

MARKETING STRATEGIES OF RURAL BANKING FOR STATE COOPERATIVES BANKS IN INDIA

Vishal Thakur, AP Goyal Shimla University
Kuldeep Kumar, Himachal Pradesh University, Shimla

ABSTRACT

The present study covers all the operational and marketing activities and strategies of rural banking sectors for the state cooperative banks moment in India. The word 'Marketing Strategy' means 'a plan of action designed to promote and sell a product or service' to the society. Nowadays, this word very popular in Banking because this sector is facing many competition so its need to apply some unique identification for their services. In keeping up with the fierce competitive environment and changing client wants and needs within the business landscape, banks consisting of the rural banks need to adopt effective marketing strategies in their operations to satisfy their customers in a first-class manner. The changing taste and preference of today's consumers have compelled banks-rural and universal to employ survival strategies in the financial arena to attract and maintain customers. This invariably will enhance service quality in the industry which will boost economic development in the long-run. Banking institutions must formulate, and put into force techniques that will allow them to have a competitive edge over their contemporaries in the market. The competitive aim is to provide satisfactory customers service. The primary goal of the study was; to investigate the strategic marketing activities to attract and retain customers at Rural Bank. The research data are collected from previous studies in literature and from primary and secondary sources of rural banking sectors

Keywords: Rural Bank, Strategic Marketing, Performance, Rural Marketing Environment, Digital Services.

INTRODUCTION

The word 'Marketing Strategy' means 'a plan of action designed to promote and sell a product or service' to the society. Nowadays, this word very popular in Banking because this sector is facing many competition so its need to apply some unique identification for their services. The genesis of the cooperative movement and its implementation in a modern technical sense can be traced after the Industrial Revolution in England during the period of 18th and 19th century. The idea of Hermann Schulze and Friedrich Wilhelm Raiffeisen during the economic meltdown to provide easy credit to small businesses and poor sections of the society took shape as cooperative banks of today across the world.

A co-operative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank. It is often established by people belonging to the same local or professional community having a common interest. It is formed to promote the upliftment of financially weaker sections of the society and to protect them from the clutches of money lenders who provide loans at an unreasonably high-interest rate to the needy. The co-operative structure is designed on the principles of cooperation, mutual help, democratic decision making and open membership. It follows the principle of 'one shareholder, one vote' and 'no profit, no loss'.

Firms adopt strategies to enhance their operations. Enhancing efficiency calls for all the functional departments sharing ideas through enterprise resource planning. So the teams developing the product have direct communication with the communication department to design good messages for the customer base.

REVIEW OF LITERATURE

This section introduces the bank marketing management theories. It gives data on the best way to create marketing tactics and plans, the environmental scanning, building a solid brand and outline and dealing with the marketing communication actions.

According to Wood (2003), marketing tactics function as the basic groundwork for designing and implementing the objectives that address the needs and wants of the market. Firm's performance generally stems from the marketing plans and objectives. Scholars have argued that marketing tactics are sanctioned as multi-year framework, with a strategic impetus which spares out the activities to be performed in the current year. On his part, Woods (2003), defines marketing plan as a written piece that summarizes what marketing professionals observe about the business landscape and draw a blueprint on how to achieve their marketing goals. Lehmann and Winer (2001) concede that marketing plan covers the tactical guidelines for the marketing programs and financial allocations over the planning period.

The external analysis cannot be ignored as it is a determinant in the development of strategic planning. These forces play significant roles on the success of a company. It includes economic forces, social-culture forces, political forces, technological forces and the customers and competitors (Fill, 2002). The majority of the forces cannot be controlled well. Referring to competitors; their behaviors additionally access the accepted aggregation and change the way of offerings and positions in the market. When a company meets these varieties, it has the opportunities to adjust this situation by changing the communication tools, such as advertising, sales promotion, personal selling and so on (Fill 2002). These external environments can help the companies to design their marketing plans. As these factors are largely uncontrollable, the companies should design and find a way to adapt and accommodate it (Fill 2002).

Keller (2009) defines a brand as a name that is given to a particular product or service or range of products or services. Brands essentially differentiates one product or service from its competitors. Keller (2009) argues that brands personify customer's goodwill that has being aggregated throughout the lifetime of a product or service.

Branding performs two unique functions: first has to do with the view point of the customer and the second have to do with the view point of the channel members'. On the customers perspective brands perform numerous functions which include the following:

1. As indicated by Erdem (1998) brands demonstrate a specific level of value so that delighted consumers can easily choose the product or service again without any hesitation.
2. It facilitates purchase decisions.
3. Suri and Monroe (2003) posit that brands reduce perceived risk and time in purchasing. . As consumer's lives become more complicated, rushed, and time starved, the ability of a brand to simplify decision making and reduce risk is invaluable.

