



COMPARATIVE STUDY ON MARKETING EFFORTS ADOPTED BY PUBLIC AND PRIVATE SECTOR BANKS

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Abstract

Marketing strategies become more crucial when they are executed to design, distribute and promote banking services. The present study is descriptive in nature and takes out significant differences in the promotional strategies adopted by private and public sector banks in India. The study shows noteworthy results and opinions of customers, which can be very useful for designing effective promotional strategies for banks. The study reveals remarkable facts connected with customers' perception about promotional tools of both sectors' banks and also about the most effective tools to promote banking services.

Key words: *Private and Public sectors, banking scenario, Marketing Strategies, Products and Services.*

Introduction

In financial services, people are primarily bothered about security of their funds and default risks. After the year 1969, the deposits of banks increased more than 80 times as a result of the nationalization of banks. Paul Cox, (2007) revealed a fact that financial service providers are not perceived highly trusted, so that they might have difficulty in selling risk-based products. The effort to promote banking business is quite distinguished affair. At present, it has become very tricky due to the changing trends of industry, increasing competition and efficiency of regulatory environment, and the financial system. The complexity in the banking services is also an issue of vital importance. This is the time when banks are offering new and innovative services, frequently in the market. The content of promotional tools should help the customer in making most valuable decision. This can be firmly said that well-designed promotional strategies are very important to promote banking services effectively. In marketing any product or service, customer satisfaction has been given the prime importance. The most frustrating aspect of bank marketing are lack of management support, lack of inter-departmental cooperation, crisis management, government intrusion and advertising & media problems (Berry & Lindgreen, 1980). Sarin & Anil (2007) recommended that manpower in service organisations must work with the focus of satisfying the customer. Banking should bring out the areas requiring improvement and which further throw light on the measures to improve the quality of services. Promotional packages are very important for financial service industry (Ananda & Murugaiah, 2003). Thus the orientation of banks should be with a much wider focus in relation to consumer and market needs, and the consequent marketing strategies. The challenges put forth by the changing environment have to be effectively tackled to identify the consumer needs and providing valuable services through product innovation (Nair Raman, 2006). Kumar Ashok, 1991). With the same perspective, the prime objectives of the study are:

Objectives of the Study

To know about the various promotional tools of Private and Public sectors banks in India.

Review of Literature

A marketing strategy combines product development, promotion, distribution, pricing, relationship management and other elements; identifies the firm's marketing goals, and explains how they will be achieved, ideally within a stated timeframe. Marketing strategy determines the choice of target market segments, positioning, marketing mix, and allocation of resources. It is most effective when it is an integral component of overall firm strategy, defining how the organization will successfully engage customers, prospects, and competitors in the market arena of corporate strategies, corporate missions, and corporate goals. As the customer constitutes the Source of a company's revenue, marketing strategy is closely linked with sales. As per the research conducted by Ttebbar (1988) studied marketing strategies of banks aimed at inculcating the habit of thrift among the people. The suggestion is that keeping the rural branches open on Sundays can augment savings. Direct marketing is also suggested to reduce waiting time exponentially and enhance customer satisfaction. Erratic behavior of the employees, suspicious looks of the staff, vague knowledge of the products, undynamic promotional methods etc., may hamper the banking business in rural areas.

In the process of study, Mehta (2010) in his article "Personal Selling-A Strategy for promoting Bank Marketing" reported that there is lack of Marketing Communication in Indian Banks. He suggested for adopting banks suitable marketing

promotion strategies for better business. He emphasized that on adoption of personal selling as a strategy for marketing promotion in Banks the banking business can improve considerably.

In another study made by Gupta, and Mittal (2008), in their article "Comparative Study of Promotional Strategies of Public and Private Sectors Banks in India" stated that a well -designed promotional strategy is very important to promote banking services effectively .They studied that the promotional strategies of private and public sector banks are almost similar. Both types of banks take the help of almost all type of media to promote their services. The major difference in the promotional strategies adopted by banks is in the two techniques of the promotion and they are "Personal Selling" and "Direct Marketing". The difference is that public Sector banks do not adopt the strategies of promotion as personal selling and direct marketing; on the other hand the same are adopted by private sector banks.

