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Marketing strategies in Indian banks: Post-liberalization comparative study

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Abstract

Since the liberalization of the Indian economy in 1991, the financial sector has undergone significant transformations. Entering the new millennium, characterized by a technological revolution, the financial industry faces a multitude of new challenges and tasks. In a global information system with broader operational scopes and intense international competition, financial services must rely on innovative marketing strategies to maintain a dynamic market presence and ensure service longevity. The sophisticated and expanding demands of customers have compelled financial institutions to adopt new marketing approaches. Success now hinges on their commitment, adaptability, accessibility, and ability to embrace new trends, thereby meeting the ever-changing needs and aspirations of their clientele. Modern bank management centers around the customer, evolving with their needs and failing if customer satisfaction is not achieved. Banks now operate in a buyer's market, where customer satisfaction is crucial to their success, directly influenced by the service mix and quality provided. Consequently, marketing personnel must be trained to interact with customers with a human touch, always striving for better customer satisfaction. This study aims to compare the marketing practices of public, private, and foreign banks in India, and to suggest strategies for enhancing consumer satisfaction in a competitive environment. The research is based on primary and secondary data collected from selected banks and their customers, with an analysis of current marketing practices deployed across different sectors of banks. The findings indicate that effective customer care training and innovative service strategies are crucial for improving customer satisfaction and maintaining a competitive edge in the banking industry.

Keywords: Marketing strategies, banks, transformation, foreign banks, India

Introduction

Since the liberalization of the Indian economy in 1991, significant transformations have taken place within the financial sector. Entering the new millennium, marked by a technological revolution, the financial industry faces a multitude of new tasks and challenges. In the context of a global information system, broader operational scopes, and intense international competition, financial services must rely on innovative marketing strategies. These strategies not only allow for a more dynamic market presence but also ensure the longevity of their services. The expanding and increasingly sophisticated demands of customers have compelled financial institutions to adopt new marketing approaches. Success hinges on their commitment, adaptability, accessibility, and ability to embrace new trends, thereby meeting the ever-changing needs and aspirations of their clientele.

Modern bank management centers around the customer, evolving with their needs and failing if customer satisfaction is not achieved. Banks operate in a buyer's market rather than a seller's market, where customer satisfaction is crucial to their success. This satisfaction is a direct result of the service mix and quality provided. The customer is the focal point around which the organizational structure is designed and developed. Therefore, marketing personnel must be trained to honor and interact with customers with a human touch, always striving for better customer satisfaction.

Banking, as a service industry with multiple goals, clients, and services, is inherently complex. Banks function in dual capacities, both as sellers and buyers. As sellers, they provide satisfaction benefits to customers by creating utility in form, place, time, and ownership. As buyers, they seek customer patronage to mobilize deposits. To succeed, bankers must skillfully balance these functions. Diversifying their service mix and developing strategies to meet rising customer expectations are essential.

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To fend off competition and improve performance, banks must employ effective marketing strategies.

Review of Literature

Mohammed Hossain, Shirley Leo, (2009) [2] has pointed out that customers' perception is highest in the tangibles area and lowest in the competence area. In order to achieving higher levels of quality service in retail banking, banks should deliver higher levels of service quality and in the present context customers' perceptions are highest in the level of infrastructure facilities of the bank, followed by timing of the bank, and return on deposit. Owing to the increasing competition in retail banking, customer service is an important part and bank managers should be rethinking how to improve customer satisfaction with respect to service quality. Anyim Kevin Ouma (2010) [3] has observed that the main strategies used by banks to deal with services breakdown include; designing services to fit the needs of customers; ensuring that services are always oh high quality without compromise; putting relevant systems in place; having competent employees in place; on time delivery of services and ensuring that services are driven by customers to increase acceptance and satisfaction. H. Vasantha Kumari (2011) [4] has pointed out that customer perception can be influenced the effects of bank service quality on performance. Customer perception can be considered as the key contrast to bank for the overall performance. While the study found that four factors in income (Services, reliability, Tangibles, and Time duration), three factor in Qualification (Reliability, Tangibles, Time duration), one factor in marital status (Reliability) and one factor in age group (Time duration) which indicating significant relationship between demographic characteristics and customer perception towards services offered by their banks. Asikhia, Olalekan (2011) [5] has observed that the male and female customers perceived e-banking services differently and thus they patronize this service for different reasons. Hence for the different banks to sustain their interest there is dire need to emphasize the common factors to the particular gender whose patronage is essential depending on the product. The result also help to identify the particular unique selling proposition to be emphasized by the banks in the course of marketing any gender inclined product, as their particular area of interest is important for emphasis. Vibhor Jain & Gupta Sonia (2023) [6] has made it evident that the growing needs of the customers are evident from the wide array of services being offered by the banks like insurance, mutual funds, depository services, etc. According to Reserve Bank of India, the voluminous increase of 14,85,643 crores in the retail financing schemes of the various banks indicates the

