

Review of Studies on Marketing Strategies of Bank System

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This chapter relates to the survey of literature. It reviews the important studies relating to performance of banks, marketing of banking services and customer services in banks conducted in India as well as abroad. Moreover, reports of important committees constituted by Reserve Bank of India have also been reviewed in this chapter.

Talwar Committee (1985), headed by Mr. R.K. Talwar, was set up to make the recommendations on improving customer services in banks. The committee covered five broad areas, viz. Deposits, Remittances and Collections, Loan and Advances, Foreign Exchange, and Discipline and Attitude.

Anderson, Cox and Fulcher (1976) in their study analysed the fifteen principal decision factors used in the bank selection decision. The analysis was based on the information collected from 466 customers. The result of the analysis indicated that the bank selection decision was based primarily on five factors, namely, friends' recommendations, reputation of the bank, availability of credit, friendliness of staff, and service charges on checking accounts. Special services for women and youths and new account premiums or gifts appeared to be insignificant factors in bank selection.

Etzel and Lyon (1988) in their study analysed the profile of newcomers regarding the selection of new bank at a new place. Information was collected from all newcomers in mid-eastern community of 200000 in the State of America. Approaching the newcomers as early as possible, presenting high level message about the bank and satisfying the newcomers' needs were the main strategies suggested by the study to tap potential market.

Rayburn, L. Gayle (1988) in his article on bank advertising developed the

procedure for formulation of cost standards. For the development of cost standards he stated the following steps: (i) Splitting the advertising function into various elements such as radio, T.V., newspapers etc.; (ii) Determining the factors that cause advertising cost to vary; (iii) Establishing of standard cost for each unit of variability; (iv) Determining the amount needed for advertising for each bank segment; (v) Comparing the actual and budgeted advertising expenses with the differences, i.e., efficiency and price variance; and (vi) Investigating the significant variances. He concluded that advertising standards were not the substitute for executive leadership because these were not self-enforcing.

Berry *et al.* (1990) in their study analysed the views of the bank marketers relating to their jobs. A systematic random sample of 1000 marketers was drawn from the members of Bank Marketing Association (BMA). The respondents were asked about different aspects of their jobs such as satisfying and frustrating aspect of job and helping and hindering elements in upward mobility in the organization. The study revealed that more than 50 per cent of the respondents mentioned 'Result Orientation' as the satisfying aspect of their job followed by 'Personal Involvement', 'Creative Aspect of Work' and 'Variety of Job Activities'. Similarly, 'Lack of Management Support' was mentioned as frustrating aspect of job followed by 'Lack of Inter-departmental Co-operation' and 'Advertisement Problems'.

Kulshrestha (1992), in his doctoral thesis, had compared the working of commercial banks in the public and private sector banks since 1992. The study revealed that after nationalization there had been a significant increase in deposit mobilization of public sector banks. The deposit mobilization of public sector banks in rural centers was relatively higher both in percentage as well as in absolute terms as compared to private sector banks. The study also revealed that there was a spectacular increase in advances of public sector banks in rural areas as compared to private sector banks. The study concluded that apart from financing public food procurement and exports, commercial banks continued to extend their liberal credit facilities to the priority and neglected sectors of the economy.

Nayan (1992) in his study evaluated the performance of commercial banks, with special reference to nationalized banks. The core objective of study was to develop a sound criteria for performance appraisal at the inter-bank as well as intra-bank levels. For the purpose of study, two nationalized banks, Punjab National Bank and Allahabad Bank were selected on the basis of size of their deposits. The overall performance of bank was measured on the basis of branch expansion, deposit mobilization, loans and advances, cash management and profitability, whereas the branch level performance was measured on the basis of

deposits and advances.

Angadi and John (1993) conducted a study on productivity and profitability of banks in India. The objectives of study were: (I) to assess the productivity and profitability of Indian scheduled commercial banks during the period 1979-90, and (ii) to present and analyse the broad pattern of earnings, expenses and level of profit during the period. The various findings of study were: (i) The foreign banks' productivity and profitability ratios were the highest followed by State Bank Group and 14 nationalised banks. (ii) The better performance of State Bank Group as compared to other nationalized banks is partly due to its special status in the banking industry, which enabled the group to get such advantages as cheap funds, wider publicity and broad base. The foreign offices of the State Bank of India might also have contributed in its better performance. (iii) The relative difference in cost of working funds (deposits), interest earning, social banking, fund management, earnings from sources other than interest earnings, geographical expansion in banking business, human resources and better banking sources were other factors contributing to differences in productivity and profitability ratios of the group.

