CHAPTER ONE

INTRODUCTION

The product range or range of services availed from banking industry in India was limited till the end of the 1980's. However, the situation has changed drastically since the introduction of reforms in the banking sector since the 1990's. The banks in India now offer a wide range of services such as Merchant banking, factoring, forfaiting, leasing, hire purchasing, securitisation, portfolio management, custodian services and so on. The marketing operations of the banks have also been streamlined in such a way as to get adjusted with the technological upswing in innovations, namely total branch automation, automated teller machine, electronic fund transfer, anywhere banking, anytime banking, home banking and plastic cards.

Kerala is one of the highly banked states in India. The high rate of literacy, remittance from abroad and comparatively higher standard of living have helped the people of Kerala to make use of banking system as an integral part of their day to day life. The fact that the total number of bank branches in Kerala has grown from 601 in June 1961 to 3351 in 2003 makes the significance of banking clear.

A noteworthy feature of the banking development in the state was the spread of bank branches into the interiors even prior to
nationalization in 1969. About 75 percentage of the total bank branches in Kerala were functioning in rural areas at that time. The nationalization of banks has brought about unprecedented development in respect of bank branch expansion and banking business.

Banks deposit in Kerala increased at an average annual growth rate of 18 per cent. Even in remote areas of villages, branches of commercial banks or co-operative banks or regional rural banks or all of these are providing banking services. This high level of competition indicates that application of bank marketing is inevitable to banks in Kerala.

Statement of the problem

As the society moves through the beginning of the 21st century the marketing concepts have to evolve and take new meaning. The traditional marketing concepts have focused on satisfying consumer needs and wants to meet organizational goals. But the changing marketing concepts are now focused on a third consideration, that is welfare of society. Emphasis is now being placed on how marketing affects the society as a whole in an age of scarce resources, environmental destruction and worldwide competition. This social orientation, questions whether satisfying customer needs serves the long term interest of society. Thus the new concepts referred to as the social
marketing concepts, is a management philosophy that considers the welfare of society as well as the interest of the firm and its customers.

Marketing touches the lives of all members of society. Through the cost of purchase, each of us supports the cost of marketing activities. During each purchase, large or small, a significant amount of the purchase price pays for marketing activities.

It should be noted that exchange is not automatic but it stresses that exchange is to be created. This entails that it is not enough if a producer creates a product but should also see to create market too for his product. Thus, marketing is a sophisticated and a complicated activity to be performed by the business as well as non-profit organization if at all they want to achieve their objectives.

To get success in the field of marketing, various policies must be adopted by the producer. Marketing mix is one of the important policies to be adopted by the producer for the same. In marketing, the producer first analyses the nature of the consumer's need and then plans his product to give satisfaction to the consumers. All the marketing efforts focus attention around the consumers' need. The managerial activity, therefore governed with the market and market behaviours to identify target groups of consumers through market information. Thus the management plans to meet the consumers' needs and to face
competitions. All these programmes involve a number of functions, which are to be planned carefully. This includes market analysis, predictions and forecasting the needs of the public. Thus identification of demand and supply involves various functions of marketing to attain success in the market and the combination of these functions is known as marketing mix.

It is a fact that no two classes of customers are alike. Every customer, when he approaches a bank has entirely different expectations and intentions. A middle income man on the verge of retirement needs an additional source of income to supplement his income. So his focus will be on a monthly income deposit scheme. The investor cannot be wooed with anything less than the best market rate for his funds, for him a reinvestment scheme earning interest has to be designed and delivered. This is equally true for loaning and subsidiary services as well. Since it would not be flexible to expand business to cover all segments under a branch, some segments should be single not for special coverage. These segments and their potential value will constantly undergo changes and the banker must be on hand to ensure that no viable worthwhile business slips through his hands due to his indifference.
Review of Literature

Literature on marketing bank services is abundant. But these works are general in nature indicating mostly the governmental policies and their commitment towards the operation of banks only. However, few of the studies are reviewed here, as they would facilitate a clear backing for carrying out the present study.

An exhaustive study was conducted by Rajeev K. Seth in ‘Marketing of Banking Services’. A major aspect of his study is the concept of psychological ownership and its relevance in bank marketing and an approach for developing customer satisfaction, product packages and need for local touch.

Saxena K.K. in his study ‘Bank marketing’ emphasised marketing wise and product development in banking. In his study he stressed the importance of market segmentation which co-related to product development.

Murugesan D. in his paper, ‘Role of Marketing in Banking Services’ has examined about the banking services of Postliberalisation period. He emphasised how effectively banks could provide diversified service without complaining on profitability.
Mousmi Ghosh in a case study highlighted the helplessness of a customer for availing service from a nationalised bank⁴.

Bishwambhar Shah conducted a study on “Product Strategy for Banking Sector Post Liberalisation Period”. In the study he analyses the various aspects of products strategy in relation to banking sector in India encompassing the performance of banking sector after liberalisation, need for product strategy and constituents of product strategy⁵.

