



COMMERCIAL BANKING AND MARKETING OF BANKING SERVICES

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ABSTRACT

Traditionally, banking in India has been dominated by the offices/branches of the public-sector banks. The liberalization of the financial sector in the 1990s, the private-sector banks and the foreign banks have been storming into the country and opening their branches. The present study the marketing concepts of banking and evolution, the conceptual framework of bank marketing in the Indian context and the operation of the bank marketing system in India.

INTRODUCTION

The Indian financial services industry is very systematic in providing financial convenience to the public which may be categorized as organised and unorganized sectors. In the organised sector, the commercial banks, the co-operative banks and the specialized institutions (i.e. development banks) are included. In the unorganized sector, chit funds and nidhis are found.



The commercial banks, both government and private, accept deposits from the public and lend money besides offering agency and utility services. The co-operative banks play an important role in the Indian financial system, to supply finance to the agricultural sector. They are registered under the Co-operative Societies Act 1904. In the organized sector of the Indian financial system, the commercial banks and the co-operative banks are parallel financial institutions both rendering almost identical banking services. The co-operative banking system in India has a three-tier structure (Vasant Desai ,1991)

ORIGIN OF BANKING IN INDIA

Banking in India has its origin as early as the vedic period. It is believed that the transition from money lending to banking must have occurred even before Manu, the great Hindu Jurist, who devoted a section of his work to deposits and advances and laid down rules relating to rates of interest. The General Bank of India was the first Joint Stock Bank established in the year 1786. The others which followed were the Bank of Hindustan and the Bengal Bank (Peter and Drucker,1954) .

Classification of Banks

The following is the classification of banks:

a) Scheduled Banks Scheduled Banks are banks which are included in the Second Schedule of the Banking Regulation Act, 1965. (Nambi,1984) According to this schedule, a scheduled bank:

- (i) Must have paid-up capital and reserve of not less than Rs.5,00,000



- (ii) Must also satisfy the RBI that its affairs are not conducted in a manner detrimental to the interests of its depositors.

b) Non Scheduled Banks

These are banks which are not included in the Second Schedule of the Banking Regulation Act, 1965. It means they do not satisfy the conditions laid down by that schedule.

Scheduled banks are sub-divided as

1. State Co-operative Banks: These are Co-operatives owned and managed by the State.
2. Commercial Banks: These are business entities whose main business is accepting deposits and extending loans. Their main objectives are profit maximization and adding shareholder value. These banks are further sub-divided as:
 - a) Indian Banks: These banks are companies registered in India under the Companies Act, 1956. Their place of origin is in India.
 - b) Foreign Banks: These are banks that were registered outside India and originated in a foreign country.

Indian Banks are also sub-divided as (Goiporia,,1990)

- a) The State Bank of India and its Subsidiaries: This group of comprises of the State Bank of India (SBI) and its seven subsidiaries.
- b) Other Nationalised Banks: This group consists of private sector banks that were nationalised.



- c) **Regional Rural Banks:** These were established by the RBI in the year 1975 to operate exclusively in rural areas to provide credit and other facilities to small and marginal farmers, agricultural laborers, artisans and small entrepreneurs.
- d) **Old Private Sector Banks:** This group consists of banks that were established by the Privy states, community organizations, or by a group of professionals for the cause of the economic betterment in their area of operations. Initially their operations were restricted to a few regional areas. However, their branches slowly spread throughout the nation as they grew.
- e) **New Private Sector banks:** These banks were started as profit oriented companies after the RBI opened the banking industry to the private sector. These banks are mostly technology driven and better managed than other banks.

At present the commercial banking system in India may be distinguished into:

c) Public Sector Banks (Mahina,1989)

State Bank of India and its associate banks

The State Bank of India, the State Bank of Bikaner and Jaipur, the State Bank of Hyderabad, the State Bank of Indore, the State Bank of Mysore, the State Bank of Patiala, the State Bank of Saurashtra and the State Bank of Travancore.

Nationalised Banks

The various nationalized banks are the Allahabad Bank, the Andhra Bank, Bank of Baroda, the Bank of India, the Bank of Maharashtra, Canara Bank, the Central Bank of India, the



Corporation Bank, the Dena Bank, the Indian Bank, the Indian Overseas Bank, the Oriental Bank of Commerce, the Punjab and Sind Bank, the Punjab National Bank, the Syndicate Bank, the United Commercial Bank, the Union Bank of India, the United Bank of India and the Vijaya Bank.