varied needs of the customers, in which the private sector banks have emerged as the significant players. This in turn points towards the degree of readiness, which these banks are demonstrating towards the customers and their needs. Besides this, these banks should follow the strategy of differentiation of service offers from one another.

Objectives of the Study

The objectives of the research paper are:

- To make a sectoral comparison of marketing practices of banks.
- To suggest the strategies/explore new ways for enhancement of consumer satisfaction under the competitive conditions.

Hypothesis

Within the framework of the above objectives, the study seeks to test the important hypothesis that the marketing practices followed by public sector banks, private sector banks and foreign banks are same.

Research Methodology

The results of this study are based on the analysis of primary as well as secondary data. The primary data have been collected from selected banks and their respective customers to clearly grasp the nature of our objectives and developing meaningful and practical solutions to meet our objectives. Primary data has been collected from the respondents in tricity (Chandigarh, Mohali and Panchkula). To study the marketing practices deployed by different banks, a sample of 14 top level executives (1 each from selected banks) has also been taken.

We have selected five banks from each group i.e. public sector banks and foreign banks. Among the private sector banks we have selected four banks and these are:

Public Sector Banks: State Bank of India (SBI), Punjab National Bank (PNB), Bank of India (BOI), Canara Bank and Bank of Baroda (BOB)

Private Sector Banks: HDFC Bank, ICICI Bank, Axis Bank and Indus Ind Bank

Foreign Banks: Citi Bank, HSBC Bank, ABN AMRO Bank, Deutsche Bank and Standard Chartered Bank

Analysis of Marketing Practices of Different Sector of Banks

Analysis of current marketing practices being deployed by different sectors of banks are given below:

Table 1: Imparting training for customer care

Imparting Customer Care training	Public Sector Banks		Private Sector Banks		Foreign Banks	
	No. of Respondents	Percentage	No. of Respondents	Percentage	No. of Respondents	Percentage
Yes	5	100	4	100	5	100
No	0	0	0	0	0	0
Total	5	100	4	100	5	100

	Sum of Squares	DF	Mean Square	F	Sig.
Between Groups	.100	2	.050	.162	.853
Within Groups	3.400	11	.309		
Total	3.500	13			

The executives of all sectors of banks claimed that they were imparting training to their employees, on customer care and customer satisfaction. As training is very important

aspect to update the staff about the latest techniques and schemes adopted by the bank, the PSBs are even giving specialized training programmes to their middle

management officers for operational efficiency. The computed value of F-test at (2, 11) degree of freedom and at 5 percent level of significance is 0.162 which is less than the tabulated value, hence we accept our hypothesis. This means that all the sector banks impart training for customer care.

Number of training curriculum in a year

Executives of all the three sectors of banks said that they have different types of training programmes for different

sections of employees. They have separate training centers at different places and depending upon the need, employees are given different types of training. However the number of training curriculum is not fixed. 80% of public sector executives said that training curriculum on customer care and satisfaction is more than 10 in a year and all the executives of private sector and foreign sector said that all their trainings are based on products/services and all are customer oriented.

