CHAPTER - I

INTRODUCTION
CHAPTER I
INTRODUCTION

Marketing as a concept is concerned not only with the selling of consumer products like soap, tooth paste etc., but is also connected with marketing of services. In the recent years, there has been a phenomenal growth of service industries. "Services are activities, benefits or satisfaction which is offered for sale". Service industries are quite varied such as Transport, Banking, Insurance, communication, Education etc.,

The services sectors of the economy, which in many countries is more than twice as large as the manufacturing sector, is today in a state of turmoil. Deregulation, changes in professional association standards, the growing application of compute technology, and the continued expansion of franchise chains are combining to produce dramatic changes in the environment of many service industries.

Perhaps the most significant trend representing both a threat and an opportunity is the increasingly competitive nature of the market place. This development requires a new emphasis on marketing for services as diverse as airlines and accounting, hotels and hospitals, and banking and real estate, brokerage and service center.

Until now, few managers of service business have accorded the marketing function as much importance as have their counter parts in manufacturing. In today's market place, a marketing orientation is becoming essential competition survival. But policy of simply drafting marketer's from manufacturing firms, out fitting them in service customers, and expecting them to succeed by pursuing the same marketing tactics and strategies as before is likely to fail, as service organisation differ in many important respects from manufacturing businesses, requiring a destructive approach to marketing strategy development and execution. By this, it is not implied that services marketing is uniquely different from product marketing. There are a number
of key factors which have contributed to the development of services industries. New
technologies and more complex products have led to an increase in demand for
banking services, educational services, etc.

Hence marketing has occupied an important place in manufacturing industries
for a long time. But marketing of services is slow when compared to manufacturing
industries. Service marketing has occupied a vital place in advanced countries as early
as 1970's. In India marketing in the service sector got accelerated only after 1990's.
It was at this time quality concept was also introduced in service marketing. Many
developed countries realized that service sector was vital for the economic
development.

Economic development in every country of the world today very much
depends more on the service sector than in manufacturing, farm or trade sectors and
hence today, service sector is an integral part of business activity. The following table
indicates three stages of growth and development of service marketing

**Development of service marketing**

<table>
<thead>
<tr>
<th>Stage – I</th>
<th>Stage –II</th>
<th>Stage - III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service marketing was not distinguished as an essential tool</td>
<td>A clear distinction between traditional marketing and service marketing was recognized</td>
<td>Shift in thinking to quality in service. All business houses and households felt the need for service marketing</td>
</tr>
</tbody>
</table>

The above table shows that services marketing were not properly identified in
the first stage. It was identified as an essential tool, for all activities in sales
promotion only in the second stage. In third stage, there was a perceptible shift in
thinking towards, quality concept in service.
These service industries in service sector has become an integral part of business activity and has always been contributing largely to the GDP of most of the countries in the world. Today, service sector is growing well and has become a vital sector of the economy. The reasons for growth of service industry may be traced to political, demographic and social factors. Globalization has created a great demand for services of banking, communication and insurance among other services.

Banking system is an important constituent of overall economic system. It plays a crucial role in the attainment of macro-economic objectives. It acts, as a vehicle for socio-economic transformation and also as a catalyst to economic growth. It plays an important role in mobilising the nation’s savings and in channelising them into high investment priorities and better utilisation of available resources\(^1\). Hence, banking can better be described as the kingpin of the chariot of economic progress.

Banking, if equated with money lending, is perhaps as old as the civilization itself. However, modern banking is something really different from mere lending. It is far more sophisticated and complicated. In a developing economy, the role of banks is more creative and purposeful than in a developed one. In a developing country, where the banking habits of the people are not developed, the task of creating and spreading the banking habits and of mobilizing the country's resources becomes a challenging one. It is here that banks play crucial role because they act as a bridge between those who require finance and those who have finance. Banks thus are an important instrument in making more efficient use of available savings.

At present, commercial banks in India are classified as scheduled and non-scheduled. A scheduled bank is eligible for certain central banking facilities, especially that of obtaining accommodation from the RBI, which is not available to non-scheduled banks.

The scheduled banks can further be divided into nationalized and non-nationalized. Nationalized or public sector banks comprise of State Bank of India and its seven subsidiaries and 19 (consequent upon the merger of New Bank of India
with Punjab National Bank in 1993) other nationalized banks. Other private banks come under the category of non-nationalised banks.

In banking industry, public sector banks, unlike earlier, has to face two important issues, one is that it has to compete with private sector banks and another is that it has to manage their customers in the right direction by providing them better services and more satisfaction. As the customers of banks vary differently in age, educational status, income level, mobility pattern, taste etc, the marketing division has to find appropriate consumer groups and develop banking services tailored to their needs.

The important function of any marketing manager is to understand how consumer responds to various marketing strategies that the banks might arrange. This will help the public sector banks to have an advantage over its competitors. Therefore, understanding the consumers and their behaviour will help the marketing manager to identify the expectations of the consumers and to some extent, their preferences can be estimated without much difficulty.

**Statement of the problem**

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

is up to the customers to get themselves satisfied with these services. An attempt on knowing what do customer expect from public sector banks and what is their reaction to the services provided to them so as to ascertain their views and satisfaction particularly when private sector banks compete with them in this field.

**Objectives of the study**

The following are the broad objectives of the study

1. To study the customer awareness about various services of public sector banks.
2. To study the customers ideas and opinion about various services offered by public sector banks.
3. To study the customer preference to services of public sector banks in comparison with private sector banks.
4. To study the customer satisfaction over the service of public sector banks.
5. To study the problems faced by customers in availing the services of public sector banks.

To offer suggestions on the basis of results of the study.

**Methodology used**

The following methodology is used in the study

i. **Study area**

   The study area refers to Coimbatore city which is known for textiles, pump sets, motors and grinder business.

ii. **Data source**

   The study has used only primary data which were collected from customers of various public sector banks using interview schedule method. The interview schedule has been prepared in such a way that the respondents were able to express their opinions freely and frankly. A pilot study was conducted in order to validate the interview schedule.
iii. Sampling procedure and Size

For the purpose of collection of data, 500 customers were selected using convenient random sampling method. Data were collected from the customers of various public sector banks in the city.

iv. Statistical tools used for analysis

The collected data have been processed both manually and with the help of computers. The statistical tests are conducted at 5% level of significances. The following statistical tools are used.

- Descriptive Analysis
- Chi-square Analysis
- Average Rank Analysis
- Four point scaling technique
- Average Score Analysis
- Factor Analysis
- Gap Analysis
- t-test

Limitations of the study

The process of collection of data has consumed lot of time and remained a challenging task as it involves collection of personal details of customers. However, adequate care has been exercised to collect the unbiased data.

Operational definition

i. **PSBs:** The term PSBs in the study refer to public sector banks. The terms and nationalized banks refer to one and same.

ii. **Private sector banks:** Private sector banks are those scheduled banks which have not been nationalized. These banks include foreign banks.
Chapter Scheme

The thesis is arranged to present in the following five chapters.

Chapter – I: Introduction
This chapter presents in brief statement of the problem, objectives of the study, methodology used and limitations of the study.

Chapter – II: Review of Literature
This chapter reviews elaborately and present the previous studies made in the area relevant to the study.

Chapter – III: Marketing of banking services - An overview
This chapter provides a theoretical basis to understand the core aspects of service marketing.

Chapter – IV: Analysis and Interpretations
This chapter presents the analysis and the interpretations relating to the data collected from customers of public sector banks.

Chapter – V: Summary and Conclusion
This chapter presents the summary of findings, recommendations made on the basis of results of the study and conclusion.