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Introduction

1.1 Historical Perspective of Banking.

The word “bank” is derived from the Greek word “Banque which means bench. The Jews, who were considered to be the early bankers, transacted their business on benches in the market.\textsuperscript{1} According to some economist, the word bank has been derived from the German word “Banc” which means Joint Stock Firm, while other say it is derived from the Italian word “Banco” which means heap or mound.\textsuperscript{2} There is no unanimity amongst economist about the origin of the word banks. Thus, it is difficult to say which definition is more correct.\textsuperscript{3} Conversely, the view that the word bank originated from the word Banc or Banco, seems to be more convincing, as it is used in the establishment of the Bank of Venice,

\textsuperscript{2} Chug, Pawan Kumar, Indian Banking Today- impact of reforms, Kanishka publishers, Distributor;’ New Delhi, 2005, Pp5-6.
\textsuperscript{3} Varshney, G.K, Law and Practice of Banking, Sahitya Bhavan Publication, New Delhi, 2002.
which is supposed to be the most ancient bank.⁴

In India, banking can be traced back to Vedic period. This can be confirmed by the fact that the great jurist Manu has written about deposits, advances and interest. During Mughal period, the indigenous bankers helped in the development of trade and commerce. These indigenous bankers financed traders by lending money. Later, during the days of East India Company, the banking business was taken over by the agency houses.

In 1947, at the time of India’s independence the country had a well established commercial banking system. The foundation of commercial banking was laid in Indian during the early part of the nineteenth century with the establishment of three presidency banks- Bank of Bengal in 1806, Bank of Bombay in 1840 and Bank of Madras in 1846. With the establishment of Presidency Banks, the agency houses which were doing banking business in addition to trading lost their banking role.

By the beginning of the twentieth century, there were 9 Joint stock banks, and their deposits were Rs. 314.5 millions only. When India attained independence, it had 584 Joint stock banks and 531 Co-operative banks in addition to the Imperial Bank of India, which was formed by amalgamation

of three presidency banks. With this, the need was felt to have an orderly growth of banking in India. To achieve this objective, the Reserve Bank of India which, was established in 1935, as a private shareholders bank, was nationalised in 1949.\(^5\)

As far as Indian Banking is concerned, we can classify it in four distinct phases as under:

1. **First phase: (1786 to 1969):** - It was an early stage in the banking history of India. During this period, the banking business was carried on in traditional and conventional manner. The phase covers pre-independence banking activities. This stage of the banking was characterized by slow growth and failures. The Indian banking system at the beginning of this phase “consisted of a large number of small and very small banks and a small number of relatively large banks”\(^6\). The banking system started with the formation of the first Joint stock bank in the year 1786. Later Bank of Hindustan and Bengal Banks were established. During the days of East India Company, it formed three


\(^6\) Report of the all India Credit review Committee: 1969, p324.
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In the year 1865, The Allahabad Bank was formed, followed by, Punjab National Bank Ltd, which was established in the year 1894 and had its headquarters at Lahore. This was the first bank to be entirely established by Indians. Most of the Indian commercial banks were established in 20th century. During 1906 to 1913, Bank of India, Central bank of India, Bank of Baroda, The Canara Bank, The Indian Bank and The Bank of Mysore were established. In 1920, a new bank Imperial Bank of India was established after amalgamation of all three-presidency banks. All these institutions were started as private shareholders banks, whose most of the shareholders were Europeans. During 1913 an 1948, as many as 1100 banks failed due to several reasons. These recurrent bank failures were threatening the public confidence. The epitome of development of commercial banking is the establishment of Reserve Bank of India, central bank of the country in the year 1935. The United Commercial Bank was the last major commercial bank to be set up in 1943.