Table 2: Utility of training

Banks	Utility of Training				Total Weighted Score	Weighted Mean Score
	Very Useful 4	Useful 3	Somewhat Useful 2	Not at all Useful 1		
Public Sector Banks	3	2	0	0	18	3.6
Private Sector Banks	3	1	0	0	15	3.75
Foreign Banks	4	1	0	0	19	3.80

	Sum of Squares	DF	Mean Square	F	Sig.
Between Groups	.107	2	.054	.214	.810
Within Groups	2.750	11	.250		
Total	2.857	13			

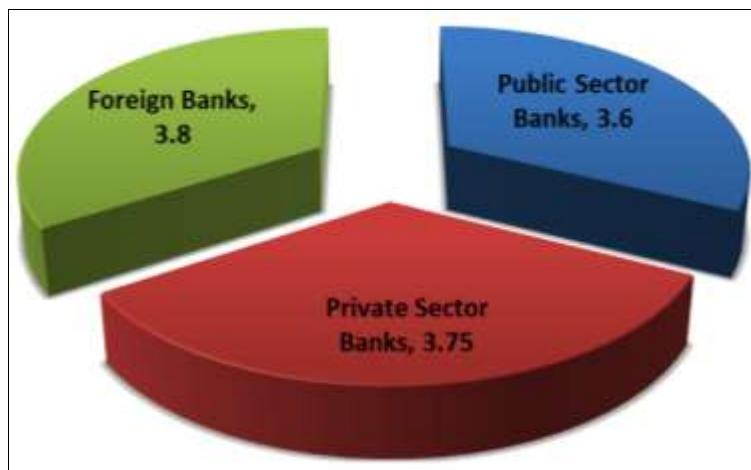


Fig 1: Utility of training

Customers have always been at the center stage of any banking sector & customer satisfaction is the strongest foundation for the success of an organization. As an organization cannot survive in the long run if its customers are dissatisfied with the products or services offered by it, customer satisfaction is being taken care of training sessions. 60% of public sector banks executives felt that it is very useful to impart training on customer care and 40% felt it is useful. In private banks, 75% executives said it is very useful while 25% felt that it is useful. In foreign banks, 80% executives said it was very useful while 20% felt that it was useful. All the 14 top executives claimed, that at the training center, staff is motivated to deliver better services to its customers which are the core of all marketing & promotional strategies of banking.

On the basis of the mean score, there is no significant difference in the opinion of executives of all the three sectors of banks regarding utility of training of customer care. All of them have perceived the training programmes to be quite useful. The utility of training do not vary significantly in various kinds of banks as shown by the value of F-test.

Interested for incorporation of customer care in training curriculum

However all executives of various sectors of banks accepted that there is always a need to update the training programme whenever new products are tailored or existing ones are modified as per requirement.

60% executives in PSB emphasized the need for specialized customer care training curriculum while this figure is 50% and 40% in private sector and foreign sector banks respectively. Rest of the executives were satisfied with existing training on customer care. For public sector banks, scenario has totally changed with the shift on increased importance to profitability and customer care. So new products are being tailored, and the existing ones are being modified as per market requirement. However these public sector banks need to bring attitudinal change in behavior of their staff through training and motivational sessions.

Customer care is also becoming more and more important for private & foreign sector banks as they are now facing a stiff competition even from public sector banks. It was observed during the interview session with the executive of private sector banks.

