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## *Marketing of Banking Services – A Comparatives Study of Public and Private Sector Banks in Kerala*

**Minija Abraham**

Assistant Professor,  
P.G Department Of Commerce,  
Government College,  
Kattappana – India

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**Abstract:** *Customer satisfaction is a key factor in any organization, especially banks and banks are looking to earn a stable income to our loyal customers. Banking industry has witnessed phenomenal change since the era of liberalization. Marketing approach in banking sector had taken significance after 1950.*

**Keywords:** *Marketing Strategy, Commercial Banks.*

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### I. INTRODUCTION

The most essential element in the process of development and growth of the country is finance. The economy of a country becomes crippled without the flow of finance and the economic growth is stunted. Monetary resources can be channelized only with the help of proper financial infrastructure. An effective financial system in the form of banks and financial institution offer economic lending and borrowing. Bank is an institution which accepts deposits from the public and makes it available for those who need it.

Banking industry has witnessed phenomenal change since the era of liberalization. Retention of the customer base and enlarging it has attracted utmost importance by all the banks since last 5 to 15 years due to the severe threat imposed by the competitors.

Kerala boasts a well-developed banking infrastructure. With progressing time Kerala banking system has attained a high benchmark. Commercial, Nationalized a large number of Grameen banks have sprung up within the state. In fact, there was a surge of banks in the state following the nationalization of the banks in 1969.

Marketing approach in banking sector had taken significance after 1950. The marketing scope develops day by day. These developments carry special significance for service sector in which customers and service providers interact closely.

### II. SIGNIFICANCE OF THE STUDY

Indian banking sector historically passed through five stages: pre-independence, post-independence, pre nationalization, nationalization and post-liberalization stages. In all these stages, other than the last stage, marketing was always considered not to be a banker's cup of tea. But today, it is considered to be an integral management function in the banking sector. India's banking sector has made rapid strides in reforming and aligning itself to the new competitive business environment. Traditionally, Indian banks have not really paid adequate attention to marketing and market research.

Growth and diversification in banking sector has transcended limits all over the world. In 1991, the Government opened the doors for foreign banks to start their operations in India and provide their wide range of facilities, thereby providing a strong competition to the domestic banks, and helping the customers in availing the best of the services.

### **III. STATEMENT OF THE PROBLEM**

Among services industries, banking industry occupy a key role not only in the development of economy but also in the creation of customers and providing significant services to them in their day today life. Earlier public sector banks have been enjoying the existence of large number of branches, making remarkable achievement in their field. The customers also did not have more options except to depend more on public sector banks. But today, after globalization and liberalization of economic policies, more private sector banks including foreign banks have come to compete with public sector banks. In fact, these banks provide technologically advanced and sophisticated services to the customers when compared with public sector banks. Hence, it has become necessary for public sector banks to adopt different marketing strategies for providing services to their customers.

### **IV. OBJECTIVE OF THE STUDY**

To make a comparative study of the services of public and private sector banks.

### **V. METHODOLOGY**

The study based on both primary and secondary data. The data required for the study is collected through standard questionnaires, schedules, and personal interviews from both customers and bank officials.

For primary data collection the entire population is divided into a number of clusters and samples are selected by applying quota sampling method. Secondary data are collected from the published reports of banks, journals, websites, etc.

### **VI. SCOPE OF THE STUDY**

The fastest growing service sector in our economy is banking sector. It is the field of drastic innovations and changes. So, this study is very relevant from the point of view of our economy. In Kerala, there is a good banking infrastructure. Kerala has many commercial banks both nationalized and Kerala based, cooperative bodies, Non- Banking Financial Companies, etc. The main role in financial sector is played by the commercial banks. There are more than 50 commercial banks in Kerala. Banks had started to perform marketing and planning techniques in banking in order to be able to offer their new services efficiently. Marketing scope in banking sector should be considered under the service marketing framework. Bank's wish for increasing profits creates new markets to protect and develop their market share and to survive on the basis of intense competition and demographic chance levels. The proposed study covers all 14 districts in Kerala.