Nagu Reddy K. and Ratnakumari S. conducted a study on the attitudes of borrowers towards credit lending system of Regional Rural Banks. The study was based on Rayalaseema Grameena Bank, Andhra Pradesh and it was found that Socio-economic status had significant association with all categories of borrowers without exception⁶.

Asthana A.K. conducted a case study on “Marketing of Banking Services by the Mehsana Urban Co-operative Bank Ltd, Mehsana (Gujarat). The study was to identify the proper combination of marketing mix in banking services⁷.

Though there are a few studies in Kerala with regard to marketing of banking services, no attempt has so far been made to analyse the
marketing of banking services by the banks in Kerala. It is against this background the present study was conducted.

Objectives

Objectives of the present study are:

1. To assess the new products and services available from the banks to the customers in Kerala.

2. To ascertain the impact of information technology on the bank deals in Kerala.

3. To ascertain the marketing strategies adopted by the bank branches in Kerala for marketing their products and services.

4. To examine the extent of acceptance of the banking products and services by the customers in Kerala, and

5. To evaluate the attitude of the bank personnel vis-a-vis customers towards marketing of new products and services of banks.
Hypotheses

1. Banking industry has introduced the new products and services on a large scale in Kerala.

2. Information technology influences the banking business in Kerala significantly.

3. Marketing strategies for the products are evolved and executed in Kerala for attaining maximum monetary benefits to the banks.

4. The customers in Kerala have not responded favourably to the new products and services of the banks.

5. Bank personnel and customers in Kerala adopt are apathetic to the new trends in bank marketing.

Collection of Data

The entire study was attempted on the basis of mainly primary data collected from customers and bank personnel. For all practical purposes unlike other states in India it is a unique phenomenon of the state of Kerala that for a study in banking, co-operative banks and commercial banks are not separated for the reason that a customer has equal chances to opt for the commercial bank and co-operative bank. The type of accounts inclusive of loan account in any branch of a co-operative bank or a commercial bank are of equal nature and status.
As the bank is service oriented industry, customer assumes greater focus and such being the case, data were collected from 900 bank customers. Taking into consideration the fact that the bank personnel are directly dealing with the customers on behalf of the bank, primary data were collected from 270 bank personnel also.

In addition to primary data, secondary data were collected from reports of govt. departments and govt. agencies.

**Sample frame**

The socio-economic conditions of the people in Kerala are uniform throughout the state and as such it was felt appropriate to select 3 districts of Kerala giving due consideration to the geographical location and the availability of the rural, urban and semi-urban population. Accordingly, Kozhikode district was selected from north, Ernakulam district from the centre and Trivandrum district from the south.

Multi stage sampling was adopted to choose bank customers. In the first phase, districts were selected to represent urban, semi-urban and rural population. In the second phase, equal number of bank customers were selected from urban, semi-urban and rural areas of each district. In the third phase, bank branches were selected to ensure equal representation for commercial and co-operative banks. Thus 300 bank
customers, each from all the three districts were selected to make the total sample for the study of bank customers 900. Of these, 300 bank customers were selected from rural areas, 300 from urban areas and 300 from semi-urban areas.

Apart from 900 customers, 270 bank personnel were selected giving equal representation for all three districts and the rural, urban and semi-urban areas.

Tools for data collection

Data was collected in two separate interview schedules designed for the study after a pre-test. The schedule initially developed for the study with a view to collect data from bank customers were pre-tested among 30 bank customers selected from rural, urban and semi-urban centers. Similarly the schedule used for bank personnel was also pre-tested among 15 bank personnel chosen from rural, urban and semi-urban bank branches.

Tools for analysis

The data collected were statistically tested by employing tools like weighted average and chi-square test.
Limitations

It was noted during the period of collection of data that in a state like Kerala with high literacy, banking industry was not able to attain popularity for the new products and services introduced for marketing. Bank personnel were also not an exception to the general nature of low awareness of the features and feasibility of the new products. Such being the case, on many occasions there arose the need for explaining the terms used in the banking industry and used in the interview schedule, to the customers as well as bank personnel. In addition to these, there were initially, efforts from the part of bank personnel and the bank customers to evade from providing answers to the questions raised. However, earnest and sincere efforts were taken to seek the co-operation of the respondents concerned under the sample by convincing them of the importance and relevance of the study and providing clarifications to their queries.
Scheme of Reporting

The reporting of the thesis is made as follows:

Chapter One : Introduction

Chapter Two : Marketing strategies of the banking industry

Chapter Three : Products and mode of communication with the customers

Chapter Four : Effectiveness of strategies in bank marketing

Chapter Five : Customer acceptance of the new bank products

Chapter Six : Attitude of the bank personnel and customers towards new products

Chapter Seven : Summary of findings and recommendations
References


2. Saxena, K.K. Bank Marketing Faculty, State Bank Staff College, Skylark publications, 1988, p 44.