Table 3: Making more effective customer service

Making More Effective Customer Service	Public Sector Banks		Private Sector Banks		Foreign Banks	
	No. of Respondents	Percentage	No. of Respondents	Percentage	No. of Respondents	Percentage
Polite with due attention	3	60	2	50	2	40
Customer friendly innovative schemes	2	40	2	50	3	60

	Sum of Squares	DF	Mean Square	F	Sig.
Between Groups	.100	2	.050	.162	.853
Within Groups	3.400	11	.309		
Total	3.500	13			

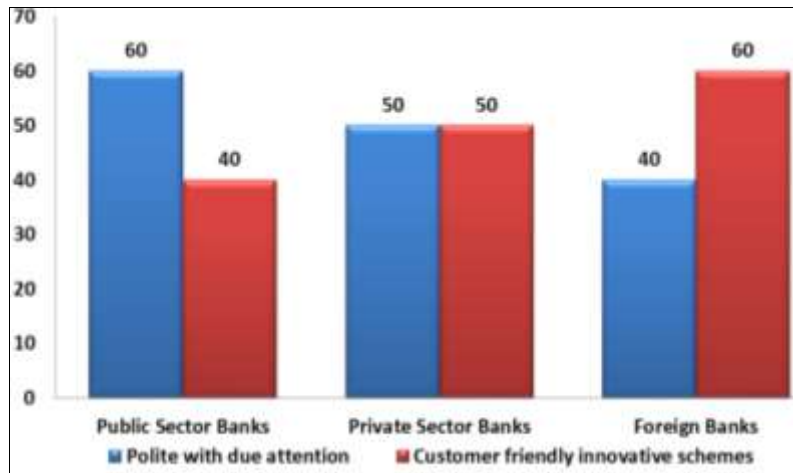


Fig 2: Making more effective customer service

60%, 50%, 40% of PSB, Pvt. Sector and foreign banks executives respectively felt that the customer should be responded politely and friendly while 40%, 50% and 60% of PSB, Pvt and foreign banks executives respectively were of the opinion that more and more innovative schemes suitable to customers, should be provided. Executives of public sector banks emphasized the need for cross selling of products e.g. a customer having saving/fixed deposit a/c with the bank may be offered other services like

insurance, mutual fund investment, hiring of safe vaults etc. Almost all the executives opined for user-friendly techniques of technology along with emphasis on good and healthy work environment. It is also evident from the above table that the value of F-test shows the significant level as 0.853 which means that the hypothesis is accepted and it is clear that the effectiveness of customer services do not vary significantly in various sectors of banks.

Table 4: Availability of citizen charter to customer.

Availability of Citizen Charter	Public Sector Banks		Private Sector Banks		Foreign Banks	
	No. of Respondents	Percentage	No. of Respondents	Percentage	No. of Respondents	Percentage
Yes	4	80	3	75	2	40
No	1	20	1	25	3	60
Total	5	100	4	100	5	100

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.464	2	.232	.929	.424
Within Groups	2.750	11	.250		
Total	3.214	13			

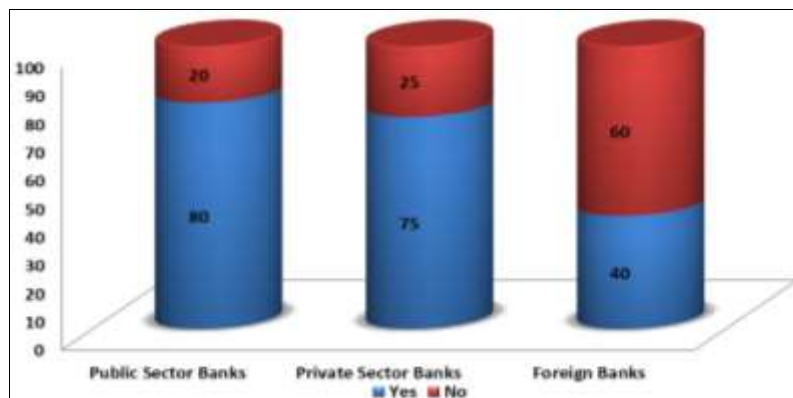


Fig 3: Availability of citizen charter to customer

80% of PSB, 75% of Pvt and 40% of foreign bank executives ensured that the citizen charter formulated to improve customer service is being made available to customers at branch level. But they pointed out that few customers are aware of the charter formulated by banks and among them a very few demanded the same. So there is also

the need to increase the awareness among customers that citizen charter for customer’s services is available with the branch and is provided on demand. One way ANOVA table depicts that the Availability of Citizen Charter to Customer do not vary significantly in various kinds of banks.