2. **Second phase: (1947 to 1969):** The post independence period up to 1969 was essentially a phase of consolidation of the banking structure. Out of 639 commercial banks, including exchange banks existing in 1948, there were 468 (over 72 percent) banks with a total paid up capital and reserves less than Rs. 5 lakh. Most of these banks were operationally weak and financially non-viable. Besides a large number of small banks were involved in indiscriminate branch expansion, speculation, mismanagement, frauds and malpractices, frequent bank failures were threatening the public confidence. Hence the most important task before Reserve Bank of India and the Indian Government, was to develop a sound banking and monetary structure which could protect the interest of the depositors and restore their confidence. The nationalization of Reserve Bank of India was followed by another significant event, the passing of the Banking Companies Act, (renamed as Banking Regulations Act in 1966) in February 1949. The Act which came into effect on Mach 16, 1946, and incorporated number of provisions. This Act provided wide ranging regulatory and supervisory powers to Reserve Bank of India. The main provision of the Act include, inter alia, classification of companies into banking and non-banking companies, minimum paid up capital and reserves,
maintenance of minimum cash reserves minimum liquid Asset Ratio, licensing of banking companies, restrictions and control on loan and advances, control over branch expansion, maintenance of minimum assets, inspection of banking companies, suspension of business and winding-up and scheme of arrangement and amalgamation\(^8\).

During the post independence period, there was rapid progress in banking sector in India. A number of banks started progressing along with its branches. The banking industry was regulated by the RBI and Banking Company’s Act, which was passed soon after independence. Due to these development, different types of banks emerged such as Scheduled Commercial and Non-Scheduled Commercial banks which were in addition to Co-operative banks in India. This progress has been shown in the following table no 1.1 which gives an overview of yearly progress in the banking sector in terms of banks and their branch offices.

Table: 1.1
Post independence progress of banking in India.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>SCHEDULED COMMERCIAL BANKS</th>
<th>NON-SCHEDULED COMMERCIAL BANKS</th>
<th>COMMERCIAL BANKS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Offices</td>
<td>Number</td>
</tr>
<tr>
<td>1951</td>
<td>92</td>
<td>2647</td>
<td>474</td>
</tr>
<tr>
<td>1956</td>
<td>89</td>
<td>2966</td>
<td>334</td>
</tr>
<tr>
<td>1961</td>
<td>82</td>
<td>4390</td>
<td>210</td>
</tr>
<tr>
<td>1966</td>
<td>76**</td>
<td>6416</td>
<td>27</td>
</tr>
<tr>
<td>1968</td>
<td>73</td>
<td>7483</td>
<td>17</td>
</tr>
<tr>
<td>1969</td>
<td>73</td>
<td>8045</td>
<td>16</td>
</tr>
</tbody>
</table>

At the end of the year 1951, India had 566 total numbers of commercial banks, which consisted of 92 Scheduled Commercial Banks, and Non-Scheduled Commercial Banks that stood at 474. For these banks, the number of bank offices was 4151, out of which scheduled commercial banks had 2647 bank offices, whereas non-scheduled commercial banks had 1504 offices. At the end of the year 1956, the number of commercial banks came down to 423 and offices reduced to 4067. During the years 1969, we had 73 scheduled commercial banks and 16 non-scheduled commercial banks totaling to 89 commercial banks, which had 8262 number of bank offices.

3. **Third Phase (1969-1991):** Owing to the growing dissatisfaction and imposing criticism over the functioning of private banks, the Government of India took a bold step to nationalize a major segment of the banking system. Accordingly, the Banking Companies (Acquisition and Transfer of undertakings) ordinance was promulgated on July 19, 1969 and the government acquired the undertakings of the 14 major scheduled commercial banks having deposits of over Rs. 50 crores each. On April 15, 1980, government of India took over 6 private sector banks having demand and time liabilities amounting to over Rs. 200 crores each. With nationalization of these 6 banks, the number of public sector banks excluding
Regional Rural Banks, rose to 28. After nationalization they accounted for 90 percent of the total credit and deposit of commercial banks as against 84 percent earlier.

