CHAPTER V

CONCLUSION

Major findings of the study are summarised below:

1. The country had a public sector dominated banking setup till the advent of the new economic policy.

2. Inspite of their quantitative milestones PSBs failed miserably in terms of declining profitability, mounting overdues and deteriorating quality in customer service in the post-nationalisation period.

3. As the absence of a competitive environment is one of the important reasons for the dismal show of PSBs, the industry was opened for the private sector banks and foreign banks as a part of financial sector reforms in 1992.

4. Compact and well manageable size, effective HRD practices, regional orientation and professional management are the strengths of OPSBs.

5. Lack of government patronage, threat of takeovers, hindrances in augmenting capital are the weaknesses of OPSBs.

6. Inspite of their meagre market share in the case of deposits, advances and profit, the productivity parameters of the OPSBs are strong in the pre-reform period.

7. The average deposit growth rate per annum of OPSBs has been in the vicinity of 29% during 1991-95 as against 14% for PSBs and 18% for foreign banks.

8. 21 out of 25 OPSBs have a capital adequacy ratio of above 8%.

9. The share of private sector banks in terms of deposits, advances, investments, net profit, equity, networth and total assets range between 8% and 15% during 1996-97. OPSBs contribute substantially for such an increased share.

10. The depressed economic climate and the absence of sufficient quality clientele have caused some worries to Indian private sector banks in the wake of South East Asian currency crisis.
11. Private sector banks' effective internal, interactive and external marketing strategies are responsible for their survival and success in the post-nationalisation and post-reform period.

12. Inspite of a predicted increase in the volume of business of banks in the coming years, a tough competitive environment will compel banks to spruce up their marketing strategies.

13. Performance of banks is influenced by their marketing strategies. As such a study on 'Bank Marketing by Private Sector Banks' was undertaken to evaluate the marketing strategies and suggest better ones, for the weak links identified.

14. The study is confined to the six OPSBs having their headquarters in Tamil Nadu viz., BOB, BOM, CUB, KVB, LVB and TMB.

15. Performance of all six banks chosen for the purpose of the study is analysed with the help of secondary data such as annual reports of banks, IBA publications and financial magazines and dailies. Customers and employees are contacted with the help of a questionnaire to have an idea about marketing strategies, preceded by open interviews with executives. Percentage analysis, chi square test, correlation technique and scaling technique are applied for data analysis.

16. Deposits of OPSBs of Tamil Nadu had registered a growth rate of 161.37% during 1984-1991. BOM tops the table of deposits throughout the period.

17. Segmentwise growth rate of deposits during 1984-1991 reveals that OPSBs of Tamil Nadu lag behind their other Indian counterparts as a group and foreign banks and are better placed than that of the PSBs. Inadequate number of branches and lack of technology orientation are their lapses vis-a-vis that of other Indian private banks and foreign banks, whereas their supremacy in customer service help them to score over PSBs.

18. OPSBs of Tamil Nadu had kept their market share of deposits in tact at 0.77% during 1984-1991.
19. All OPSBs of Tamil Nadu, except TMB had preferred fixed deposits over demand deposits as over 50% of the funds are mobilised in the form of fixed deposits during 1984-1991. Minimum transaction cost, and better scope for marketing are the underlying reasons; TMB, relying more on demand deposits in the first four years, switched over to fixed deposits, whose share improved to 50% in the last three years.

20. Advances of OPSBs of Tamil Nadu had grown at 134.93% during 1984-1991. Their regional flavour, efficient appraisal mechanism, elegant after sales service and pragmatic promotional techniques helped them to achieve this growth rate. BOM has the largest quantum of advances too during the period.

21. Growth rate of advances of OPSBs of Tamil Nadu identified at 134.93% during 1984-1991 is the poorest among the different segments of the Indian banking industry. Conservative attitude of these banks in lending decisions hinder their competitive skills in loans and advances.