Table 5: Achievability of citizen charter norms.

Achievability of Citizen Charter Norms	Public Sector Banks		Private Sector Banks		Foreign Banks	
	No. of Respondents	Percentage	No. of Respondents	Percentage	No. of Respondents	Percentage
Yes	3	60	3	75	4	80
No	2	40	1	25	1	20
Total	5	100	4	100	5	100

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.107	2	.054	.214	.810
Within Groups	2.750	11	.250		
Total	2.857	13			

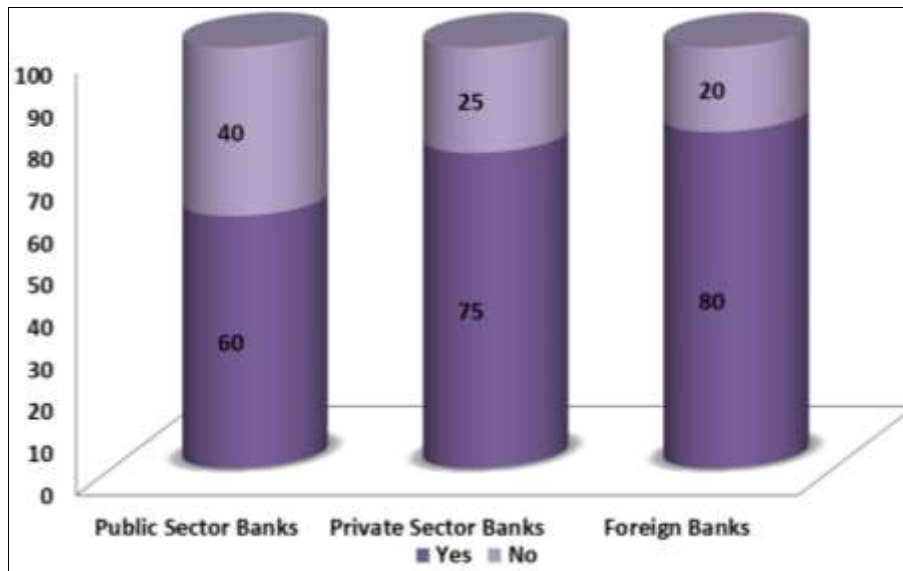


Fig 4: Achievability of citizen charter norms

60% of PSB, 75% of private sector and 80% of foreign bank executives felt that norms set for the different services being offered are realistic and achievable. In the private & foreign banks, more and more customers are using virtual banking techniques. But in public sector banks, still a majority of customers visit the banks in person for their functions.

Sometimes due to huge rush/long queues of public, standard norm set in the charter may not be followed. However, with the increased usage of technology, norms set in the charter are likely to be strictly followed. Achievability of citizen charter norms do not vary significantly in various kinds of banks.

Table 6: Received complaint regarding customer service

Receipt of Complaint	Public Sector Banks		Private Sector Banks		Foreign Banks	
	No. of Respondents	Percentage	No. of Respondents	Percentage	No. of Respondents	Percentage
Yes	5	100	4	100	5	100
No	0	0	0	0	0	0
Total	5	100	4	100	5	100

The bank executives of all the banks selected in three sectors said that banks have received the customer’s complaint/grievances on one or other aspect of the services offered. Foreign bank and Pvt sector banks receive complaint more in reference to their high service charges

while for PSB, it is related to inept handling of customers in some instances, and delay in delivery of some services at other times. But we should also keep this fact in view, that client base of PSB is very large in relation to private and foreign banks.