4. **Fourth Phase: (1991- 2005)** new stage of Indian Banking with the beginning of Financial & Banking sector reforms after 1991. In the post liberalization era, banking shifted from ‘Class banking’ to ‘Mass banking.’ India’s banking system has several outstanding achievements to its credit, the most striking of which is its reach. An extensive banking network has been established in the last thirty years, and India's banking system is no longer confined to metropolitan cities and large towns: in fact, Indian banks are now spread out into the remote corners of our country. In terms of the number of branches, India's banking system is one of the largest, if not the largest in the world today. The most significant achievement is the close association of India's banking system with India's development efforts. The diversification and development of our economy, and the acceleration of the growth process, are in no small measure due to the active role that banks have played in financing economic activities in different sectors.9 The post liberalized era paved

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9 Jalan, Bimal, Governor RBI in a speech delivered at the 22nd Bank Economists' Conference, New Delhi, 15th February 2001.
way for new financial products and services, greater need for professional approach and wider use of technology. Post liberalized period changed the way banks carry out heir business, banks no longer remained in the four walls of the banks premises. Now customers have an option to carry out banking transaction right from the comfort of their homes. Technologies in banks have made it possible for customer to access his account on internet and carryout banking transactions without visiting the branches. ATM, E-banking, mobile banking, internet banking are the buzz words in recent banking.

Banks play important role in the development of trade, commerce. It has vital role in the economic development of nation’s economy. We can’t think of a modern society without banking system. The Indian Money market consists of both organized and unorganized sectors. In between these two sectors, there exist co-operative sector, which have to work under strict control and supervision, so it can be comfortably included in organized sector. Organized sector consist of RBI at the helm of affairs, public sector banks, private sector banks other financial institutions and DFHI ltd (The discount and Finance House of India was set up jointly public sector banks and financial institutions by RBI. It was incorporated under the Indian companies Act 1956. It started
its operations in April 1988). The unorganized sector consists of indigenous bankers, moneylenders. This unorganized sector even today remains out of RBI's control and supervision.\textsuperscript{10}

In the year 1935, Reserve Bank of India was formed as shareholders bank. It was formed as privately owned bank. At the time of constitution it had share capital of Rs. 5 crore divided into shares of 100 each. Even though it started as privately owned bank, the RBI was nationalized in 1948. (Transfer to public ownership Act, 1948.). It is the leader of money market and it is the central bank of India. It supervises, regulates and controls the activities of all commercial banks and other financial institutions\textsuperscript{11}. Along with conventional functions, it also performs promotional and developmental functions. It occupies a central position in the monetary and banking structure of India.

The important function performed by Reserve Bank of India includes:

1) Issue of Bank notes.

2) Bankers to Government

3) Banker’s bank.

4) Control of currency and credit.


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The banking industry consists of scheduled commercial banks (scheduled commercial banks are classified as public sector banks, private sector banks and foreign banks), regional rural banks, and co-operative banks.

1.1.1. Scheduled and non-scheduled commercial banks

In India, commercial Banking system is comprised of scheduled and non-scheduled commercial banks. Scheduled banks are those commercial banks, which are included in the second scheduled of Reserve Bank of India Act 1934, to qualify for inclusion in the second scheduled, a commercial bank must satisfy the following conditions:

i) It must have a minimum paid-up capital and total reserve of Rs. 5 lakhs.

ii) It must have a company as defined in Section 3 of the Indian Companies Act, 1956, or a corporation, a company incorporated by, or under any law in force in any place outside India, or, an institution notified by the Central Government in this behalf, or, a State Co-operative Bank.

iii) It must also satisfy the Reserve Bank of India that its affairs are not being conducted in a way detrimental to the interest of its depositors.
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The Banking system in India has played an important role in Indian economy. It was instrumental in bringing social and economic changes since nationalization of major banks in 1969. The Network of branches increased from 8262 in 1969, to 67118 in June 2004, reducing the population covered per branch of commercial bank from 66,000 to 16,000.\textsuperscript{12}

Table 1.2 gives the details of key indicators such as assets, branches of commercial banks in India. The period covered is upto March 2002. This includes all the categories of scheduled commercial banks like public sector banks, private sector banks, and foreign banks.

