create demand for the bank's services and to build and maintain goodwill towards the organization.

Sasser defines security, consistency, attitude, completeness, condition, availability and training as important attributes of service quality. In banking industry all such attributes are very pertinent and imperative to customers as possessions are very risky and customer concern is very much. The most important research in to service quality is strongly customer oriented.

RESEARCH METHODOLOGY

Research methodology comprises defining and redefining problems, formulating hypothesis or suggested solutions; collecting, organizing and evaluating data, making deductions and reaching conclusions; and at last carefully testing the

conclusions to determine whether they fit the formulating hypothesis.

A useful research methodology must be systematic, logical, empirical and replicable.

The researcher should follow certain systematic methods, steps and stipulation in designing, planning and execution of the research.

RESEARCH DESIGN

A research design is simply the frame work or plan for a study that is used as guide in collecting and analyzing the data. It is a blue print used for completing a study.

A pilot study can refer to many types of experiments but generally the goal of the study is to replicate the full scale experiment but only on a smaller scale. A pilot study is often used to test the design of the full scale experiment. The design can then be adjusted in time. This can turn out to be valuable should anything be missing in the experiment and chances are that the full-scale experiment will not have to be re-done. So, a sample of 20 respondents was taken for each questionnaire on the basis of convenience sampling from the different groups. On the basis of the answers given and time taken by the respondents, the questionnaires were redesigned and finalized.

DATA COLLECTION

The study is based on primary as well as secondary data.

SOURCES OF DATA COLLECTION

□ **Primary data** has been collected through well-structured comprehensive questionnaires. The questions were designed keeping in view of the objectives of the study. Two sets of questionnaires were developed, one for the bank customers and one for the bank execution. In some cases, the researcher also had personal discussion with the respondents with the objectives of soliciting additional information and using this information to supplement the information collected through questionnaires. The final sets of questionnaires along with covering letter were then mailed to a total of 1000 bank customers and 60 bank employees selected via convenient sampling technique from Sonapat and Rohtak Districts of Haryana state. Following procedure was adopted to collect data from the targeted respondents.

CONCLUSIONS BASED ON CUSTOMERS SURVEY

1. ICICI Bank and HDFC Bank are the two leading private sector banks in India which strive to

provide variety of financial services to their customers (as shown on page no. 54-91) as per their requirements and needs.

2. In the study it was found that saving bank accounts dominates the types of accounts held by respondents (Table 4.1.7). In case of ICICI Bank 86.23% customers operated saving accounts while for HDFC Bank customers it was 81.74%. Only 13.77% of ICICI Bank customers operated others accounts i.e. fixed accounts 6.76%, recurring deposit account 2.41% and saving& fixed accounts (4.59%) while only 18.26% of HDFC bank customers operated others accounts i.e. was fixed accounts 9.58%, recurring deposit account 1.5% and saving& fixed accounts 7.18%. No respondent was found to be operate current account, the only reason, as per respondents is no interest paid in this account (Table 4.1.7).

3. The opinion of customers regarding factors for selection of a bank was obtained on the basis of 22 factors as shown in table 4.1.8. It was clear that 54.34% respondents of ICICI bank and 54.49% respondents of HDFC Bank considered ATM as the most important factor for selection of a bank. The next important factors were quick solutions of the problems (41.04%), variety of services (40.51%), quality of services (39.04%) and on-line computer services (36.89%). It was also observed from the same table that rate of interest, individual attention to customers, minimum deposit amount, locker facilities and ethical conducts of banks were not so important factors for a customer for selection of a bank.

SIGNIFICANCE OF THE STUDY

With the entry of new generation tech-savvy private banks and expansion of operations of foreign banks, the banking sector has become too competitive. The 'one for all' and 'all for one' syndrome is being a go-by. To deal with the emerging situations, bankers have to shed a lot of old ideas, change their practices, develop customer loyalty programmes, and adopt a distinct approach to meet the challenges ahead. It is desirable for banks to develop a customer-centric approach for future survival and growth. The awareness has already drawn that prompt, efficient and speedy customer service alone will tempt the existing customers to continue and induce new customers to try the services offered by a bank.

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