Table 7: Nature of complaint received

Nature of Complaint	Public Sector Banks		Private Sector Banks		Foreign Banks	
	No. of Respondents	Percentage	No. of Respondents	Percentage	No. of Respondents	Percentage
Time Norms	3	60	1	25	0	0
Cash receipt/ payment	4	80	1	25	1	20
Issue of drafts/ money transfer instrument	2	40	1	25	0	0
Credit of local/outstation cheque.	4	80	0	0	0	0
Updating of passbook	1	20	0	0	0	0
Giving statement of accounts/completion of passbook	1	20	0	0	0	0
Indifferent attitude of staff	3	60	1	25	0	0
High cost of service charges	0	0	2	50	1	20
Higher amount of minimum balance to be maintained in their account	2	40	0	0	0	0
Technological product's functioning	2	40	0	0	0	0
ATM functioning	2	40	1	25	1	20

Nature Of Complaint	Public Sector Banks		Private Sector Banks		Foreign Banks		Overall Values	
	Mean Values	Rank Values	Mean Values	Rank Values	Mean Values	Rank Values	Mean Values	Rank Values
Time Norms	4.20	2	6.80	9	6.00	6.5	5.65	3
Cash receipt/ payment	4.60	3	6.50	6	6.00	6.5	5.70	5
Issue of drafts/ money transfer instrument	5.40	5	7.25	11	6.40	8.5	6.35	8
Credit of local/outstation cheque.	7.60	9	7.00	10	8.20	11	7.60	11
Updating of passbook	5.00	4	5.00	3.5	7.40	10	5.80	6
Giving statement of accounts/completion of passbook	3.60	1	6.75	7.5	4.40	1	4.92	1
Indifferent attitude of staff	6.40	6.5	5.00	3.5	6.40	8.5	5.93	7
High cost of service charges	6.40	6.5	5.10	2	5.60	5	5.67	4
Higher amount of minimum balance to be maintained in their account	7.00	8	3.75	1	5.00	2	5.25	2
Technological product's functioning	7.80	10	6.25	5	5.40	4	6.48	9
ATM functioning	8.00	11	6.75	7.5	5.20	3	6.65	10

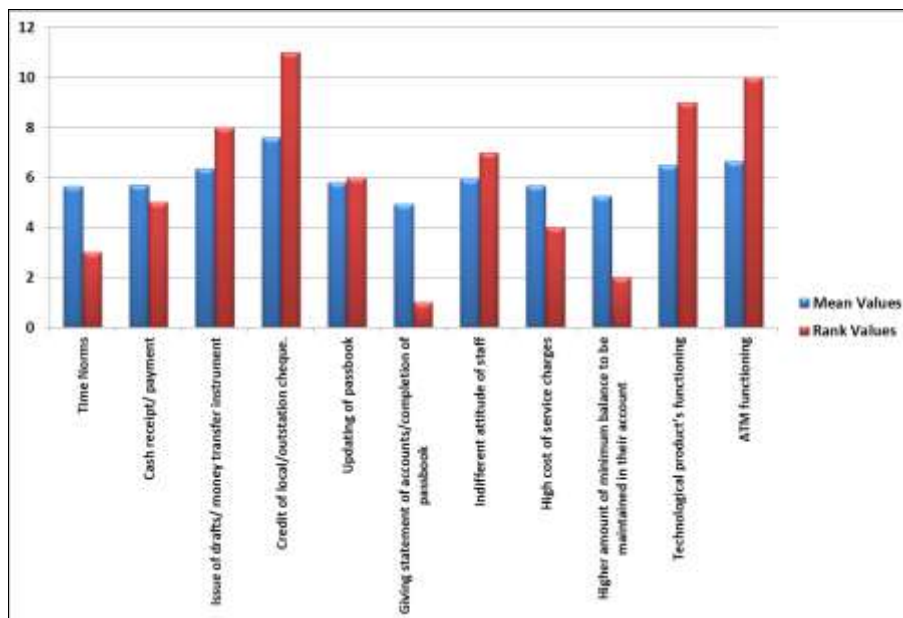


Fig 5: Nature of complaint received

Time Norms

60% of PSB executives felt that most complaints pertain to time norms set while it was 25% with private sector banks and almost negligible with foreign banks. PSBs are dealing with big clientele base while foreign banks deal with selected clientele

Cash Receipt/ Payment

80% PSBs executives felt that cash receipt/ payment is a gray area of public grievances and it is the case up to 25% in Pvt Sector banks. One of the reasons for this is the large

clientele base of PSBs, out of which very low percentage use ATM cards for cash withdrawal and the rest visit the bank in person. But it is not the scene with foreign banks and the new private sector banks.