Das and Ghosh (2006) investigated the performance of Indian commercial banking sector during the post-reform period. They have evaluated several efficiency estimates of individual banks using non-parametric data envelopment analysis. They have employed three different approaches, viz. intermediation approach, value-added approach and operating approach in defining inputs and outputs of banks.

Banking System in India

The concept of Banking in India dates back to the first half of 18th century. The first bank that was established in the country was The General Bank of India founded in 1786. After that came the State Bank of India in Kolkata in 1806 which was then known as The Bank of Bengal. The operations of all the banks in India are controlled by the Reserve Bank of India. All the Indian banks are governed by the RBI or Reserve Bank of India. This governing body took over the responsibility of formally regulating the Indian banks in 1935. The Reserve Bank of India was announced as the official Central Banking Authority for the smooth supervision of the banking industry in India. Banks in India are classified into 2 broad categories namely, Public sector banks and Private sector banks.

Banking scenario

The banking scenario in India has already gained momentum, with the domestic and international banks gathering pace. All the banks in India are following the 'cost', determined by revenue minus profit model.

This means that all the resources should be used efficiently to improve the productivity and ensure a win-win situation. To survive in the long run, it is essential to focus on cost saving. Previously, banks focused on the 'revenue' model which is equal to cost plus profit. Post the banking reforms, banks shifted their approach to the 'profit' model, which meant that banks aimed at higher profit maximization.

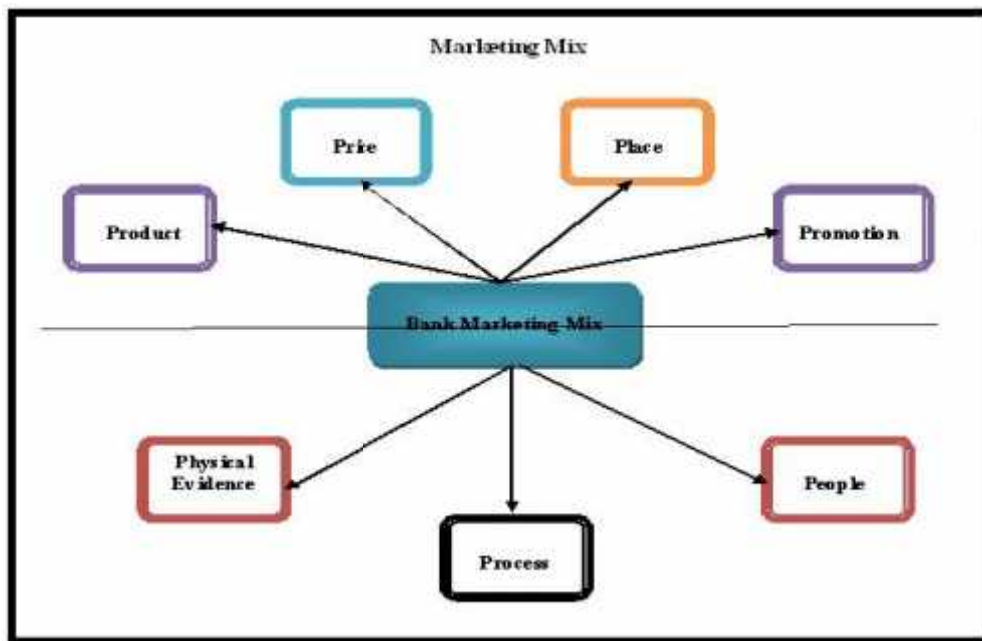


Chart.1: Bank Marketing Mix



In the above paragraphs details regarding the bank marketing and its importance and the important aspects that are to be considered by the bankers in framing a marketing strategy and bank market segmentation and its features were been discussed. After the detailed discussion it is also important to know about the 7P's of marketing which are going to play an important role in the marketing strategies of the bank. The seven P's are:

Marketing Strategies

A product is a bundle of physical, service, and symbolic attributes designed to satisfy consumer wants. Therefore, product strategy involves considerably more than producing a physical good or service. For the purpose of study two from the public sector and two from the Private sectors banks was considered and its details are as follows:

