

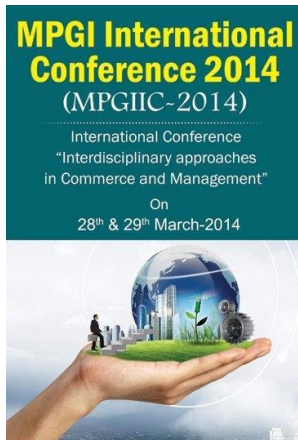


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A Critical Study of Banking Services & Their Promotional Practices.

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ABSTRACT

The Indian banking regulation act 1949 defines a bank as 'a banking company which transact the business of banking (section 5c) Generally, marketing refers to all activities connected with sales and distribution marketing in banking has some uniqueness in other industries. Bank Marketing can be defined as "Both the creation and delivery of consumer satisfying products. Marketing of bank financial services consist of decision making on 7 P's framework in Services Marketing. Marketing activity is normally structured around the '4 Ps' – product, price, promotion and place. However, the distinctive characteristics of services requires the addition of three more Ps – people, physical evidence and process. In this research paper attempt has been made to analyze how the decisions on various aspects of bank financial services marketing.

Keywords: Banking, Financial services, Marketing

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Introduction

The Indian banking regulation act 1949 defines a bank as 'a banking company which transact the business of banking (section 5c) Generally, marketing refers to all activities connected with sales and distribution marketing in banking has some uniqueness in other industries. Banks deal with money, a sensitive commodity the service is involved in selling its products because service is the product of the Banking industry. Bank Marketing does not stop, with offering of products but it includes the post sale services also. Therefore the marketing concept for banks should necessarily emphasize the goal of realizing the customer satisfaction through meeting different saving needs of the customers and the credit requirement of the borrowers. So, Bank Marketing can be defined as "Both the creation and delivery of consumer satisfying products. I.e. goods and services at a profit to the bank. "The two important elements pointed in the definition are first creation of new products is an important aspect of bank marketing as the delivery of existing services and second the bank marketing must be consumer oriented. In the above definition, profitability aspect is stressed. The need for marketing in banks stems form intense from intense competition not just for other bank but also from financial corporation's insurance companies and other such organizations etc. Marketing is becoming increasing necessary in today's competitive environment. Intensified rivalry from other institution has caused the bank to think seriously but how they can compete effectively. So. It is clearly evident to face competition from similar financial institutions. And to offer high return specialized service, there is a need of marketing approach in banks. The marketing approach can banker to formulate new services and offer the same to the potential customers. Here an attempt is made discuss about marketing approach in banks.

Marketing plays important role in overall management of the companies. Marketing of financial services involves the various activities such as various decisions on Products / services, pricing of financial services, promotional tools to be used, place mix, people, processes and physical evidence of these financial services. This is basically 7 P's framework in Services Marketing. Marketing activity is normally structured around the '4 Ps' – product, price, promotion and place. However, the distinctive characteristics of services requires the addition of three more Ps – people, physical evidence and process. As the additional three Ps figure prominently throughout the text, a brief description of each will suffice at this stage:

- People – the appearance and behavior of service personnel

- Physical evidence – everything from the appearance, design, layout of the service Setting, to brochures, signage, equipment (the 'tangibilizing' of the intangible)

- Process – how the service is delivered, the actual procedures and flow of activities.

Each of the three extra Ps is of central importance in services as each represents cues that customers rely on in judging quality and overall image.

- **Banking Companies**

Banking system in India has been put to inappropriate use for far too long as a social instrument to eradicate poverty and to take care of organized labor within the banks. Depositor's funds are to be held in trust to earn a return. Demands of organized labor should be linked to gains in productivity rather than behavior of price which can be held stable if fiscal deficit is reined in. Banking is the financial function which plays an important role not only for the particular individual but also for the overall economy. With changing face of overall economy the face of banking service is also changing now it has become more & more attractive various newer functions has been added in the banking services to attract more & more customers. Earlier banking service is offered as 'facility provider' to customers to protect their saving in the most effective mode. They were never concentrated on profit as a business but with the changing time & with the highly growing economic condition the role of banking is also been changed instead of only 'Facility provider' it has also become a 'profit maker' with new attractive face The business of banks is buying and selling money. They "buy" money (deposits) with interest rates further they sell money (loans) for a fee (interest). The difference between what they pay for money and what they get for it is called the "float" - the source of the banks revenues and profits

Today's retail banking sector is characterized by three basic characteristics:

- Multiple Products(deposits, credit cards, insurance, investments and securities)
- Multiple channel of distribution (call centre, branch and internet)
- Multiple customer groups (consumer, small business and corporate)

The typical products offered in the Indian Retail Banking segment are housing loans, consumption loans for purchase of durables, auto loans, credit cards and educational loans. The loans are marketed under attractive brand names to differentiate the products offered by different banks.

▪ **Definition of Banking**

The term ‘Bank’ has been defined in different ways by different economists. A few definitions are:

According to Walter Leaf “A bank is a person or corporation which holds itself out to receive from the public, deposits payable on demand by cheque.” Horace White has defined a bank, “as a manufacture of credit and a machine for facilitating exchange.”