Nayan (1994) in his study highlighted the efficiency of customer services in commercial banks. The study was conducted on the basis of information collected from 75 customers of a nationalized bank.

Kumar, Narender (1996) made an attempt to develop a model for bank marketing. In his model, he gave two stages for bank marketing: (i) Clear identification of target customers and their needs, and (ii) Design of appropriate marketing mix to satisfy their needs. In the first stage, the model emphasized on the conduct of marketing research related to customer needs, preferences and expectations. In the second stage, it emphasized the development of such a product which might satisfy customers' needs. In case of pricing the researcher urged the need to offer non-traditional services at competitive prices. The model also emphasized on advertisement and personal selling for promotional activities. In the end, the model revealed that all elements of marketing mix were not independent of one another because of unstatic economic, social, legal and political environment.

Chawla, A. S. (1997) has attempted to analyse the development and growth of banking activities after nationalisation especially in the Punjab State. The study concluded that nationalisation of major commercial banks in 1979 made a highly positive impact on banking expansion, deposit mobilisation and credit deployment in the state. Although inter-division/ inter-district disparities continued to exist, yet a trend in reduction of disparities was noticed.

Chopra, Kiran (1997) in her study relating to productivity and profitability managements in public sector banks has tried to find out the profitability and productivity level of selected banks. It was found that profitability in terms of organisational scheme, deposit and total business was the lowest in case of United Commercial Bank, both at supervisory and branch (urban) level. The productivity in terms of manpower deployment per branch was the highest in Syndicate Bank and lowest in Oriental Bank of Commerce during 1989-91. On the whole, profitability of banks was decreasing because of rise in operating and establishment expenses.

Singh (1997) in his research work evaluated the customer services offered by the banks through customers' and employees' opinions. A sample of 150 customers and 50 employees was taken from the two nationalized banks located in Ludhiana city. Brahamadan and Narayana (2000) studied the problems of bank's customers and measured the customer satisfaction level in commercial banks. The study was based on information collected from 306 customers of a particular bank. The study highlighted that majority of the customers faced no problem while opening an account. Similarly, they had no problem regarding timings of the bank, deposit and withdrawal of cash, and updating of their passbook entries. Majority of the respondents were getting their outstation cheques credited within 7 to 10 days but they still expected an improvement in this regard. Further, it was found that gift cheques and traveller cheques were not very popular as only 12 per cent of the respondents were availing this facility. The researcher suggested that there was an urgent need to educate the customers and in order to improve the customer satisfaction level it was necessary to open more counters in the bank on busy days like pay days, examination fee deposit days etc.

Goiporia Committee (2000), headed by Former Chairman, IBA and SBI was set up to make recommendations with a view to improve customer service in Indian Banking system.

Vyas (2001) in his research work on marketing management in commercial banks evaluated the opinions of customers with respect to banking services. The study was based on 700 bank customers from the selected banks. The analysis showed that 'convenient location' emerged as the most important factor in customers' choice for bank selection. However, credit facilities, rate of interest, canvassing and other facilities occupied less important place in this regard. The study also revealed that majority of the customers were not aware about various services offered by the respective banks because of inadequate advertising. The study also revealed that the customers expressed their satisfaction over the strength of staff and infra structural facilities but were not satisfied with the

attitude of staff. Further, 31 and 43 per cent of the customers showed their satisfaction with regard to acceptance and withdrawals of cash by the banks respectively. The researcher concluded his study by highlighting the need for an improvement in the attitude of staff and effective advertising for various schemes of the banks.

Nayar, Anita (2002) examined the growth and trends in performance and profitability of nationalized commercial banks from 1980 to 1996. Profitability was measured in terms of three main ratios i.e., Return on Investment, Deposit Mobilisation and Profit Margins.

Singh (2002) in his research work studied the marketing strategies of selected Indian and foreign banks operating in India and evaluated the responses of customers towards the services offered by these banks. However, lack of services like tax consultancy and investment advice, long waiting time to get response for the queries and to send acknowledgement for remittance were the core areas where customers expressed dissatisfaction with their respective banks.