Issue of Drafts/ Money Transfer Instrument

Only 40% of PSBs and 25% of Pvt Sector banks felt that there were complaints/ grievances pertaining to issue of drafts/ money transfer instruments, while it is negligible in the case of foreign banks. With the increased use of core banking solution in PSBs, use of draft is decreasing due to

use of multiplicity cheques.

Credit of Local and Outstation Cheque

Only 20% executives in public sector banks felt that there are grievances pertaining to credit of local/outstation cheques while all executives of private and foreign banks were of opinion that there are no complaints/grievances on this aspect.

Updating of Passbook and Giving Statement of Accounts/Completion of Passbook

Barring 20% in public sector banks, there is no grievance/complaint on this aspect of updating/completion of passbook and giving statement of accounts. In private sector banks/ foreign banks, people get statement of accounts either from ATM or through internet while virtual banking techniques usage is very low for PSBs.

Indifferent Attitude of Staff

The complaints/grievances received on indifferent attitude of staff, were 60%, 25% in public sector and private sector respectively and almost negligible in foreign banks. One of the reasons for it is that even if it is essential that attitudinal change be brought in frontline employees of PSBs; it is not easy. Most of them who are in their middle ages and from pre reform era, are more or less reluctant to adapt new innovative schemes and up gradation of technology.

High Cost of Service Charges

For high cost of services, grievances were 50% and 25% in case of private and foreign banks respectively, while almost nil in case of public sector banks. As foreign banks are charging the highest service charges but they are performing on selected clientele, which is concerned with high proficiency and delivery. In case of Pvt Banks, complaints mostly pertain to undisclosed or hidden charges, which are levied later on.

Higher Amount of Minimum Balance to be maintained in their Account

In Pvt and foreign banks there were no complaints/grievances for maintaining the amount of minimum balance in their accounts but these were to the tune of 40% in case of public sector banks for upward revision in amount. It is with the reason that person dealing with FBs and Pvt Banks does so with the perception of keeping higher balance in account while at the same time in PSBs they expect the minimum balance to be maintained should be virtually minimum. Once they (PSB) raise the minimum balance amount, it becomes a cause of complaints/grievances.

Technological Product's functioning

There were no complaints in Pvt Sector and foreign sector banks regarding functioning of technological product but these are to the tune of 40% in case of public sector banks. Public sector banks are adapting to technological product and are still in their initial phase. Clientele of PSBs, are also not versed with it and therefore complaints/grievances arise and would come down with more and more usage of technological products.

ATM Functioning

Complaints / grievances pertaining to ATM functioning are to the tune of 40%, 25% and 20% for public sector, private sector and foreign sector banks respectively.

Type of help extended in getting the redressal of complaint / grievances

All the banks executives claimed that they are quick to respond and the complaints were resolved on merits, to the customer satisfaction. As customer satisfaction is of prime importance for any banker today, so resolving of customers grievances has to be the top priority in today's world.

Conclusion

Since India's 1991 economic liberalization, the financial sector has evolved significantly, driven by technological advances and intense global competition. Modern banks must adopt innovative marketing strategies to stay relevant and satisfy sophisticated customer demands. The study reveals that all bank sectors-public, private, and foreign-prioritize customer care training, with foreign banks slightly outperforming others in training effectiveness. Despite similar approaches to customer service across sectors, differences emerge in service practices and complaint handling. Public sector banks face more complaints about service time and cash transactions, while private and foreign banks contend with issues related to service charges and technological products. The availability and effectiveness of citizen charters are generally consistent, though foreign banks show slightly better results. Overall, the findings emphasize the need for banks to continuously adapt their marketing strategies and enhance customer service to remain competitive and ensure high customer satisfaction.

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