The table 1.2 gives the details of key indicators of scheduled commercial banks in India. By 2002, India had 27 public sector banks, the total assets of these banks stood at Rs.11,557 bn. These public sector banks had extension of 47,676 branches all over India. In comparison to this India has 30 private sector banks at the end of 2002 with assets base of Rs.2, 677 with branch network of 55, 78 branches. Number of foreign banks in the same period was 40 with 206 branches and Rs. 1,127 bn. assets base.
Thus the total of all scheduled commercial banks i.e. public sector, private sector and foreign banks comes to 97 banks. The total assets base is Rs. 15,355 bn. with branch network of 53,460 branches.

1.1.2. Public Sector Banks.

The private sector played a strategic role in the growth of Joint-stock banks in India. During the first half of the twentieth century, there was a mushroom growth of private commercial banks. Thus in 1951, there were in all 566 Private sector banks of which 474 were no-scheduled and 92 were scheduled. But there was not a single public sector commercial bank at that time. The Government of India, however, entered the banking business only in 1955 with establishment of the State Bank of India as the first public sector commercial bank. The expansion of public sector in the banking field was commenced with the nationalization of 14 major commercial banks on July 19, 1969. The role of public sector banking was further elaborated when six more private sector commercial banks with deposit of over Rs. 200 crore were nationalized on April 15, 1980. With the growth of public sector banks in the Indian economy, the structure of commercial banking has completely changed in the post nationalized years. This is evident from the data presented in the table below:
Table 1.3 gives details about the financial players in the banking sector. As per above table the financial sector consists of public sector banks, which totals to 27 banks as on Jan 2005. This includes 1 SBI and 7 of its associates, along with 19 banks nationalised banks which were nationalised in two phases, in 1969 and in 1980. Indian financial system consists of 30 Private sector banks, which includes 20 old private sector banks and 10 new generation private sector banks.
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The total assets of public sector banks was Rs.14, 714 Bn. in comparison to private sector banks which was Rs. 3,673 Bn. Foreign banks had Rs. 1,363 Bn assets base, these foreign banks were 33 in numbers as on January, 2005. As on January 2005, Indian financial system had 90 Scheduled commercial banks, with total asset of Rs.19, 750 Bn.

1.1.3. Private Sector Banks

Over a century now, we are having private sector banks in India. The economic reform of 1991 has changed the banking scenario in India. The new private sector banks are attempting to replicate the model by rapidly diversifying their product range to encompass the entire range of retail products. It is noteworthy to note that in 1934 the imperial Bank of India was a largest private sector bank, which handled all the commercial as well as treasury- related work of the Government until Reserve Bank of India was formed in 1934\textsuperscript{13}.

Financial Automation is the ability to access complete banking information at the touch of a personal computer key. The trend now is to use ATM as a

tool to acquire new customer and retain them by providing a range of services.

In 1998, the private sector banks took initiatives in terms of establishing an efficient retail-banking network. In four years the four main private sector banks HDFC, UTI, IDBI and ICICI have mopped up over Rs. 67, 688/- crores of deposits that gives them six per cent share of the total deposit in the Indian banking system. The private sector banks in India include the following banks:

a. Old generation private banks

b. New generation private banks

c. Foreign banks in India

d. Scheduled Co-operative Banks

e. Non-scheduled Banks

**a) Old Private sector banks:**

The banks, which were working before independence and established in private sector after independence of India were escaped from the conditions of nationalization under this category. As on March 2001, there were 23 such banks. Most of these banks are more than 50 years old.
Some of the old private sector banks are: Vysya Bank, Lakshmi Vilas Bank, Lord Krishna Bank.

**b) New Private sector banks:**

Reserve Bank of India on recommendations of Narsimham Committee issued guidelines for establishment of new private sector banks on Jan, 1993. These banks are known as ‘New Private Sector Banks.’ The first new private sector bank to start operations is IndusInd Bank Ltd. Some of the other banks are ICICI Bank Ltd., HDFC Bank Ltd. There are 9 new generation private sector banks.