Vayas (2002) in his doctoral thesis made an effort to measure, compare and analyse the profitability of public, private and foreign sector banks operating in India. The inter-group analysis validated the hypothesis that the public sector banks had low profitability as compared to private sector banks and foreign banks operating in India because of poor asset management and low exposure to non-fund based activities. Moreover, the study found that non-interest income ratio of foreign banks was very high as compared to Indian banks. In the end, the researcher suggested an improvement in quality of asset management and exposure to profit yielding areas in ancillary services like merchant banking, mutual funds, personal advisory services, credit cards, personal banking and international banking.

Muniraj (2004) in his article on customer services in banks suggested the following strategies to improve the customer services in banks :

- Proper identification of customers and their needs/expectations.
- Introduction of innovative service products to manage the demands of the customers.
- Adequate motivation of staff.
- Sufficient opportunity to staff to acquire skill and knowledge of banking technology.
- Optimum use of electronic devices and computers.
- Strict maintenance of discipline and internal house keeping.

- Providing quick redressal measures for the grievances of customers.
- Educating the customers regarding bank services.

Bhattacharya (2004) in his research work studied the perception of bank employees regarding the customer service improvement in the banks. For the purpose of study, two symposiums were organized comprising bank employees dividing them into two categories : (i) selected branch managers, officers and employees (48 personnel) and (ii) all branch managers. The people from both the categories were asked to comment on customer services. The study revealed that the areas of improvement where there was similarity of thoughts were availability of branch managers for specific services, better appearance and basic amenities for customers, availability of technology input at all branches, computerisation of front line, rendering the services at single point and educating the customers. The study further revealed that none of the above mentioned improvements could provide excellence in customer service without attitudinal change among the bank employees, punctuality, continuity in managers' tenure and enhancing morale of employees. The research concluded that bank employees at various levels were eager to develop themselves to improve the customer services.

Kaptan (2004) in his article identified significant reasons for bank marketing. These were designing of product without violating the RBI guidelines and awareness of customers, competition from non-banking financial institutions and fellow banks, fixation of price under the framework of RBI guidelines. He suggested some important tips for bank marketing like introduction of innovative services, new schemes to attract NRI deposits, frequent meetings with customers etc. Moreover, he also pointed out some constraints in banking marketing such as higher rate of interest offered by joint stock companies, investment in equity by the investors and threats from non-banking institutions.

Ready and Ramana (2004) in their paper examined the need for marketing approach in banking industry. Assessing the present and future needs of customers, setting of business development goals, making plans to meet the goals, managing various services efficiency, promotion for achieving the plans and identification of present and future markets were the main suggestions made to have effective marketing. Further, they also identified some challenges to bank marketing such as changes in economy, competition from other financial institutions, technological changes and achievement of social objectives. The researchers viewed that banking industry could survive only by adopting efficient market strategy to win the growing competitive market in future.

Bhatnagar (2005) in her dissertation critically evaluated the trends and progress of commercial private sector banks in India and made comparison with the performance of public sector banks. The study was based on the financials of 28 public and 22 private sector banks covering the period from 1999-03. For analysis of data, the researcher used three ratios, i.e., spread ratio, burden ratio and profitability ratio. Analysis of data revealed that spread and burden ratios showed unsatisfactory performance whereas profitability ratio was found satisfactory except for small private sector banks. The researcher concluded that Indian private banks were performing well with respect to the quantitative parameters studied with the exception of spread ratio, but public sector banks had not fared well despite government support. In the end, the study suggested accepting of deposits from non-banking companies, diversification of activities, attracting deposits, computerisation of branches, and upgradation of technology in order to provide prompt service to the clients.

Garg, I. K. (2005) in his article on banks has suggested significant measures to improve the profitability of banks. He suggested that revenue could be increased by holding quality of assets in portfolio and effective pricing of services. He also identified some areas, namely, fund management, diversification, branch networking, customer service, attitude of employees and profitability elements to increase efficiency in the banks. In the end, he concluded that banks should earn reasonable profit, as expected by shareholders for building a good image in the market.

Gavin and Athma (2007) in their study on customer satisfaction in commercial banks have tried to find out the customer satisfaction level in banking sector. The study was conducted to assess the deposit holders' level of satisfaction and to identify the most common areas of dissatisfaction in retail banking.

