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COMPARATIVE ANALYSIS OF CREDIT MARKETING STRATEGIES EMPLOYED BY PUBLIC AND PRIVATE SECTOR BANKS IN HARYANA

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Abstract:

In recent years, the Indian financial system has experienced a significant transformation. The banking industry has gotten more sophisticated and complicated as a result of a paradigm change in concept, perception, and viewpoint. Banks were more professional as they adapted to the new period of deregulation, market economy, and functional autonomy since they had to operate in a highly competitive environment. As a result, the goods and services offered by the banking industry have changed significantly. In a market where consumers have more alternatives than ever before, banks are being forced to continuously examine their product and service offerings in order to meet the ever-increasing expectations of their clientele. Prior to the revisions, the majority of the goods that banks sold were generic; clients had to accept or reject the items that the banks presented.

Keyword: Marketing, Bank, Public, Private, Goal, Information, Class, Catastrophe, Financial

Introduction:

In terms of goods and services, the banking industry has therefore seen a substantial transformation. Banks have been forced to continuously assess their product and service packages to meet the ever-increasing expectations of their consumers in a market where they have more alternatives than ever before. These banks provide the Indian financial industry a range of innovative custodial services and products. Currently, class banking with value-added and personalized goods is the market's primary focus instead of mass banking offerings. Marketing is becoming a crucial component of banks' operations as a result of the intense competition and the speed at which things are changing. Deposit mobilization was heavily encouraged in the early years of financial deregulation in an effort to improve banks' financial standing. A bank's deposit base was considered a measure of its expansion and progress. Up until the mid-1990s, this pattern persisted. During the financial sector's liberalization process, international banks and non-banking financial companies (NBFCs) with large deposit bases and a variety of goods and services were launched. But in a short period of time, many NBFCs with massive deposits failed. This catastrophe demonstrated that smart loan allocation is just as important to a financial institution's success as substantial deposit accumulation.

Competition:

The rivalry in the Indian banking sector has increased due to the introduction of new private sector banks and an increasing number of international banks. These banks have lean and agile structures, superior technology, a focus on the market, and cost-effective strategies. Additionally, financial entities have begun to encroach on banks' territory. The market share of public sector banks' operations has significantly decreased in recent years. Therefore, it is imperative that public sector banks change their marketing approach in order to draw in clients and survive the fierce competition from emerging private sector banks and overseas banks.

Technological Advancement:

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The introduction of computers and communications technologies has fundamentally changed how banking is conducted. Technological advancements in the banking industry have created new opportunities to execute the same tasks in a more creative and economical way. Banks are being forced to reconsider their distribution channel designs due to the rapid advancement of new technology. Banks may now supply goods to clients more affordably than they could with old branch networks because to the majority of contemporary delivery channels, such as ATMs, phone banking, internet banking, cluster banking, etc. Therefore, banks must adapt to the rapidly evolving technologies.

Product Innovation:

Innovation is a significant driver of change in the Indian banking industry. These days, banks are creative, proactive, and provide their clients with first-rate services.8. They serve as a departmental store of finance in addition to being a financial provider. This has led to the emergence of new products such as venture capital, business advisory services, factoring, forfeiting, leasing, and mutual funds. With cost-effective strategies, these cutting-edge services might increase income.

Customer Awareness and Satisfactions:

Customer demands and perceived preferences have a direct impact on banking services. Customers in urban and metropolitan areas are better informed and expect greater amenities than are provided. They are searching for speedier, less expensive, and higher-quality services. The "bank-come-home-to-you" strategy is evolving quickly. Since the banking sector is focused on providing individualized services, it should offer services that meet the needs of its clients. Predicting, recognizing, and successfully meeting the requirements and desires of the client are all part of this. Growing Customer Income: The typical Indian middle-class family's lifestyle has significantly improved as a result of increased incomes. Indian banks have to adapt their offerings to meet the expectations of the competitive middle class as a result of international banks entering the retail market and introducing novel products. The term "retail banking" has gained popularity, and banks have created cutting-edge solutions that are suited to the needs of their clients.

NEED OF CREDIT MARKETING

The nation's general economic situation affects banking operations, which in turn affects the banks' interest revenue in either a favorable or negative way. The mobilization of deposits was heavily encouraged in the early years of financial deregulation in order to improve the financial standing of banks. A bank's deposit base was used as a gauge of its expansion and progress. This pattern persisted till the middle of the 1990s. Foreign banks and non-banking financial companies (NBFCs) with large deposit bases and a variety of goods and services were launched throughout the financial sector's liberalization process.10. However, these NBFCs with a substantial deposit base failed quickly. This disaster showed that smart credit allocation is also essential for any financial organization to succeed, rather than accumulating large deposits.

REVIEW OF LITERATURE

Lewis (1983) ' in his article entitled “Marketing Bank Services” an attempt has made to emphasize those reasons /changes in the recent past which require bank marketing. Changes necessitating marketing in banking are categorized in four parts: Legislative, economic and business environment, socio-economic trends and technological. Legislative developments in industrialized countries have caused competition in banks and further requiring them to systematic approach of marketing. Now, in economic and business environment - due to growth of new institutions in the financial service sector the traditional boundaries are becoming blurred or non-banks are developing and extending their product ranges and in return forcing bank to do the same to exist.