22. Market share of advances of OPSBs of Tamil Nadu had dipped to 0.69% in 1991 from 0.78% in 1984.

23. CDR of OPSBs of Tamil Nadu move in tune with the CDR of the banking industry as a whole during 1984-1991 except in 1990 and 1991. It varies between 63.14% and 64.04% during the period. Movements in CRR and SLR influences the trend in CDR.

24. Investments of OPSBs of Tamil Nadu had grown at 208.89% during 1984-1991. Statutory prescriptions and availability of expertise have aided in the phenomenal growth of investments. BOM, the deposit leader, tops the table of investments also.

25. OPSBs of Tamil Nadu had not come across losses during the pre-reform period. During 1985-1991, profit of these banks have grown at 493.39% as against 365.31% of the industry as a whole. Satisfied customers, prudent marketing strategies, thrust on fee based business, effective funds management and flexible HRD policies enable them to keep up profitability.
26. Segmentwise growth rate of profit of the industry during 1985-1991 reveals that OPSBs of Tamil Nadu are next only to foreign banks in case of growth of profit.

27. OPSBs of Tamil Nadu had improved their market share of profit marginally by 0.9% during 1984-1991.

28. OPSBs of Tamil Nadu had an unimpressive record of branch expansion with a growth rate of 7.20% during 1984-1991 as against 23.72% of the industry. Stringent branch licensing policy of the apex bank and its favoured attitude towards PSBs for opening new branches were the stumbling blocks in this context.

29. Business per branch of OPSBs of Tamil Nadu grew at 135.03% during 1984-1991 vis-a-vis 112.90% of the industry as a whole, speaking about the market intimacy of these banks.

30. Profit per branch of OPSBs had increased at 766.02% during 1984-1991 as against 426.39% of the industry; growth rate of staff strength of OPSBs of Tamil Nadu between 1984-1991 works out to 17.02% which is lower than the growth rate of staff strength of the Indian banking industry identified at 18.20%, which is also much lower than the growth rate of all Indian OPSBs identified at 30.33%. Effective deployment of workforce, efficient job rotation, resorting to casual labour, minimum exodus of employees helped them to have a compact size of manpower.

32. Business per employee of OPSBs of Tamil Nadu had grown at 116.46% during 1984-1991 whereas business per employee of the Indian banking industry had risen at 116.67%.

33. 771.67% was the growth rate of per employee profit of all OPSBs of Tamil Nadu during 1984-1991. During the same period, per employee profit of the Indian banking industry had grown at 449.31%.

34. Networth of OPSBs of Tamil Nadu during 1984-1991 had augmented at 393.27% as against the industry augmentation of 277.27%, thanks to their sound profitability.
35. OPSBs of Tamil Nadu have recorded better growth rates in terms of deposits, advances and investment in the post reform period than in the pre reform period. However, growth rate of profit is comparatively lower in the post reform period due to provisioning, expenditure, and high cost of funds.

36. Average NPAs of all six OPSBs of Tamil Nadu in 1997-98 stood at 5.15% as against the industry average of 16%.

37. Ranking of all six OPSBs of Tamil Nadu based on Business Today - KPMG Peat Marwick methodology points out that TMB is the best bank in most of the years. Profitability and productivity ratios of the Bank are always spectacular. KVB's record in terms of ranking is also good, which has notched the top slot in 1997-98, thanks to its aggressive branch expansion and technology orientation. BOB and CUB are constrained by their mini sizes to improve their financial parameters and thus to secure good ranks. BOM inspite of its mega size among the group fail in case of productivity and profitability parameters. Similar is the case with LVB also with the second largest number of branches.

38. Ranks of OPSBs of Tamil Nadu in the Indian banking industry as a whole as per the Business Today Scoreboard varies between 16 (KVB) and 63 (LVB).

