“A COMPARATIVE ANALYSIS OF MARKETING OF BANKING SERVICES IN INDIA WITH SPECIAL REFERENCE TO PRIVATE V/S PUBLIC SECTOR BANKS”

1. INTRODUCTION

The word “Bank” is derived from the word “Banque” which means bench. The Jews, who were considered to be the early bankers, transacted their business on benches in the market. In India Banking can be traced back to Vedic period. This can be confirmed by the fact that the great Jurist Manu has written about deposits advances and interest. During Moghul period, the indigenous bankers contributed significantly in the development of trade and commerce by lending money. Later during the days of East India company the banking business was taken over by the agency houses, The history of Indian banking can be classified in the following three distinct phases;

First phase from the year 1786 to 1947

The pre independent period was traditional and conventional. The banking system started with the formation of a Joint stock bank in the year 1786. Later Bank of Hindustan and Bengal Bank were established, during the days of East India Company it formed three presidency banks, the bank of Bengal 1806, the Bank of Bombay in 1840 and the bank of Madras in 1846. Soon after in 1920 a new bank, Imperial bank of India was established after amalgamation of all three – presidency banks; most of them were Europeans.
In the year 1865, the Allahabad Bank was formed; next Bank to be established was Punjab National Bank Ltd., in the year 1846. It had its headquarters at Lahore and this was the first bank to be entirely established by Indians. Most of the Indian commercial banks are established in 20th century. Between 1906 to 1913 Bank of India, Central bank of India, Bank of Baroda, The Canara Bank, The Indian bank and the Bank of Mysore were established. The epitome of development of commercial banking is the establishment of Reserve Bank of India, Central Bank of the country in the year 1935. The United commercial bank was the last major commercial bank to be set up in 1943. This stage of banking was characterized by very slow growth and failure of many banks threatening the public confidence in them.

Second Phase from 1947 to 1969, from independence to the nationalization of Banks:

The post independence period was essentially a period of consolidation. The banking sector, in India at the time of Independence of the country in 1947, was small and particularly weak. The banks were limited to urban areas, lending to trading community dealing with agricultural commodities. The lending was not available to the small industries, professional, entrepreneur’s traders, artisans, etc. there were 584 Joint Stock banks, 531 co-operative banks and there was Imperial Bank of India, which was formed by amalgamation of three presidency banks. Most of these banks were operationally weak and financially non-viable. A large number of these banks were involved in indiscriminate branch expansion, speculation, mismanagement, frauds and malpractices. The immediate need was to ensure a systematic and orderly growth of banking in India. In the year 1935 Reserve Bank of India, was formed as shareholders bank. It was formed as privately owned bank. At the time of constitution
it had share capital of Rs. 5 crore divided into shares of 100 each. Even though started as privately owned bank the RBI was nationalized in 1948 in accordance with the RBI (Transfer to public ownership Act, 1948). The RBI is at the helm of financial affairs. It is the leader of money market and it is the central bank of India. It supervises, regulates and controls the activities of all commercial banks and other financial institutions. With conventional functions it also performs promotional and developmental functions. It occupies a central position in the monetary and banking structure of India. The important functions performed by reserve Bank of India include:

1.) Issue of Bank notes.
2.) Bankers to Government
3.) Banker’s bank
4.) Control of currency and credit.

Third phase of Indian banking, is from nationalization (1969) till the beginning of financial & banking sector reforms in 1990:-

Owing to the growing dissatisfaction and imposing criticism over the functioning of private sector banks the government of India took a bold step to nationalize a major segment of the banking system. Accordingly, the banking companies acquisition and transfer of undertaking was promulgated on July 1969 and the government acquired the undertakings of the 14 major schedule commercial banks having deposit of over 50crores each. In 1980 six more banks were taken over by the government and the number of public sector bank account for 28, excluding regional and rural banks. In the post liberalization era after 1990s banking shifted from “Class
banking” to Mass banking. India’s banking system has several outstanding achievements to its credit, the most striking of which is its reach. An extensive banking network has been established in the last thirty years and India’s banking system is no longer confined to metropolitan cities and late towns; in fact Indian banks are now spread out into the remote corners of our country. In terms of the number of branches, India’s banking system is one of the largest, if not the largest in the world today. An even more significant achievement is the close association of India’s banking system with India’s development efforts. The diversification and development of our economy, and the acceleration of the growth process, are in no small measure due to the active role that banks have played in financing economic activities in different sectors. The Indian money market consists of both organized and unorganized sectors and in between these two sectors there exists a co-operative sector which has to work under strict control and supervision so it can be comfortably included in organized sector. Organized sector consists of RBI out the helm of affair, public sector banks, private sector banks other financial institutions and DHFI Ltd (The Discount and Finance House of India was set up jointly with public sector banks and financial institutions by RBI. It was incorporated under the Indian companies Act 1956. It started its operations in April 1988) the unorganized sector consists of indigenous banker, moneylenders. The unorganized sector even today remains out of RBI’s control and supervision.

1.1.1 Profile of SBI: The evolution of State Bank of India can be traced back to the first decade of the 19th century. It began with the establishment of the Bank of Calcutta in Calcutta, on 2 June 1806. The bank was redesigned as the Bank of Bengal, three years later, on 2 January 1809. It was the first ever joint-stock
bank of the British India, established under the sponsorship of the Government of Bengal. Subsequently, the Bank of Bombay (established on 15 April 1840) and the Bank of Madras (established on 1 July 1843) followed the Bank of Bengal. These three banks dominated the modern banking scenario in India, until when they were amalgamated to form the Imperial Bank of India, on 27 January 1921.

Subsidiaries

The State Bank Group includes a network of eight banking groups and several non-banking subsidiaries. Through the establishments, it offers various services including merchant banking services, fund management, factoring services, primary dealership in government securities, credit cards and insurance.

The eight banking groups are:

- State Bank of Bikaner and Jaipur (SBJ)
- State Bank of Hyderabad (SBH)
- State Bank of India (SBI)
- State Bank of Indore (SBIR)
- State Bank of Mysore (SBM)
- State Bank of Patiala (SBP)
- State Bank of Saurashtra (SBS)
- State Bank of Travancore (SBT)

1.1.2 Profile of ICICI Bank: ICICI Bank started as a wholly owned subsidiary of ICICI Limited, an Indian financial institution, in 1994. Four years later, when
the company offered ICICI Bank's shares to the public, ICICI's shareholding was reduced to 46%. In the year 2000, ICICI Bank offered made an equity offering in the form of ADRs on the New York Stock Exchange (NYSE), thereby becoming the first Indian company and the first bank or financial institution from non-Japan Asia to be listed on the NYSE. In the next year, it acquired the Bank of Madura Limited in an all-stock amalgamation. Later in the year and the next fiscal year, the bank made secondary market sales to institutional investors.

In order to find out the gaps in the studies it is pertinent to review the available literature on the related aspects of the present study. The study is on the marketing of banking services in India – Private v/s Public sector is a wide area, each and every sector can be studied in brief. Thus, there is a pressing need to study the significance of this Sector with a view to finding out Customer satisfaction in both sectors and problems faced by both private as well as public sector banks in marketing their services.