Bettinger (1985) in his article “Bank Marketing" described the following important components of marketing approach: □ Determining. in rational, informed and strategic manner derived from customers base. □ Identifying the current and future needs of desired customers and customer prospect segments. □ Creating need and satisfying benefit. o Communicating and delivering there benefits effectively and efficiently to market place. □ Converting the employees of the organization into a well informed disciplined and professional force committed to the organization’s values and objectives.

Indian Banks Association (1988) in the area of “Measuring Banks Advertising Effectiveness” had carried out market research on impact created by publicity program. The findings of this study may be use in bank advertising campaigns more effectively. Most of the market research was conducted for internal use and no formal reports were prepared. The important matter is that the subject is researched by bank. The most important subject for market research in terms of number of studies conducted is the customer service, customer’s profile and opinion studies.

CLASSIFICATION OF CREDIT

Credit plays a significant part in contemporary interactions. A vast array of activities are covered by credit transactions. These can be categorized using the different criteria stated in the following statement:

According to Term

It is referred to as credit when it is extended for the predetermined payback time. The credit can be divided into the following groups according to its term.

Call Credit – Although it is not a common type of credit, call credit is a type of credit that is authorized for a brief time. The aforementioned time frame might be a few hours, days, or weeks. On demand, the sum authorized against call credit is also due.

Short-term Credit — Short-term credit is defined as credit that lasts between three and about eighteen months. These credits are typically needed for ongoing production requirements or consumption requirements in order to continue marketing activities.

Medium-term Credit - Medium-term credit is given for a period ranging from 2 to 5 years. Such type of credit is generally sanctioned for capital investment such as purchase of machinery etc.

Long-term Credit - Credit sanctioned for over 5 years comes under this category. Such type of credit is given for purchase of new lands or for bringing some permanent improvement in business or for purchase of some costly machinery.

According to Objective

Credit can be granted for a number of reasons. Based on this, the debtor and the creditor jointly choose how credit will be used. Credit may be categorized as follows based on this:

(i) **Productive Credit -** The productive credit is the credit taken for the purpose of carrying on productive activities with a view to augmenting income. It may be needed to create some fixed assets in business.

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(ii) **Non-productive Credit -** Also known as consumption credit is taken to satisfy the needs of consumption goods or services of a entrepreneur. There was a time when institutional suppliers used to refuse credit for consumption, but now the attitude has undergone a vast change.

According to Security

On the basis ofsecurity credit may be categorized as follow:

(i) **Secured Credit -** Credit covered by some security is termed as secured credit. In the sanction of secured credit the value of security must be more than that of the amount of credit.

(ii) **Unsecured Credit -** When credit is granted without any security is called as unsecured credit. This type of credit is granted on the basis of trust.

Conclusion:

To study the trend in credit portfolio in public and private sector banks in post-reform period is the first objective of the study. It revealed the poor credit off take in public sector banks as compared to private sector banks. When the growth in total advances after post-reform period, was measured, it was found that public sector banks deployed total credit in different sectors of economy (individual and corporate) amounting to Rs. 549351 crores in 2003 and Rs. 153880 crores in 1993. It was a significant growth of 256.99 percent during post-reform period. On the other hand, private sector banks deployed total credit Rs. 138952 crore in 2003 and Rs. 7961 crore in 1993. It shows a tremendous growth of 1645.50 percent during post-reform period. The percentage growth in credit was six times in private sector banks from 1993 to 2003. But, public sector banks covered (74.18) percent market share, while private sector banks covered only 18.76 percent market share.

While measuring the satisfaction level of advertising budget, it is observed that all of the private sector bankers were satisfied to their advertising budget, while more than one-fourth proportions of the respondents were dissatisfied in public sector banks. There was a tremendous difference between the two sector banks in terms of advertising budget satisfaction. When opinions were sought about effectiveness of advertising for achieving the bank marketing objectives, a veiy large majority of the respondents from private sector banks preferred ‘highly effective’ option, while only half of the respondents from PSBs preferred ‘highly effective’ and rests were opted ‘somewhat effective options’. We, therefore, conclude that importance of advertising is strongly recognised by private sector banks as compared to public sector banks. Whereas the effectiveness of advertising largely depends on how best the advertising message is developed, it is disappointing to note that 4/5 proportions of public sector banks prepared their advertising messages without making any reference to advertising agencies. But keeping in view the importance of their role in producing more appealing and effective advertising message, the private sector banks are making a greater use of the services provided by advertising agency.

Market segmentation is an important marketing tool insofar as it helps the management to tailor its marketing programmes to suit the needs of borrowers. It has been observed that two selected bank groups broadly segmented their markets in individual credit market and corporate credit markets. Further, proportionate distribution of total loanable funds in different market segment was analysed. It has been observed that public sector banks deploy 3/4 proportions of total loanable funds in corporate market. While private sector banks deploy equal proportionate share in both markets (individual and corporate) segments. It is interesting to note that PSBs give more weight to corporate market as against the individual market. While private sector banks give equal importance to both markets. When the distribution oftotal individual credit was analysed, it has been observed that

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private sectors banks comparatively deploy more credit in housing, while public sector banks in consumer durables loan and other personal loan. However, it is clear that there is not significant difference between the two bank groups in respect of the distribution of total individual credit in different scheme.

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