**c) Foreign Banks:**

These are the banks having business in India but its registered office is outside India. There are 41 foreign banks from 21 countries operating in India with 194 branches as on June 2002\(^1\).

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d) Scheduled Co-operative banks:

The co-operatives play a important role in the Indian financial system, especially in rural level. The Co-operative banking system in India is federal in structure. It has three-tier structure constituted by:

1. Primary Credit Societies

2. Central Co-operative banks


The Co-operatives provide short-term and medium—term credit. There are agricultural and non-agricultural credit societies. The primary agricultural credit societies functions in villages. And urban banks and other non-agricultural credit societies functions in towns and cities. In addition there are farmers’ service societies and grain banks, providing long-term agricultural credit. There are primary and central land development banks.

e) Non-Scheduled Banks:

These are the banks whose names do not appear in the list of Scheduled Banks maintained by Reserve Bank.
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There were no such banks as on June 2000.

1.1.4. Development Banks

In 1947, India country had the network of commercial banks only, which looked after the short term financial needs of the trade and industry of country. But after independence the need was felt to have financial institutions, which could provide long and medium term financial assistance to business and trade, which commercial banks couldn’t provide. Therefore new financial institutions i.e. Development Banks came into existence. At present at the all India level, there are five Industrial development banks, one Agriculture development bank and one Export-Import bank. The development banks for industry are Industrial Financial Corporation Of India (IFCI), Industrial Development bank of India (IDBI) Industrial Credit and Investment Corporation of India (ICICI), Industrial Investment Bank of India (IIBI), Small Industries Development Bank of India (SIDBI).¹⁵

Development bank is essentially a multi-purpose financial institution with a broad development outlook. A development bank may thus be defined as' a financial institution concerned with providing all types of financial

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assistance (medium as well as long term) to business unit, in the form of loans, underwriting, investment and guarantee operations and promotional activities-economic development in general and industrial development in particular.\textsuperscript{16}

Some of the other development banks are as follows:

1. Industrial Finance Corporation of India (IFCI)

2. Industrial Development Bank of India (IDBI)

3. Industrial Credit and Investment Corporation of India (ICICI)

4. Industrial Investment Bank of India (IIBI)

5. Small Industries Development Bank of India (SIDBI)

6. SCICI Ltd.

7. National Bank for Agriculture and Rural Development (NABARD)

8. Export Import Bank of India.

9. National Housing Bank

Introduction

Roughly a decade ago the Indian government had initiated the economic reforms, which has changed the face of many sectors of economy including Indian banking sector. It was seen that the banking sector is going through major shake-up in the areas of ownership patterns, availability of funds, range of services and most of all it has also generated powerful customers. These changes brought with it a new mix of players in the form of public sector banks, private sector banks and foreign banks. The competition among these players has increased the expectations of customers who now want new products with faster delivery at cheaper and affordable cost. These expectations are more with the private sector and foreign banks because they are the new entrants on the banking scene with better technology, faster delivery, and customer centric policies. The private sector banks have advantage over public sector units in terms of technology innovation of services. But these banks also need to improvement in terms of service charges and understanding of customers needs.

The Indian banking sector is faced with multiple and coexisting challenges such as increased competition, rising customers expectations and diminishing customer loyalty. The banking industry is also changing at a phenomenal speed. While at the one end we have millions of savers and investors, who still do not use a bank, another segment continues
to bank with physical branches and at other end of the spectrum the customers are becoming familiar with ATM, E-banking and cashless economy. Thus there is immense market fro expansion.

With technology occupying a pivotal role in delivery of banking services, the expectations of the consumers have also been grown. These expectations are swift services with minimal response time, efficient service delivery, tailor-made and value added products to suit specific needs, hassle free procedure, minimum transaction cost and pleasant and personal services.
1.2 Objectives of the Study

1) It aims to study the innovative, dynamic and competitive nature of banking services provided by ICICI Bank and HDFC Bank.