Old Generation Private Banks

The old generation private banks are the Jammu, & Kashmir Bank Ltd, the Vysya Bank Ltd, the Federal Bank Ltd, the Karnataka Bank Ltd, the United Western Bank Ltd, the South Indian Bank Ltd, the Karur Vysya Bank Ltd, the Bank of Rajasthan Ltd, the Development Credit Bank Ltd, the Tamilnad Mercantile Bank Ltd, the Catholic Syrian Bank Ltd, the Laksmi Vilas Bank Ltd, the Nedungadi Bank Ltd, the Bharat Overseas Bank Ltd, the City Union Bank Ltd, the Sangli Bank Ltd, the Dhanalakshmi Banks Ltd, the Lord Krishna Bank Ltd, the Benares State Bank Ltd, the Nainital Bank Ltd, the Ratnakar Bank Ltd, the SBI Commercial and International Bank Ltd, the Ganesh Bank of Kurundwad Ltd.

New Generation Private Banks

The new generation private banks are the ICICI Bank Ltd, the HDFC Bank Ltd, the UTI (AXIS) Bank Ltd, the Global Trust Bank Ltd, the Indusind Bank Ltd, the Centurion Bank Ltd, the IDBI Bank and the Bank of Punjab Ltd.



Foreign banks in India

The foreign banks functioning in India are the Citibank, the Hongkong & Shanghai, the Standard Chartered Grindlays, the Standard Chartered, the ABN-Amro, the Bank of America, the Deutsche, the BNP Pariba, the Abu Dhabi Commercial, the Nova Scotia, the American Express Credit Lyonnais, the Bank of Tokyo-Mitsubhishi, the Credit Agricole Indosues, the Commerz, the Mashreq, the Oman International, the Bank of Bahrian and Kuwait, the Sakura, the KBC, the Societe Generale, the Sumitomo, the State Bank of Mauritius, the Ing Bank, the Barclays, the Fuji Bank, the Muscat International, the Sanwa, the Development Bank of Singapore, the Chase Manhattan, the Bank of Ceylon, the Cho Hung, Chinatrust Commercial, Sonali, the Bank International Indonesia, the Oversea-Chinese, the Krung Thai and the Toronto Dominion.

Co-operative Sector Banks

The co-operative banking sector in India is divided with the following components.

The State Co-operative Banks, the Central Co-operative Banks, the Primary Agriculture Credit Societies, the Land Development Banks, the Urban Co-operative Banks, the Primary Agriculture Development Banks, the Primary Land Development Banks, and the State Land Development Banks.

Development Banks

The Development banks comprise the following: the Industrial Finance Corporation of India (IFCI), the Industrial Development Banks of India (IDBI), the Industrial Credit and



Investment Corporation of India (ICICI), the Industrial Investment Bank of India (IIBI), the Small Industries Development Bank of India (SIDBI), the ICICI Ltd., the National Bank for Agricultural and Rural Development (NABARD), the Export Import Bank of India, and the National Housing Bank.

EVOLUTION OF BANK MARKETING (Hodgesand Tilman .,1968)

The concept of bank marketing is a means of attracting funds for lending and the banks were acting as institutions where cash could be deposited and loans procured. For the first time the possible application of the marketing concept was mentioned in the American Banking Association Conference held in the U.S.A. in 1958. A survey was conducted in banking but they were not in favour of the application and discouraged the introduction of such a concept in banks. There were many factors which stood in the way of the application of the marketing concept to banking. Their task was to sell an ever-increasing number of customer services. In 1980, again a survey was conducted in London for the successful application of the concept of marketing. The survey proved that the application of marketing to the product oriented industries alone was a misconception. It could successfully be extended to the area of service industries, as it attracted sufficient resources which could be converted into services. Under such circumstances, the bankers realized the importance of marketing which would enable them to redesign banking activities so as to bring marketing concepts into it.



MARKETING APPROACH TO BANKING (Bhatta Charya., 1999)

The commercial banks mainly purvey financial services and therefore, they have to keep in view the service orientation while taking any management decision. In all management decisions, the commercial banks have to place an overriding emphasis on the interests of their customers. What the business thinks it produces is not of first importance especially not to the future of the business and its success.

BANK MARKETING IN INDIA(Mathur,1983)

In developing countries like India, the importance and role of the service sector has been rapidly increasing in recent years. The share of the tertiary sector in the Net Domestic Product (NDP) was 39.7 per cent in 1987-88 which was higher than not only that of the secondary sector (26%) but of the primary sector as well (34.0%). Percentage increase in the share of the tertiary sector between 1950-51 and 1987-88 is 49.2 per cent .

BANKING AND CUSTOMER SERVICES IN INDIA

Customer service is not only a critical function but is also becoming a key posture for the business. It is the next most important business strategy. Improved customer service will definitely increase the profitability. A bank can be said to be customer oriented if its various organizational activities like organizational restructuring staffing, and coordination are geared up to fulfill customer needs .



CONCLUSION

This study Overview of the Commercial Banking and Marketing of Banking Service brings out the overall financial services industry in India, the origin of banking in India, the classification of banks, the evolution of bank marketing, that marketing approach to banking, market segmentation and bank marketing.

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