

## **STRATEGIES FOR EFFECTIVE BANK MARKETING IN INDIA**

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### **Introduction:**

Since the inception of globalization in India, banking sector has undergone various changes. Introduction of asset classification and prudential accounting norms, deregulation of interest rate and opening up of the financial sector made Indian banking sector competitive. Encouragement to foreign banks and private sector banks increased competition for all operators in banking sector. The protective regime by the authority is over. Indian banks are exposed to global competition. Even competition within the country has increased manifold. The almost monopoly position enjoyed by the public sector banks of India is no more in existence. Under this development Indian banks needs to reinvent the marketing strategy for growth.

India is a country where there is three tire level of geographical area development. There are full fledged urban areas covering the metropolitan cities and other big cities. On the other hand there are underdeveloped rural areas too. In between these two extreme there is semi urban areas also covering small towns. Prior to nationalization of banks in India, banking was concentrating in the urban areas only. However, after nationalization of 14 large commercial banks in India rural banking was started. To day the scene of Indian banking is different than what it was on the eve of nationalization. Today nearly half of the total branches of the banks are found in the rural areas. However, the spread of the bank in Indian rural and semi urban areas are highly different from state to state and region to region. Many states have fewer networks of bank branches in the rural areas. Under such scenario different marketing approach for different areas is required. If the bank follows the same marketing strategy for all areas the success would be difficult.

### **Marketing approach for urban areas**

The urban areas of India are developed taking into account all parameters of development. The level of income of the people, the literacy rate and level of education as well as awareness of the people about rights of the customer are higher than that of the rural and even semi urban areas. Thus here for effective bank marketing different approach is necessary than that of rural areas. Here the marketing strategy should be based on customer service and the use of modern technology in banking. Under competitive environment for the success of the business, better customer service is of paramount importance. Attracting new customers and retaining existing customers is possible only with customer service. Use of modern technology in urban areas will also go long way for marketing of banking services. Technology based service like credit card, debit card, ATM, anywhere banking, internet banking, and mobile banking are necessary for urban areas. This is because it enables customers to perform banking transactions at their convenience. Business hours of a bank are also an important factor for urban banking. Banking services for long hours, say 12 hours and seven days a week is preferred by urban customers. It is suitable to urban life style. In India many private sector banks, especially co-operative banks and now even some of the public sector banks have also started this practice and they find it successful. To attract business and wholesale customers, banks need to adopt technology based product and service which is suitable to such class of customer. For instance RTGS, collection of out station cheques, issuing the cheques at par at any branch in the country, cash management facility, DD boutiques etc. are necessary.

Another strategy for effective marketing is bank need to change the focus from the traditional banking to universal banking. In urban areas the extent and variety of economic activities demands that one institution should meet all financial need of a customer. Under such an expectation of people universal banking would prove successful approach for bank marketing. The term 'universal banking' in general refers to the combination of commercial banking and investment banking, i.e., issuing, underwriting, investing and trading in securities. In a very broad sense, however, the term universal banks refers to those banks that offer a wide range of financial services, beyond commercial banking and investment banking, such as, insurance. The idea is to conduct

banking and allied activities under one roof. Such allied activities may include credit cards, asset management, housing finance and insurance, all of which are run concurrently with core banking operations. A universal bank is a supermarket for financial products. Under one roof, corporate can get loans and avail of other handy services, while individuals can bank and borrow.

For increasing customer base and retention of the existing cliental universal banking approach is effective strategy. Universal banking offers number of benefits to customers as well as the banks. For instance, economies of scale arise in multi-product firms because costs of offering various activities by different units are greater than the costs when they are offered together. The wide range of financial products and services offered holds a greater appeal for the customer than specialized banks due to the comprehensive service provided by a universal bank. This is one of the major factors which is useful for any bank to face competition successfully and increase their market share. Modern banking is heavily depending upon retail banking. To attract retail customer this approach is ideal. Empirical study clearly shows that all most all banks are taking retail customers seriously and focusing their marketing strategy towards them. Universal banking with focus on retail customers made the ICICI banks to acquire first position in Indian banking sector. Other banks of India are also adopting ICICI model for growth.