2) An attempt is made in the present study to study customer satisfaction of banking services by ICICI Bank and HDFC Bank.

3) It compares ICICI Bank and HDFC Bank in terms of customer satisfaction.

4) It highlights the problems involved in marketing of banking services of ICICI Bank and HDFC Bank.

5) It offers suggestions and measures to solve the problems of Marketing the Banking services with reference to ICICI Bank and HDFC Bank.
1.3 Methodology Adopted

An honest effort was made to focus on the objectives under taken through collection of both primary and secondary data. Primary data was collected mainly to get factual responses from the policy makers as well as marketing personnel of the banks under study, which has helped to have a in depth analysis of the problem. The secondary data was collected from ICICI Bank and HDFC Bank’s offices, libraries, magazines, newspapers, earlier related studies, etc. Various reports published by RBI related to banking have been considered for understanding the problems of marketing of services by the banks. For understanding the customer’s satisfaction in the above two banks, along with structured questionnaire, their personal interviews have been conducted.

The designing and the conceptual framework to study the marketing of banking services and the customer satisfaction of HDFC Bank and ICICI Bank was done by adopting the following methodology and in the following order:
Chart 1.1

Research Methodology

- Literature Scanning → Newspapers → Books → Journals → Reports

- Interview → Customers of ICICI Bank → Customers of HDFC Bank

- Discussions → Marketing staff of ICICI → Marketing staff of HDFC Bank

- Collection of data → Questionnaires from ICICI Bank Customers and Marketing staff. → Questionnaires from HDFC Bank Customers and Marketing staff.

- Statistical Techniques → Statistical Test of significance (Z-test)
With a view to supplement and support the findings which emerged during the analysis of secondary data, field studies were conducted at two levels: At level one, discussion with 200 customers, about the banks under study and their services. (100 for ICICI Bank and 100 for HDFC Bank). At level two, data was collected through structured and pre-tested schedules to gather information about reasons for dissatisfaction, innovative nature of services, satisfaction, etc. Before the commencement of the survey of the customers, a pilot study was conducted with sample of 20 customers each bank to find any missing gaps in the questionnaire and after considering the responses of the pilot study, the changes, modification were made to eliminate any complexity and ambiguity of the questionnaires.

Since the study focuses on the marketing by ICICI Bank and HDFC Bank, it was necessary to have the opinions of the marketing persons who markets the banking services to customers and who are in direct contact with customers. Around 150 of each bank Marketing Executives, Marketing Managers, Direct sales associates were contacted for discussion on the marketing of banking services, problems faced by them in marketing, customers responses towards their banks etc. Each bank 150 customers were given 150 questionnaires for their responses, out of which 100 each filled in questionnaires collected with complete responses and opinions. Before
conducting the survey, the schedules were pre tested with 15 marketing personnel of ICICI Bank and 20 marketing personnel of HDFC Bank. Accordingly the changes were incorporated in the final schedule. The data from the marketing staff relating to the various marketing strategies adopted by banks, innovative nature of bank product etc, was collected.

**Research design:** The design of the present research is 'exploratory research'.

**Selection of banks:** Out of 30 private sector banks, two banks were selected for the purpose of the study, ICICI Bank and HDFC Bank. ICICI Bank was selected for the study purpose because it is India's universal bank and it is India's second largest private sector bank providing nationwide network of branches and 1650 plus ATM's. It has large customer base. It has also created history by being the first Indian bank to be listed on the New York Stock Exchange. It also offers the widest range of products and services.

HDFC bank was selected for the study because India's premier housing Finance company, Housing Development Finance Corporation Limited (HDFC) promoted it. HDFC was amongst the first to receive an in principle'
approval from the Reserve Bank of India (RBI) to set up bank in the private sector.

Quota Sampling:

a) Quota sampling technique is chosen for selecting 100 bank customers as respondents for ICICI Bank.

b) Quota sampling technique is chosen for selecting 100 customers as respondents for HDFC Bank.