39. Efficient and courteous customer service is the primary weapon of marketing of OPSBs of Tamil Nadu. All these banks project themselves as pro customer organisation. Emphasis on information technology, expeditious complaint tracking, periodical customer meets, customer oriented HRD practices are the thrust areas in this context.

40. 70% of the customers gave full credit to OPSBs of Tamil Nadu in case of customer service, justifying the fact that efficient customer service is an effective marketing strategy of these banks.

41. 30% of the customers have some reasons for dissatisfaction in the quality of customer service rendered by OPSBs of Tamil Nadu. Areas of dissatisfaction are: difficulties in opening an account, problems in passbooks, delay in service and hardships in getting loans.
42. Area of operation of the bank branches influences the level of satisfaction of customers as the percentage of dissatisfied customers is the highest in metro centres.

43. TMB has the highest percentage of satisfied clientele whereas LVB has the lowest percentage of satisfied clientele.

44. In case of internal marketing, the process starts with scientific recruitment plan; promotion, advertisement, search firms and academic campuses are the sources of recruitment. There are close linkages between the manpower plan and business plans of these banks.

45. Core training needs of the banks are met through their own STCs. Themes of training programmes are need based.

46. 43.33% of the employees of OPSBs of Tamil Nadu have quoted that the training programmes of their banks are very effective. 55% of the employees opined that training programmes lack emphasis on specialised skills. A lone respondent rejected the training programme of his Bank as a waste of resources.

47. Performance of employees of the banks understudy is assessed in terms of various parameters such as deposit mobilisation, recovery, quality of customer service, inquisitiveness to learn, speed, accuracy, rapport with superiors, peers and subordinates etc.

48. 55% of the employees pointed out that the appraisal and reward system in the banks are objective, systematic and democratic with a direct correlation between performance and reward. Percentage of satisfaction of employees is good in case of branch managers and officers.

49. Amount spent by these banks towards employees and business growth of these banks are positively correlated, indicating the relationship between performance and benefits.

50. All OPSBs of Tamil Nadu are giving due weightage to computerisation of branches in order to sustain their competitiveness. 38% of the branches of these
banks are computerised. Technology orientation as a marketing strategy of these banks has succeeded in areas such as issue of demand drafts, encashment of cheques, time for making deposits, issue of cheque books etc.

51. Enlarging fee based business is one of the vital marketing strategies of OPSBs of Tamil Nadu. Income earned by these banks by way of commission, exchange and brokerage has grown at 215.29% during 1991-97. However the share of CEB income in the total income of these banks is on the declining trend i.e. from 9.76% in 1991-92 to 8.5% in 1996-97, indicating their lapses in marketing of fee based business.

52. Innovative deposit schemes of OPSBs of Tamil Nadu are the variants of traditional deposits. Awareness of the counter staff regarding these products is not appealing, only 40% of the depositors are acquainted with these schemes. Thus these schemes are yet to offer niche markets for these banks.

53. OPSBs of Tamil Nadu follow the traditional pattern of lending in case of loan products. Credit management strategies of these banks are effective as justified by lower NPAs and a higher proportion of resources deployed as advances. 76% of the borrowers are satisfied with the lending process in these banks.

54. Viable branch expansion in the liberalised environment is another marketing tool of OPSBs of Tamil Nadu; their branches have grown at 19.5% during 1991-98 as against 7.98% during 1984-1991. The share of rural bank branches is gradually declining whereas the share of semiurban branches are gradually rising.

55. Satisfied customers outnumber the dissatisfied customers with regard to the facilities in the branch premises. The extent of dissatisfaction is more in case of LVB.

56. OPSBs of Tamil Nadu have adopted an aggressive approach in pricing of deposits by cashing on the freedom given by RBI in the post-reform period. The rates of interest on deposits of different maturities offered by these banks are higher than that of SBI, the market leader of deposits. Such a pricing policy has amply helped the banks in strengthening deposit base, as 77% of the depositors contacted have opted for depositing with these banks due to better rate of interest.
57. Average PLR of all six banks understudy works out to 14.5% as against 13% charged by SBI. All contacted borrowers have no grudges regarding rate of interest as availability of credit and flexible procedures are their priority.

