

MARKETING EFFECTIVENESS IN NATIONALIZED COMMERCIAL BANKS

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ABSTRACT

In the modern world of competition bank cannot wait for business, as his predecessors used to do. He has to actively seek business and develop it further in view of the competition environment in which he is placed. So far, development and expansion of business is concerned, it is necessary to use modern marketing techniques.

Marketing Effectiveness (ME) in the critical evaluation of marketing mix of an organization from customers' perspective i.e. it measures the degree of the management success invading the market (needs of market) distinguishing the business opportunities, choosing the best market segments and offering them superior goods and/or services at reasonable pricesⁱ Effective Marketing efforts result in achieving the business goal with customer satisfactionⁱⁱ Since marketing is characterized by a law of slow learning and fast forgetting, marketing efforts require regular review and monitoring. It is in this context that ME in Nationalized Banks, if examined in terms of the variables such as service package etc. would examine the quality of banking business and suggest an action for marketing efforts in maintaining overall operational efficiency in general, and marketing effectiveness in particular. ME in Nationalized Commercial Banks, though self explanatory as the bank marketing concept is now focusing on consumer, cannot be examined without having a cursory view of the environment in which the exchange process of bank marketing take place.

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NATIONALIZED COMMERCIAL BANKS

After nationalization in 1969, the Nationalized Commercial Banks have made phenomenal progress but various inadequacies and limitations of these banks have been pointed out by various experts committees and subject experts.

In 1975, The Estimates Committee of Lok Sabha headed by R.K. Sinha ^{iv} pointed out that nationalized banks have largely failed in achieving the main objectives of bank nationalization. The committee expressed dissatisfaction with the nationalized banks performance in the field of granting loans to the priority sectors and removing regional disparities through developing banking facilities in backward areas. It is felt that the banks had no machinery to see that the finance from the public institutions was going to productive uses in the large public interest in actually.

In 1991, a mini-members committee under the chairmanship of Sh. Narasimhan ^v, a former Governor of R.B.I. tabled its report in the Parliament, recommending various financial sector reforms in the present structure and functioning of existing financial system of India. A number of monetary policy measures and financial sector reforms were undertaken during 1990s for improving the efficiency and promoting competition in the financial system to enable it to respond effectively to the emerging needs of the liberalized Indian economy.

In 1991, a committee under the chairmanship of Sh. M.M.Goiporia ^{vi} submitted its report with the recommendations that :- a) banking hours should be extended for all transactions except cash b) outstation cheques upto Rs. 5000 should be immediately credited c) interest rate on saving account should be enhanced d) tax benefits against banks deposits should be introduced d) full use of discretionary powers at all levels f) modernization of banks g) opening of specialized branches for different customer groups h) introduction of a new instrument in the form of bank order i) introduction of restricted holidays in banks.

According to survey report of R.B.I., Annual Report on Trends and Progress of Banking in India 1994-95 ^{vii}, public sector banks undertook a programme of massive expansion of bank branches in the rural area, under banked and un-banked areas, which aimed at ensuring balanced regional development of the banking sector in the country. The Lead Bank Scheme adopted by public sector banks has improved the situation considerably.

Mr. Om Mehta, Former Union Minister of State for Home Affairs has openly said that some officers of the nationalized banks were involved in charges of corruption while sanctioning loan etc. to the people and that of late it had been found that corruption in the field was on the increase.

Nationalized Commercial Banks suffered huge losses due to mismanagement and wrong implementation of Govt. schemes for upliftment of poor & weaker sections of society. The problem of losses can be removed by diversifying the functions of bank and adopting modern marketing techniques for promotion of different services provided by nationalized commercial banks. The nationalized banks had improved their profitability to a large extent by providing financial facility to the persons who are interested in investing in reality sector i.e. to purchase housing plots in Govt. approved housing schemes.

BANK MARKETING

Recently the nationalized banks in India started feeling the real threat of competition with the foreign banks, private banks and other non-banking financial institutions. Nationalized banks have to innovate and devise a package of services to veer the shrewd investing public to their fold. Taking into account the bank market as a buyer market, so it is compulsion that banks have to plan services to satisfy customer needs. To achieve the corporate objectives and to provide satisfaction to the customers, the idea of marketing of bank services and application of marketing techniques should gain acceptance with the Indian nationalized banks.