For investigation, the following three criteria's were developed;

i) Sample size:

a) Sample size was selected as 100 respondents for ICICI Bank, who have educational qualification of 12th plus.

b) Sample size was selected as 100 respondents for HDFC Bank, who have educational qualification 12th plus.

c) Sample size of 100 respondents for marketing staff of ICICI Bank (150 structured scheduled were given to marketing staff of ICICI Bank but could manage to get 100 scheduled completed.)

d) Sample size of 100 respondents for marketing staff of HDFC Bank (150 structured scheduled were given to marketing staff of HDFC Bank but could manage to get 100 scheduled completed.)
ii) Geographical area:

The geographical area of study is Mumbai city- Mumbai city is divided into two parts (1) Mumbai City district - The area from Colaba to Mahim and Sion is called City area. (2) Mumbai City Suburban - The area from Mahim to Dahisar and from Sion to Mulund comprises the suburbs of Mumbai.

iii) Personnel chosen:

While selecting customers it was kept in mind to select the customers from each category of banking services. The basic criterion for selecting customers is their educational background. It was kept in mind to select a person who has minimum 12th plus education. This criterion was developed so as to find out the customers who are familiar with customer satisfaction and services of private sector bank.

The data collected was tabulated at the Tata Institute of Social Sciences, Deonar, Mumbai. While analyzing the data, statistical test of significance has been used wherever needed. The data tabulated are systematically edited, summarized and graphically presented.
1.4 Rationale of the Study

Banks play an important role in the development of trade, commerce. It has vital role in the economic development of nation’s economy. The modern society cannot be visualized without banking system.

The banking services marketing are not a very old concept. In fact it is in the growth phase of its life cycle. ICICI Bank and HDFC Bank are the two most dominant banks in private sector. These banks have succeeded in cornering the share of public sector banks due to their technological upgradation and customer centric policies. These two private sector banks have shown remarkable performance within a short period of time with their innovative range of products, customer centric policies and use of technology. Therefore, an attempt is made in this study to analyze the various marketing techniques adopted by theses two banks, and how these techniques has helped these banks to create such a large customer base. The competition among the players in banking sector has resulted in increased the expectations of customers who now want new products with faster delivery at cheaper and affordable cost. These expectations are high with the new generation private sector banks because they are the new entrants on the
banking scene equipped with better technology, faster delivery mechanism
and its customer centric policies.

1.5 Scope of the Study.

The topic of the current research relates to the study of marketing of banking
services in India after post liberalized period with special reference to ICICI
Bank and HDFC Bank.

The geographical scope of the study is restricted to the city of Mumbai.
Geographical area of study is Mumbai city:- Mumbai city is divided into 2
parts;

1. Mumbai City district (The area from Colaba to Mahim and Sion is called
City area.)

2. Mumbai City Suburban (The area from Mahim to Dahisar and from Sion
to Mulund comprises the suburbs of Mumbai)

The topical Scope focuses on the identification of the problems regarding
marketing of bank services and problems relating to customer’s satisfaction.

The functional scope is restrained to:
1. Offering a set of meaningful suggestions aimed at improving the customer satisfaction and effective marketing of bank services

2. Finding out the reasons for dissatisfaction of customers and provide them with the solution.

The period of the study, in general is post liberalized period as this was the time when India has been growing through a process of economic reform and liberalization. During post liberalized period the economy was opened up and more liberalized financial policies were adopted. After 1990 there was a drastic change in the approach of the policy makers. This change in the outlook of the policy makers has made it necessary for almost all the organization, whether manufacturing or service oriented to change their policy decisions to make it dynamic and innovative. In the first phase of reforms, extending over 5 years from 1991 to 1996, the bank’s operational efficiency was sought to be toned up through a series of reforms involving adoption of various norms aimed at making the banks more transparent, realistic and internationally competitive. As a part of the reform process, greater competition has been introduced in the banking system by permitting entry of private sector banks, and liberal licensing of more branches by foreign banks. Non-bank intermediation was also increased over the same
period. But the most important change, that has overtaken the nation’s banking industry relates to the fact that, the competitive forces are sought to be introduced consciously in the financial services sector in general and banking industry in particular through the policies of interest rate deregulation and more particularly through a new liberal policy move to open doors wider to facilitate the entry of foreign banks and new private sector banks.