58. A discretionary pricing policy of subsidiary services is adopted by OPSBs of Tamil Nadu. All contacted customers opined that service charges of these banks are comparatively high in the post-reform period.

59. Personal selling, advertisement and publicity are the promotional strategies of these banks. 53% of the depositors appreciated the personal selling efforts of these banks. Advertisements of these banks have created an awareness among 70% of the customers in semi urban, urban and metro centres.

Given the above findings of the study, the researcher makes the following suggestions to streamline the marketing strategies of OPSBs of Tamil Nadu.

1. Declining spread is the grey area in the functioning of OPSBs of Tamil Nadu. This in turn reflects their inability to market low cost deposits. Thus these banks have to concentrate much on marketing of low cost deposits. It is a well known fact that rural centres are fertile with low cost funds. As the branch expansion policies of these banks in the post reform period revealed, these banks are averse to enter into rural areas quoting unviability of operations as the reason. A change in this attitude and tapping of rural savings by a personalised approach will no doubt bring down the operational cost of these banks. Mind set of the employees to serve in rural areas and to communicate with the rural populace are the essential prerequisites in this context. Attitudinal training programmes of these banks play a steller role here. Self Help Group concept as experimented by BOM can also be replicated by other banks in order to do viable rural banking.

2. Marketing of advances is another area where OPSBs of Tamil Nadu are found lacking. Following tips are worthnoting in this context.

(a) Historically banks borrow from the retail segment and lend to the wholesale segment. In the new environment, the segregation of sources and end uses of funds are gradually disappearing. With spreads in corporate banking coming under
pressure, banks are now focussing on retail banking. Not only does retail banking promise higher spreads, risks attached to these assets are also lower. Thus it is the appropriate time for this banks to introduce a new spectrum of products and services for different segments of retail customers. These may take the form of auto loans, mortage loans, loans for professionals, loan against corporate securities etc. Their exposure in consumer loans can be increased through tieup arrangements with institutional employers. As semiurban centres are the stronghold of these banks, jewel loans - the safest and profitable loan product can be better exploited by streamlining the procedures and formalities.

(b) Priority sector lending is no longer a concessional credit, with banks given freedom to determine the rate of interest not exceeding the PLR. As such, by improving the quantum of these advances, these banks can improve their yield on advances. This measure, as a part of their social banking obligations will also strengthen their deposit base.

(c) According to Credit Lyonnais Securities Asia, a renowned consultancy agency the NPA problem will reach even more serious proportions. They estimate gross NPAs to advances of the industry going upto as much as 25 to 36% in 1999. The tightening of NPA provisioning norms to a default over one quarter qualifying as NPAs as against the prevailing practice of two quarters default, will increase NPAs to 40%. As such the Indian banking system may become an epitome of conservatism. Thus OPSBs of Tamil Nadu have to upgrade their credit appraisal skills. Professionalised recruitment with thrust on technical expertise and salesmanship skills is to be given due attention.

3. Foreign banks in India have identified students community as prospective customers. By catching them young, these banks try to build a lasting bond of relationship. For instance, a student obtains a student credit card from the bank, then graduates to a higher limit credit card, a personal loan for a two-wheeler, a second hand car loan, a new car loan, a savings bank account, a housing loan, insurance products and so on. Though this model is not exactly suitable for replication by OPSBs of Tamil Nadu, they can start with educational loans for students.
4. CEB income can be increased by diversifying income base by going in for new business areas. All new private banks aim at capital market related areas such as acting as a clearing house, providing custodial service and acting as a depository participant. OPSBs of Tamil Nadu, no doubt are too small both in terms of financial resources and infrastructure to offer such services. They can consider a modest beginning in this regard by way of consortium arrangement among themselves.