Taking into account the modern marketing concept which emphasis the satisfaction of consumers, we may define the bank marketing as “ the creation and delivery of customer satisfying services, as a profit to the bank. So it is necessary to find out the customer desires and needs and then services should be produced according to these desires and needs which help in attracting the maximum number of customers.

According to Atul Bhatt ^{viii}, “Bank marketing is the aggregate of functions, directed at providing services to satisfy customers financial (and other related) needs and wants, more effectively and efficiently than the competitors keeping in view the organizational objectives of the bank”.

Bank marketing is the aggregate of functions which signifies the totality of the marketing activity. This aggregate of functions is the sum of total of all individual activities consisting of an integrated effort to discover, create, arouse and satisfy customer needs. This means, without exception, that each individual working in the bank is a marketing person who contributes to the total satisfaction of customers and the bank should ultimately develop customer orientation among all the personnel of the bank.

Marketing helps in achieving the organizational objectives of the bank. This means that marketing is equally applicable to achieve commercial and social objective of the banks. Indian banks have dual organizational objectives-commercial objective to make profit and

social objectives which plays a developmental role particularly in the rural area. Service area approach adopted recently by the Indian banks is a marketing approach whereby a specific target market is assigned to each bank branch and after identification of the needs of the customers all efforts of the bank are required to be concentrated to satisfy the customers to achieve the banks social objectives. The success of a bank depends upon the contribution of the following few things:

1. The central focus of everything the bank does should be on customers because the bank cannot exist without them.
2. The service facilities should be designed for customer convenience.
3. The starting point of organizational structure should be the customer and the bank should ensure that the services are performed and delivered in the most effective way.
4. The ultimate aim of a bank is to deliver total satisfaction to the customer who is affected by the performance of all the personnel of the bank.

Levit^{ix} explain that all the techniques and strategies of marketing are used so that ultimately they induce the people to do business with a particular bank. To create and keep a customer means doing all those things so that people would like to do business and continue to do it with a particular bank rather than with the competitors. A business is not a business if it cannot stay in business. It cannot stay in business if does not attract and hold enough customers, no matter how efficiently it operates.

Peter F. Drucker^x explain that marketing is an organizational philosophy. This philosophy demand the satisfaction of the consumer's needs as the perquisite for the existence and survival of the bank. Marketing is so basic that it cannot be considered as a separate function. It is the whole business seen from the point of view of its final result that is the customer's point of view.

Thus, marketing is an organizational philosophy which is to be understood by the whole organization from the chief executive to the person working at the counter. To apply the marketing concept in Indian banks it is necessary to have a whole hearted commitment to customer orientation by all the employees. Marketing is not a separate function for a bank. It is required to be integrated with operations.

In a study conducted on executives of service firms,^{xi} it is clearly indicated that "a separate marketing department may widen the gap between marketing and operations". So there is no need of a separate marketing department for a service organization like banks. After the establishment of a separate marketing department the personal working at counters stop worrying about their customer related responsibilities and totally concentrate on just handling

operations and other duties mechanically. The reasons for this is clear because they feel that the bank now has marketing specialists and hence they need not bother about customer related responsibilities any longer. In India, some banks have started marketing department for mobilizing deposits, which is the new name of old deposit mobilization department. One bank appointed about 50 marketing officers at branch level for deposit mobilization. The experiment is not successful and they are withdrawn from the branches and position is abolished. Banks may not require this type of separate positions. A branch manager and counter clerks themselves are the marketing persons who need to develop a marketing culture through training.

AREAS OF BANK MAREKTING

The areas of bank activities where the marketing can be applied may be identified as follows:-

1. To identify the customers financial needs both for deposit and lending and competitors activities through research.
2. To select the target group, the bank wants to serve and identify the needs of selected group.
- 3 To develop appropriate products to meet consumers financial needs.
4. To persuade the customers to use the services at a profit to the bank by applying promotional activities and distribution system in accordance with the guidelines and rules of the Reserve Bank of India and at the same time looking for opportunities to satisfy the customers better.
5. To decide the best location for new branches and to expand the branches internationally.
6. To develop market orientation and customers consciousness among all the personnel of the bank through training.

From the above mentioned areas of bank marketing it is clear that a bank has to perform different functions to attract deposits and users of funds and other services. The marketing approach would enable the Nationalized Commercial Banks to devise customer satisfying services, innovate and venture into areas where their expertise would help to the customers. So the prospective plan of action for any bank in order to be effective should be market oriented. This way the Nationalized Commercial Banks are prepared to meet the challenges of the market rather than allowing events to overtake them.

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