Universal banking approach is beneficial to bank also. For banks economies of scale relate to cost-savings through sharing of overheads and improving technology by jointly providing generically similar groups of services. Since universal banking basically provides financial services, the inputs like manpower, infrastructure is more or less same. Necessary changes in the inputs can be made easily. For instance training can be given to staff for providing different financial services to customers. Moreover the most important benefit for the bank is that it is useful to increase the fee based income of the bank. Financial sector passing from lower interest rate regime at present and added to this the process of disintermediation is affecting the main and the traditional source of income for the banks i.e. interest income. All banks are striving hard to increase their fee based income to improve their bottom line. Universal banking can help the banks here positively.

### **Marketing approach for rural areas**

Prior to nationalization of banks in 1969, the rural areas were virtually without banking facility. At that time unorganized sector was dominating in the rural finance. After nationalization of banks in 1969 branches of the banks were started gradually in the rural areas also. To day more than 50 percent branches of the banks are found in the rural areas. However, the distribution of banks in the rural areas is highly uneven. In different state the extent of rural banking is different. Though some of the states have good performance in the rural banking but in spite of that unorganized sector is still dominating in the rural banking. It means here the nature of competition is different. Here banks have to face competition with the unorganized sector. Moreover the rural banking is highly regularized activity by the Government in India. Lending as well as interest rate is regularized. Thus under such environment different marketing approach is required. For effective rural marketing product development, promotion and communication is important. All these parameters banks have to balance with socio-economic factors prevailing in the rural areas. Here bank need to innovate product that could attract the depositors. Various loan schemes that are suitable for them for getting funds at right time and also they find convenient to repay. For instance traditional saving bank account may be given a fixed deposit concept that once a particular limit of balance is reached the funds from saving account is automatically converted into fixed deposit attracting higher interest rate. Same way giving more liquidity status to fixed deposit account. In some of the states of India there is considerable amount of NRI deposits. Banks need to develop some scheme which would attract them to bank with. For loans and advances products which are suitable to farmers, small traders, small scale agro based rural industries are already in existence. Banks need to see that how value addition can be made to these existing schemes. Banks also needs to tie up with Non Government Organisations and various Self Help Groups for different types of loans, micro financing etc. This will help the bank for building good image and reputation in the rural areas over and above the business. Another potential area which can be explored by the banks in the rural area is retail banking. With the steady increase in the income of the rural people there is ample scope for retail loan products like housing loans and loans for consumer durables.

Marketing through customer services in rural areas is different from that of urban areas. Here personalized banking is the success *mantra* for banks. Because of high level of illiteracy people prefer to undertake banking transaction themselves. They hesitate to depend upon technology based service. For effective marketing in rural areas bank should have staff with right soft skill like concern for customers' problem, positive attitude, good communication and negotiation skill. At every level of dealing with the customer bank need to educate them for banking activities and processes. To attract the customers from the unorganized sector most important factor is to provide the borrower the required finance of right amount and at right time.

### **Conclusion**

Banking sector has undergone various changes after the new economic policy based on privatization, globalization and liberalization adopted by Government of India. Introduction of asset classification and prudential accounting norms, deregulation of interest rate and opening up of the financial sector made Indian banking sector competitive. Encouragement to foreign banks and private sector banks increased competition for all operators in banking sector. Banks in India prior to adoption of new economic policy was protected by Government and was having assured market due to almost state monopoly in banking sector. However, under the new environment, Indian banks needs to reinvent the marketing strategy for growth. In India geographical development is not even throughout the country, there are full fledged urban areas covering the metropolitan cities and other big cities. On the other hand there are underdeveloped rural areas too. For effective bank marketing different approach for different areas is required. In urban areas customer service is of paramount importance as the level of literacy and therefore awareness of the people is more. Also technology based marketing would have higher degree of success due to typical urban life style of the people. Universal banking providing all financial services under one roof will have more success in urban areas. In the rural areas for bank marketing personalized banking will go in long way. Also banks need to offer innovative tailor made deposits and advances products to suit individual customers. Delivery of advances of right amount and at right time is essential in rural marketing

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