5. Research and Development is another area where OPSBs of Tamil Nadu have to allocate more resources. Apart from the activities undertaken by the Planning and Development Department in the area of marketing research, a close interaction with the academic community and funding their research programmes will help them to gain a pragmatic understanding of the market. As experts predict that the survival of OPSBs in future depends upon their ability to capture niche markets, such research activities will be of immense use to them.

6. The introduction of technology as a service delivery option adds a whole new dimension to marketing. But the haphazard introduction of customer-contact technologies can backfire by frustrating customers and fostering distrust. A case in point is home banking, an electronic telephone based service through which customers can complete banking transactions by themselves. Despite being available in the US for over a decade now, this hitech service is yet to achieve a critical mass of acceptance due, in part, to low customer confidence and trust.

Another area of concern in this context is the employee - technology link. The employees should have adequate training to handle the proposed technology and should be able to take prompt corrective action if something goes awry. Technological snags in the customer - company interface and employees' inability to rectify them quickly are no longer aberrations, point out IT experts. The incidence of such snags will grow, as service delivery becomes increasingly hitech. Technology, no doubt offers an exciting array of possibilities for serving customers. But ensuring that hitech services become a marketer's friend requires the careful consideration of technology related issues. These aspects deserve serious attention.
in case of OPSBs of Tamil Nadu as majority of their operations are centering around rural and semiurban areas, wherein technology awareness is comparatively low.

7. Talent search is yet another focus area for OPSBs of Tamil Nadu. The new economic environment demands skills in exchange risk management, credit risk management and treasury risk management. As such attracting top notch managerial talent becomes the primary task of OPSBs of Tamil Nadu. As new generation private banks offer greener pastures both for present and prospective employees, attracting and retaining talents will be a formidable task for them. Following tips are placed for their consideration:

* Introduction of pay for performance plan.
* Ensuring a fair and transparent policy in case of promotion / rotation / transfers.
* Introduction of Employees Stock Option [ESOP] programme to improve employees’ involvement.

8. Liberalisation has led to a shakeout in the number of industries. Banking is also not an exception. Thus a strategic alliance with Indian / International banks would be a good bet for OPSBs of Tamil Nadu, given their handicaps in terms of size and resources. These banks have always been the target of takeover threats. BOM fought its own set of battles in 1992-93 when the SPIC group rounded up a block of its shares, a strategic alliance was forged with Kotak Mahindra to ward off the attempt. In case of TMB, the Nadar community, which founded the Bank lost control a few years ago to the Essar group and subsequently to an NRI businessman and has made the regaining of control a prestige issue. The future threat of takeovers is likely to come not from corporate houses but from nationalised banks. In today’s climate, mergers or acquisitions within the banking industry are difficult. But nationalised banks are shopping for size in anticipation of full convertibility. Hence OPSBs of Tamil Nadu have to explore profitable avenues for collaborative banking and tying up with a strong local / foreign bank / financial institution.
The strong community driven shareholder base and the RBI's refereeing have protected these banks. But the successful takeover attempt in case of Catholic Syrian Bank and controversies in the TMB issue illustrate that these shares are not insurmountable. Survival for these banks will therefore depend on alliance, growth or even mergers.

**Scope for Further Research**

Following are the fertile areas of research in the field of bank marketing:

1. Marketing strategies of PSBs and OPSBs - A Comparative Analysis.
3. Retail Banking - Problems and Prospects
4. Marketing Information System in Banks
5. Innovation in Banks
6. Pricing Practices in Indian Banks
7. Promotional Mix in Banks
8. Marketing Strategies for Viable Rural Banking

The above list is only indicative and not exhaustive, as bank marketing is still an unexplored area of research in India. With banks being given more freedom and their emphasis on marketing approach is on the rising trend, the academic community, no doubt, can contribute its might through its research endeavours for developing a sound marketing plan for Indian banks.