Public Sector Banks

- A. State Bank of India
- B. Andhra Bank

Private Banks

- C. ICICI
- D. HDFC

A. State Bank of India

State Bank of India is India's largest bank with total assets of US\$ 260 billion at September 31, 2009. The Bank has a network of 16,000 branches and about 3000ATMs in India and presence in 32 countries. SBI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialized subsidiaries and affiliates in the areas of investment banking, life and non-life insurance, venture capital and asset management. The Bank currently has subsidiaries in the United Kingdom, Russia and Canada, branches in United States, Singapore, Bahrain, Hong Kong, Sri Lanka, Qatar and Dubai International Finance Centre and representative offices in United Arab Emirates, China, South Africa, Bangladesh, Thailand, Malaysia and Indonesia .SBI Bank's equity shares are listed in India on Bombay Stock Exchange and the National Stock Exchange of India Limited.

Different Products and Services

Deposits

Banks accept the deposits of the public. In order to attract the savings of the people, the bank provides every sort of facility and inspiration to them and collects the scattered savings of the society. The bank opens an account of those people who deposit their savings with the bank. These deposit accounts can mainly be of three types and people can open any of these three types of accounts according to their wish. These accounts are current account, saving bank account, fixed deposit account.

Loans

The bank just don't keep with themselves the deposited amount of the people, rather they advance them in the form of loans to the businessman and entrepreneurs, just to earn profits for their partners. The loanee keeps some gold, silver, fixed and variable assets in the form of security with the bank. The bank can advance loan to their customers in three ways: overdrafts, money at call, discounting bills of exchange. As per the banking policies and practices, every bank follows different forms of products with different names its information and classification is mentioned below:

7 P's of Marketing of SBI Bank:

Deposits

SBI Bank offers wide variety of Deposit Products to suit customer requirements. Coupled with convenience of networked branches over 3000 ATMs and facility of E-channels like Internet and Mobile Banking, SBI Bank brings banking at customer doorstep.

Savings Account

SBI Bank offers a power packed Savings Account with a host of convenient features and banking channels to transact through.

Senior Citizen Services

The Senior Citizen Services from SBI Bank has several advantages that are tailored to bring more convenience and enjoyment in their life.



Fixed Deposits

Safety, Flexibility, Liquidity and Returns. A combination of unbeatable features of the Fixed Deposit from SBI Bank.

Recurring Deposits

Through SBI Bank Recurring Deposit you can invest small amounts of money every month that ends up with a large saving on maturity. So you enjoy twin advantages- affordability and higher earnings.

SBI Bank Salary Account: is a benefit-rich payroll account for Employers and Employees. As an organization, it can opt for Salary Accounts to enable easy disbursements of salaries and enjoy numerous other benefits too.

Investments

Along with Deposit products and Loan offerings, SBI Bank assists customers to manage their finances by providing various investment options such as:

- SBI Mutual Funds
- SBI Life insurance
- SBI Gold Bonds.

Anywhere Banking

SBI Bank is the largest bank in the country. It services a customer base of more than 150 million customer accounts through a multi-channel access network. This includes more than 16000 branches and extension counters, over 3000 ATMs, Call Centre and Internet Banking. Thus, one can access the various services SBI Bank has to offer at anytime, anywhere and from anyplace.

Loan

Different forms of loans offered by SBI are given below:

- a) Home Loans
- b) Personal Loans
- c) Car Loans
- d) Two Wheeler Loans
- e) Commercial Vehicle Loans
- f) Loans against Securities
- g) Farm Equipment Loans
- h) Construction Equipment Loans
- i) Office Equipment Loans
- j) Medical Equipment Loans

Cards

Different forms of cards offered by bank are as follows:

- a) Credit Card
- b) Debit cum ATM Card
- c) Travel Card

Demat services

SBI Bank Demat Services boasts of an ever-growing customer base of over 12 lacs account holders. In their continuous endeavor to offer best of the class services to customers by offering with the following features:

- Digitally signed transaction statement by e-mail.
- Corporate benefit tracking.
- E-Instruction facility – facility to transfer securities 24 hours a day, 7 days a week through Internet

Interactive Voice Response (IVR) at a lower cost.