### **VII. LITERATURE REVIEW**

Basu (1970) studied the role of Commercial Banks (CBs) in the planned economy of India after nationalization. The study explained how the CBs entered a new era of 'mass' banking in lieu of 'class' banking in the post nationalization era. The study clearly emphasised that CBs made remarkable progress in the field of agricultural finance.

Sarkar (1983) made an attempt to evaluate the involvement of banking sector in priority sector advance during the period 1969 – 1982. It concluded that banks should respond positively to the changing national policies and priorities to achieve growth and distributing social justice.

Mohanachandran B.S.(2000) in this doctoral dissertation, studied the impact of priority sector lending by commercial banks in the rural development of Kerala by considering loan utilization, over dues etc; and analysed the role of PSBs in generating income and employment, creating assets, improving savings and investment and improving social conditions. During the period of study, CBs in Kerala continuously maintained the stipulated target of 40 per cent. It is observed that BSR has broadened the coverage of PSA. Private sector money lending flourished due to the complex proceedings of CBs. The present

system of credit monitoring was not effective. This study also found that majority of priority sector borrowers were from small and medium families.

Kajal Chaudhary and Monika Sharma (2011) Performance of Indian Public Sector Banks and Private Sector Banks: A Comparative Study, The economic reforms in India started in early nineties, but their outcome is visible now. Major changes took place in the functioning of Banks in India only after liberalization, globalization and privatization. Increased competition, new information technologies and thereby declining processing costs, the erosion of product and geographic boundaries, and less restrictive governmental regulations have all played a major role for Public Sector Banks in India to forcefully compete with Private and Foreign Banks.

### VIII. MARKETING OF BANKING SERVICES – AN OVERVIEW

The banking sector is an integral part of the economy. Hence this sector plays a key role in the wellbeing of the economy. A weak banking sector not only jeopardizes the long-term sustainability of an economy, it can also be a trigger for a financial crisis which can lead to economic crises. Majority of the banking institutions are now putting emphasis on marketing to make customer aware about the services and benefits offered by them.

According to modern concept, banking is a business, which not only deals with borrowing, lending and remittance of funds, but also important instruments for fostering economic growth. The Indian money market however is characterized by the existence of both unorganized and organized credit agencies that meets the credit needs of various sectors of economy. The moneylenders and indigenous bankers constitute the money market. The organized sector of money consists of reserve bank of India, commercial bank and cooperative banks. Indian banking industry is standing on three major pillars – nationalized, private and foreign banks. All the three are not only competing in financial matters but also in providing best customers services. In terms of sheer size and reach public sector banks i.e. nationalized banks stills domination our banking system, but in terms of services and facilities, private and foreign banks are having the upper hand. Customers get a whole range of banking and allied services at his doorstep. Private and foreign banks package helps the clients from “womb to tomb”. They are very much particular about the customer’s satisfaction.