The specific period for study selected by the researcher is from year 2000 to year 2005, for HDFC Bank and ICICI Bank, as this is the most important period for both the banks since both these banks had successful mergers to their credit in the year 2000 and year 2001 respectively. This period has importance, for both the banks because merger and amalgamation added the significant value to bank, in terms of increased branch network, expanded geographic reach, enhanced customer base, skilled manpower.

The scope of the study covers the following three important components, which are necessary for the success of any private sector bank;

- Customers (customers of ICICI Bank and HDFC Bank)
- Marketing staff of banks (Marketing executives, Direct sales Associates, Sales executives)
- Officials of both banks (the policy makers)
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The opinion of the customers, marketing personnel and bank officials are incorporated in the thesis at appropriate places.

1.6 Hypothesis of the Study

The present study is based on the following hypotheses:

In the light of the framed objectives the researcher has set up the following hypothesis, for the present study.

"ICICI Bank and HDFC Bank are private sector banks providing innovative, dynamic and competitive services in terms of customer satisfaction in comparison to each other. However these banks are facing problems while marketing their services."

1.7 Limitations of the Study.

The study involves field study of customers of ICICI Bank and Customers of HDFC Bank to find out about the satisfaction from the services of above bank and the reason for dissatisfaction. For this purpose the questionnaire was administered to the customers of ICICI Bank and HDFC Bank. One limitation of this study comes from the fact that the
field study was conducted only in Bombay. A more extended geographical sample may show greater differences among perception. The area of study is of branches located in Bombay. An ideal effort would have been study of nation wide survey covering the customers of ICICI Bank and HDFC Bank. But since this was individual attempt to study the satisfaction level among the customers of ICICI Bank and HDFC Bank, it was not viable to carry out nation wide survey of customers because of time, cost and other resources constraints. Consequently it had to be limited to sample account holders and bank branches of ICICI Bank and HDFC Bank in Bombay. It is noticed that the banks under study are more active in urban and metropolitan markets. Efforts have been made to collect significant data and information from all possible way and sources, there had been some dithering on the part of the officials of the recognized organizations and institutions in giving out their experiences and providing required data. Similar restrictions were observed on the part of the customers while giving information relating to satisfaction, cost, income, and aspects. Their personal inhibition and short memory were observed to be the shortcomings, as they could not give data or information.
Another limitation of this study comes from the fact that the Indian Financial market could not be termed as a mature market in terms of acceptance of electronic banking as compared with other western countries. There is chance for easy generalization because of this fact. The research tool applied for comparing satisfaction could improve by adding more variable capturing non-financial banking services and the profile of customers.

1.8 Expected contribution:

The study is expected to be valuable to ICICI Bank and HDFC Bank as it is based on the opinion of customers and bank employees (marketing staff). It will be useful for banks in formulating their policies regarding launch of new banking product, and finding out reasons for dissatisfaction among bank customers. The study conducted by the researcher is to find out the reasons for dissatisfaction of customers and difficulties in marketing the banking services. This study can be helpful for these two banks.

It would be interesting in further research to correlate the perception of service in terms of customer satisfaction from the same service provider and that of other banks in Bombay. The sample size may increase to include people from other banks.
1.9 Scope for Future Research:

The present study is related to finding out the customer satisfaction of banking services and marketing of services. The findings and conclusion of the present study are not only useful to ICICI Bank and HDFC Bank. It would be interesting for future researchers to correlate the perception of service in terms of customer satisfaction to other private sector banks. The study has the validity for public sector banks as well.