Sachdev (2007) in her doctoral thesis has primarily focused on measuring the perception of customers about service quality offered by both Indian and foreign banks. The study was conducted on the basis of a sample of 150 bank customers. The main thrust of study was on (i) How should the service quality be measured? (ii) What was the level of service quality in Indian and foreign banks? (iii) Whether service quality was perceived differently by different demographic group of customers or not? Regarding the measurement of service quality, the study considered 'adequate importance form' as an efficient measure of quality. Regarding level of service quality the study found that perceived service quality was greater in foreign banks as compared to the Indian banks. Lastly, the study revealed that demographic variables such as sex, age, occupation, and marital did not affect the customers' perception of quality.

Narayanan (2007) in his article on quality of customer services in banks suggested significant tips to improve the quality of customer services in the banks. He highlighted that most of the customers left the banks because of indifferent attitude of bank employees so he stressed the need for positive attitude of the staff towards customers, identification of customers' needs, matching services with customers' requirements and providing efficient service to improve the service quality.

Ashthama (2008) in his paper on banking services has studied the marketing practices adopted by Mehsana Urban Co-operative Bank Ltd., Mehsana (Gujarat). The effort to make all its branches fully computerized and planning to connect them through network to provide quicker service to the customers is the core. It was concluded that although the bank had started integrating marketing in its business, yet it was required to decide the right kind of marketing mix.

Agarwal, Parveen (2009) in her study evaluated the customer satisfaction level in six private sector banks, namely, ICICI Banking Corporation Ltd., IDBI Bank, Bank of Punjab, Centurian Bank, IndusInd Bank and Times Bank located in Chandigarh. The study was conducted to measure the satisfaction level on the basis of different factors such as waiting time, time taken to complete the transaction, punctuality in appointments, physical facilities, account operation facilities and effectiveness of ATMs.

Soch and Sandhu (2010) in their study examined the customers' perceptions relating to different factors which were considered most important for general environment of bank and opening of an account. The study was based on data collected from 200 customers relating to six different private sector banks located in Chandigarh. The study showed that waiting lounge, parking space, telephone facilities and suggestion box were considered most important factors for general environment of bank by the respondents. While opening an account, the advice of friends was considered as most important influencing factor followed by familiarity with bank employees and advertisement. The study further revealed that most of the customers opened an account in a private bank to avail better and efficient service, and high rate of interest on their savings. Lastly, the study recommended the bank management to form quality circles, establishing customer complaint cells and employ more staff to have an edge over other banks.

Pagaria and Yadav (2011) in their study evaluated the performance of rural branches of one of the leading banks in Rajasthan state. A random sample was drawn from loss making branches operating in two districts of the state.

Kumar, Rajinder (2012) in his doctoral thesis studied the impact of information technology on growth and performance of Indian banks in terms of branch expansion, profitability, productivity and total business. The study also evaluated the perception of bank customers regarding the use of new age services provided by banks such as ATM, internet banking, mobile banking etc.

Gulabrani (2014) in his study on banks advertisement expenses expressed that the rising consumer loan market forced banks to brand their financial services. Banks are spending a lot to make strong brands of their services. The study found that in absolute terms, Citibank was at top with spending of Rs.114 cr on ads. in financial year 2004 followed by ICICI Bank and State Bank of India. But in terms of percentage, Bank of Baroda's ads expenses increased by 137% in the year 2004 and remained on the top. Study concluded that the theory 'build it and they will come' in banking has given way to an aggressive fight for consumers.

Prasad (2004) in his article on product innovation suggested that commercial banks should install more ATMs in rural areas and should convert their Kisan Credit Cards (KCC) in ATM cards. Agriculture and rural people will be benefited from this process on account of instant cash facility, purchase of agriculture inputs of their choice, saving in time, familiarity with new technology products etc. He also mentioned the benefits of this to commercial banks such as reduction in transaction and operational cost, publicity of schemes in regional language through ATMs, reduction in heavy rush at branches etc. He concluded that if the Kisan Credit Card is upgraded to ATM card, more farmers can be attracted to commercial banks.

Sudesh and Singh (2015) studied the customer care by commercial banks in Chandigarh (UT). The main objective of study was to rank the banks on the basis of service quality, branch facilities, ATMs, cards, loans and telebanking services.

Arora and Verma (2015) in their research paper studied the performance evaluation of public sector banks in the post-reform period on the basis of four parameters, viz. financial parameters, operational parameters, profitability parameters and productivity parameters.