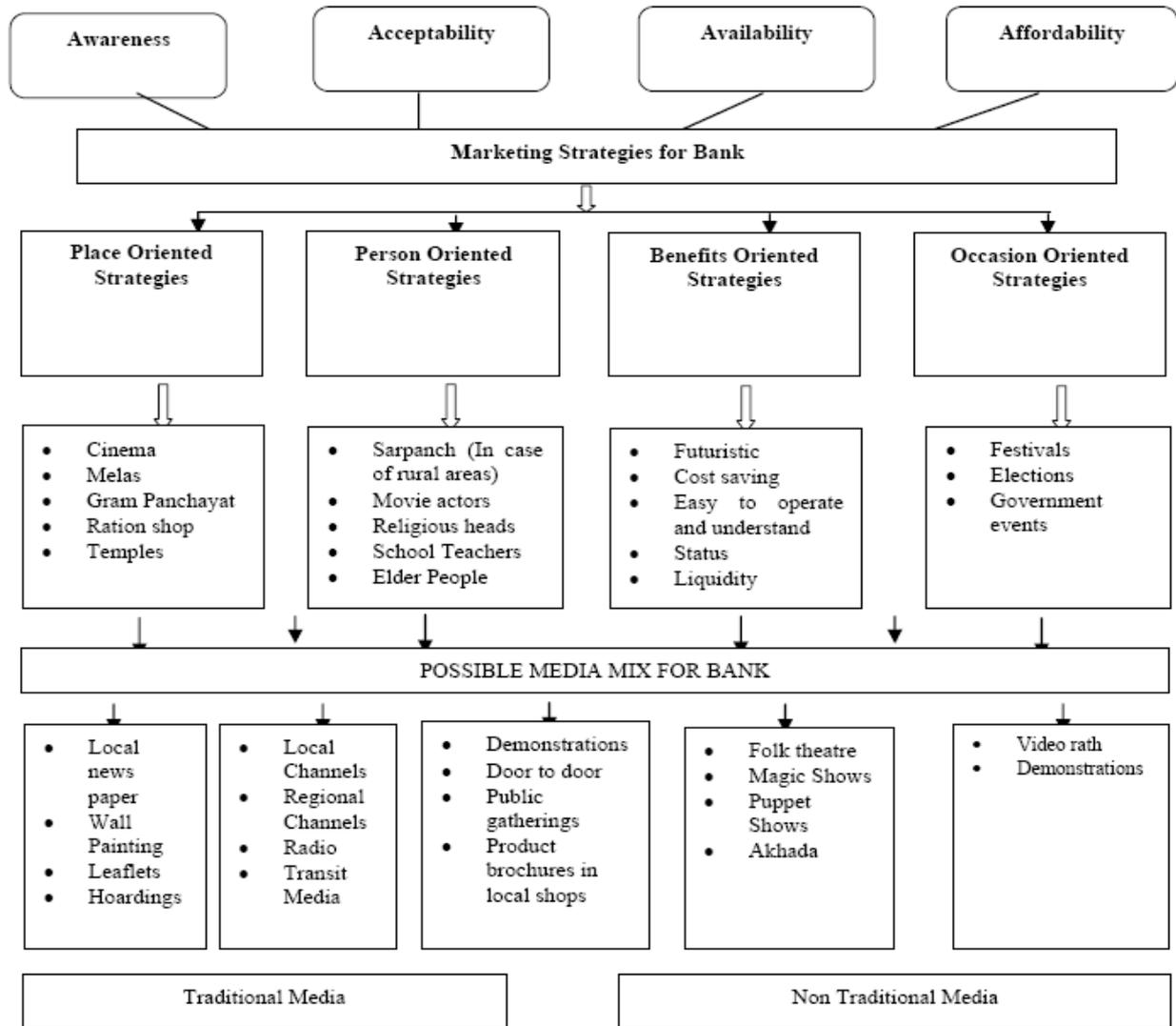
Banking is a personalized service oriented industry and hence should provide services which satisfy the customer's needs. To meet these needs, bankers are expected to provide satisfactory benefits through provision of form, place, time, and ownership utilities.

The marketing approach involves anticipating, identifying, reciprocating (through designing and delivering customer-oriented service), and satisfying the customer's needs and wants effectively, efficiently, and profitably.

### IX. HISTORY OF INDIAN BANKING SECTOR

Without effective banking system in India it cannot have a healthy economy. The banking system of India should not only be hassle free but it should be able to meet new challenges posed by the technology and any other external and internal factor. For the past three decades India banking system has several outstanding achievements to its credit. The most striking is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. In fact Indian banking system has reached even to the remote corners of the country. This is one of the main reasons of India growth process. The government’s regular policy for Indian bank since 1969 has paid rich dividends with the nationalization of 14 major private banks of India. Not long ago an account holder had to wait for hours at the bank counters for getting a draft or for withdrawing his own money. Today he has a choice. Gone are days when the efficient bank transferred money from one branch to other in two days. Now it is simple as instant messaging or dials a pizza. Money has become the order of the established in 1786. From 1786 till today, the journey of Indian banking system can be segregated into three distinct phases. They are Phase-1 early phase from 1786 to 1969 of Indian banks, Phase-2 nationalization of Indian banks and upto 1991 and Phase-3 phase of Indian banking sector reform after 1991.