- Dedicated specially trained customer care executives at their call centre, to handle all queries.

Mobile banking

With SBI Bank, banking is no longer what it used to be. SBI Bank offers Mobile Banking facility to all its Bank, Credit Card and Demat customers. SBI Bank Mobile Banking enables you to bank while being on the move.

Online money transfer

Online money transfer facility available to NRIs worldwide through the click of a button.

Benefits

- FREE Money transfers into accounts in India
- ONLINE Tracking of the status of your funds
- SUPERIOR Exchange rates

Offline Money Transfer

Facility is also available across geographies through local branches and in association with partner banks/ exchange houses. The following are the performance of the bank with its products and customers Details from the year 2007-08 to 2011-12

Performance of Andhra Bank

Table No: 1 showing the Andhra Bank overall performance for various years

Andhra Bank							
Items	YEARS					(Amount in ` million)	
	2007-08	2008-09	2009-10	2010-11	2011-12	Group Aggregate 2011-12	All Banks' Aggregate 2011-12
No. of offices	1401	1463	1586	1660	1712	50013	83229
No. of employees	13387	14255	14292	14098	15099	491132	1013390
Business per employee	62.65	72.83	93.90	116.50	126.20	128.75	113.76
Profit per employee	0.43	0.46	0.70	0.90	0.90	0.70	0.81
Capital and Reserves & Surplus	32493	36470	44100	64924	74794	2483271	6085315
Deposits	494365	593900	776882	921563	105851	35969893	64536642
Investments	148982	169111	208810	242040	296289	10867544	22305472
Advances	342384	441393	561135	714354	836418	27263212	50745793
Interest income	42096	53746	63729	82913	113387	3412524	6550565
Other income	6265	7654	9646	8970	8599	324674	857402
Interest expended	28700	37477	41781	50703	75794	2396879	4305185
Operating expenses	9091	11043	13495	17049	18042	574750	1371033
Cost of Funds (CoF)	6.12	6.40	5.38	5.23	6.83	6.22	5.90
Return on advances adjusted to CoF	4.11	4.36	4.92	5.26	5.14	4.10	4.51
Wages as % to total expenses	13.48	12.86	14.91	16.30	12.25	12.20	13.73
Return on Assets	1.16	1.09	1.39	1.36	1.19	0.88	1.08
CRAR	11.61%	13.22	13.93	14.38	13.18	13.03	14.25
Net NPA ratio	0.15	0.18	0.17	0.38	0.91	1.43	1.28

Source: RBI Website

Andhra Bank's loan book grew by 4.4% sequentially, versus our expectation of 5.2%. Healthy growth was witnessed across all the segments - Agriculture (6.1%); Retail (5.3%); MSME (4.8%) and Corporate (3.1%). Within Retail, gold loans witnessed strong traction reporting a growth of 12% /23.9%. Bank is extremely cautious in corporate lending given the challenges confronted by this segment. Going forward, retail will be the key area of focus. Deposits grew by 3.5% led by strong growth in Retail TDs and Current Deposits. Bulk deposits as a proportion of total deposits continued to shrink to 27% as against 35% earlier

Conclusion

The banking scenario in India has already gained momentum, with the domestic and international banks gathering pace. All the banks in India are following the 'cost', determined by revenue minus profit model. This means that all the resources should be used efficiently to improve the productivity and ensure a win-win situation. To survive in the long run, it is



essential to focus on cost saving. Previously, banks focused on the 'revenue' model which is equal to cost plus profit. Post the banking reforms, banks shifted their approach to the 'profit' model, which meant that banks aimed at higher profit maximization. Banks such as State Bank of India, Bank of Baroda, Syndicate Bank and Canara Bank are known as Public sector banks. Public sector banks are controlled and managed by the Government of India. Public sector banks have been serving the nation for over centuries and are well known for their affordable and quality services. The banking sector in India is mostly dominated by the Public sector banks. The Public sector banks in India alone account for about 75 percent of the total advances in the Indian banking industry. Public sector banks have shown remarkable growth over the last five four decades.

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