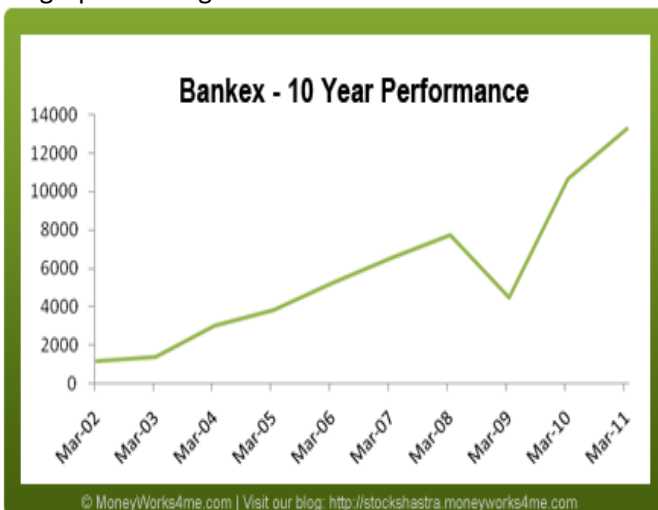
According to Prof. Kinley, “A bank is an establishment which makes to individuals such advances of money as may be required and safely made, and to which individuals entrust money when not required by them for use.”

The Banking Companies Act of India defines Bank as “A Bank is a financial institution which accepts money from the public for the purpose of lending or investment repayable on demand or otherwise withdrawable by cheques, drafts or order or otherwise.”

Thus, we can say that a bank is a financial institution which deals in debts and credits. It accepts deposits, lends money and also creates money. It bridges the gap between the savers and borrowers. Banks are not merely traders in money but also in an important sense manufacturers of money.

• **Overall Scenario of Banking Industry in India.**

Recently, the RBI took a few important steps to make the Indian Banking industry more robust and healthy. This includes de-regulation of savings rate, guidelines for new banking licenses and implementation of Basel Norm III. Since March 2002, Bankex (Index tracking the performance of leading banking sector stocks) has grown at a compounded annual rate of about 31%. After a very successful decade, a new era seems to have started for the Indian Banking Industry. According to a Mckinsey report, the Indian banking sector is heading towards being a high-performing sector



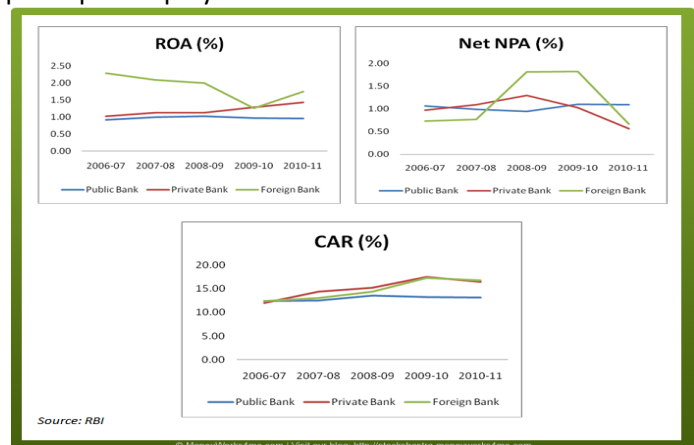
According to an IBA-FICCI-BCG report titled ‘Being five star in productivity – road map for excellence in Indian

banking’, India’s gross domestic product (GDP) growth will make the Indian banking industry the third largest in the world by 2025. According to the report, the domestic banking industry is set for an exponential growth in coming years with its assets size poised to touch USD 28,500 billion by the turn of the 2025 from the current asset size of USD 1,350 billion (2010)”. So, before going in its future, let’s have a glance at its historical performance.

	Public Bank		CAGR (%)	Private Bank		CAGR (%)	Foreign Bank		CAGR (%)
	2006-07	2011-12		2006-07	2011-12		2006-07	2011-12	
Deposits (Rs. Cr.)	1994200	4372985	21.7	551987	1002759	16.1	150750	240689	12.4
Investments (Rs. Cr.)	664856	1328534	18.9	214655	422020	18.4	71471	165499	23.4
Advances (Rs. Cr.)	1440146	3305632	23.1	414751	797534	17.8	126339	195539	11.5
Int. income (Rs. Cr.)	164185	366318	22.2	49567	96827	18.2	17924	28520	12.3
Int. expended (Rs. Cr.)	101960	231153	22.7	32856	57115	14.8	7603	10622	8.7
Net int. income (Rs. Cr.)	62225	135165	21.4	16711	39712	24.2	10321	17898	14.8
Business per employee (Rs. Lakh)	471.18	1013.63	21.1	695.23	823.26	4.3	974.77	1559.74	12.5
Profit per employee (Rs. Lakh)	2.76	5.93	21.1	4.65	8.1	14.9	16.13	27.59	14.4

Source: RBI

If we look at 5 years historical performance of different types of players in the banking industry, public sector bank has grown its deposits, advances and business per employee by the highest rate – 21.7%, 23% and 21.1% respectively. As far as net interest income is concerned, private banks are ahead in the race by reporting 24.2% growth, followed by public banks (21.4%) and then by foreign banks (14.8%). Though the growth in the business per employee and profit per employee has been the highest for public sector banks, in absolute terms, foreign banks have the highest business per employee as well as profit per employee.



In the last 5 years, foreign and private sector banks have earned significantly higher return on total assets as compared to their public peers. If we look at its trend, foreign banks show an overall decreasing trend, private banks an increasing trend and Public banks have been more or less stagnant. The net NPA of public sector bank was also significantly higher than that of private and foreign banks at the end of FY11, which indicates the asset quality of public banks is comparatively poor. The

Capital Adequacy ratio was also very high for private and foreign bank as compared to public banks.

Conclusion:-

The researcher has concluded that the current position of ROA, Net NPA and CAR of different kinds of players in the industry indicates that going ahead; public banks will have to face relatively more problems as compared to private and foreign banks. Still the banks are today facing stiff completion within the industry and from other NBFC's. As the float margin of the NBFC's are higher than that of banking companies, it is easily possible for them to invest heavily on Promotions. Alternatively the bank should focus on differentiating through trust and the bank should

take the approach of Making strong customer relationship and marketing through personal relations and not promotional channel.

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