Conceptual Model for Bank Marketing



X. RECENT TRENDS IN MARKETING STRATEGIES OF BANKS

Traditionally, banks were seen as the holders of the money, which gradually changed their role as the creators of money. Today, the scope of banks has widened phenomenally, now the banks are seen as the purveyor of finance for the entire nation. A sound banking system is the life blood of any developing economy and it reflects the growth of the economy. Financial inclusion is a major agenda for the Reserve Bank of India (RBI). Without financial inclusion, banks cannot reach the unbanked. It is also a major step towards increasing savings and achieving balanced growth. Recently two conferences were held in Mumbai highlighting these issues; The Sixth Banking Tech Summit of Confederation of Indian Industry (CII) and another one organized by the Society for Worldwide Interbank Financial Telecommunication (SWIFT).

XI. DATA ANALYSIS AND INTERPRETATIONS

Table 1 Gender wise distribution of respondents

Gender wise distribution	Male		Female		Total	
	No	%	No	%	No	%
Sector						
Public	100	60	85	63	185	62
Private	65	40	50	37	115	38
Total	165	100	135	100	300	100

Source: Primary data

From the above table it is clear that out of 300 respondents 165, that is, 55 percent were male customers and 135, that is, 45 percent were female customers.

Table 2 Age wise distribution of respondents

Age wise distribution	Below 30		31-40		41-50		51-Above		Total	
	No	%	No	%	No	%	No	%	No	%
Sector										
Public	25	55	43	54	78	66	39	68	185	62
Private	20	45	36	46	41	34	18	32	115	38
Total	45	100	79	100	119	100	57	100	300	100

Source: Primary data

The above table depicts that out of 300 respondents 79 respondents belong to the age group of 31-40 and 119 respondents belongs to the age group 41-50. Only 45 respondents belong to the age group below 30.

Table.3 Qualification wise distribution of respondents

Qualification wise distribution	Non matriculate		Metriculate		Graduate		Technical & Pro.		Total	
	No	%	No	%	No	%	No	%	No	%
Sector										
Public	10	59	48	58	97	68	30	53	185	62
Private	7	41	35	42	46	32	27	47	115	38
Total	17	100	83	100	143	100	57	100	300	100

Source: Primary data

It is clear from the table that 17 out of 300 respondents were non matriculate, 83 were matriculate, 143 were graduate and 57 respondents were professionally and technically qualified.

Table 4 Table showing reason for choosing the bank

Reason\ Rank	1	2	3	4	5	6	7	8	9	10	Total
Proximity	73	46	30	25	43	18	24	22	16	3	300
Quality of service	47	64	48	32	21	20	11	24	18	15	300
Attraction of deposit/Loan schemes	48	32	47	64	11	21	20	18	15	24	300
Core banking facility	73	25	43	30	24	36	25	13	22	16	300
ATM facility	32	47	21	64	11	20	18	15	24	48	300
Courteousness of the bank staff	53	36	29	44	18	30	26	24	15	25	300
Extended banking hours	44	29	36	18	53	25	15	30	26	24	300
Low cost of service	73	16	30	43	22	36	25	24	25	13	300
Influence of agents/staff	24	15	18	20	21	11	64	47	32	48	300
others	0	0	0	34	67	49	54	75	15	6	300

Source: Primary data

It is understood from the above table that out of 300 respondents 73 respondents give the reason for choosing the bank is proximity 47 respondents states that it is the quality of service. 73 respondents opinioned that core banking facility attracts them. 73 respondents said that low cost of service is the reason for choosing the bank. Attraction of deposit schemes is the reason for 48 respondents. 53 respondents give courteousness of the bank staff as the reason. Extended banking hours is the reason for 44 respondents. ATM facility attracts 32 respondents. 24 respondents were influenced by agents and staff.

Table 5 Table showing satisfaction of banking requirement

Satisfaction	Yes		No		Total	
Sector	No	%	No	%	No	%
Public	125	68	60	32	185	62
Private	96	83	19	17	115	38
Total	221	74	79	26	300	100

Source: Primary data

It is clear from the table that 221, that is 74 percentage of the respondents were satisfied with their banking requirements

**XII. CONCLUSION**

In the service sector banking services occupy key role both in the development of economy of the country and in the development of individual customers in their business and social life. Unlike in past, the customers today compare the services of public sector banks with the services of private sector banks. These have necessitated for introduction of various new products and execute the services in a professional way to keep their customers satisfied.

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