Kotler (2009) argues that the means by which firms attempt to inform, persuade and remind customers-directly or indirectly-about the brands in the market can be termed as marketing communication. It is seen as the voice of the company and its brands and is the ways in which it can establish a dialogue and build relationships with customers.

Many roles are been executed by marketing communication for clients. It is a way to illuminate or demonstrate to clients how and why a market offering is utilized, by what sort of individual, and where and when. Clients can find who creates and supplies the market offering and judge the notoriety of the organization's image. Regularly, there is a motivating force or reward for trial or utilization. Luo and Donthu (2006) posit that marketing communications enables organizations to interface their brands to other individuals, put, occasions, brands encounters, emotions and things. They can add to brand value by setting up the brand in long term memory and making a brand image and additionally drive sales and influence shareholder value.

According to the Moshi Conference (1969), the purpose of rural development is "a rise in the standard of living and favorable changes in the way of life of the people concerned." However, there is some anecdotal evidencethat many beneficiaries of Rural Bank credit are salaried workers, whose

likelihood of loan repayment is believed to be better than that of the small-scale rural producer. There is also some evidence that loan recipients use the credit for purposes other than those for which the loans are intended. Much analysis has not been done on the effectiveness or the impact of the Ghanaian Rural Banks on rural farmers. The fundamental aim of rural bank is to help rural communities in banking activities and development project, after a study was conducted into the problems of the rural communities especially farmers in getting credit facilities from commercial banks which were by then in operation and mainly centered in the cities. Farmers were asked to provide collateral securities and also open a current account by these commercial banks as a condition for assessing credit facilities; this made it difficult for farmers to access loans since most of them could not meet these conditions from these commercial banks.

According to Clarke et al (1998), financial institutions see or consider marketing moves in a strategic light. Marketing therefore, plays an active role in the formation of corporate strategies. This therefore recognizes marketing as very important as marketing decisions are taken at the corporate level. The marketing concept according to Kotler and Keller 10th Edition, posit that “the key of achieving organizational goals consists of determining the needs and satisfaction more effectively and efficiently more than competitors”. Effective Strategic marketing is a very key area to improve the overall profitability of rural banks, at this stage it enable the banks to understand and respond to the investment nature or behavior of their customers using such strategies as segmentation (Jagersma, 2003). A strategy is the matching of the activities of the organization to the environment in which it operate and to its own resource capabilities. (Johnson, Scholes and Whittington, 2010). The essence of developing a marketing strategy for a company is to ensure that the company’s capabilities are matched to the competitive market environment in which it operates, not just for today but into the foreseeable future. For a commercial organization such as the Damgbe Rural bank, this means ensuring that its resources and capabilities match the needs and requirement of the market in which it operate. For any strategy to be effective, it needs to be well turned both to the needs and requirements of customers (the market conditions in which it is implemented), and to the resources and capabilities of the firm seeking to implement it. No matter how wonderfully crafted and articulated the strategy, if it is not focused on meeting the needs of customers it is doomed to be a failure.

Objective

1. To study the existing promotional strategy of co-operative Banking in India
2. To study the existing coverage of operational activity role of rural banking by state co-operative banks in India
3. To explore the possibilities of marketing strategies for the successful operational effectiveness of rural banking by state co-operative banks in India

RESEARCH METHODOLOGY

A study of the marketing strategy of rural banking in India was conducted for the purpose of this research. The information for this study was gathered from prior studies in the literature as well as from primary and secondary sources in the rural banking industry.

Marketing Strategies of Rural Banking

Traditionally, communities in rural areas relied pretty heavily on smaller banks to provide them with all their banking needs. And you would think banks in rural areas still have this advantage over big banks because they’re generally the only bank around for miles, but it’s actually becoming more difficult than ever for these institutions to grow deposits. To give some perspective, in a span of five years, from 2013 to 2017, total deposits fell by 7.5 percent at banks with \$1 billion or less in assets, while banks with over \$1 billion in assets grew by the trillions. This data tells us that people who used to bank with smaller institutions are now making the switch to bigger banks.

Advertising

Scholars have argued that advertising reaches geographically dispersed buyers. Advertising has the ability to promote high volume sales within a short period of time. One thing is certain, that is TV advertising demands a huge budget, while newspaper and other forms do not attract high budget. Moorthy and Hawkins (2005) postulate that a heavily promoted product might have an influence on the sales performance. Vakratsas and Ambler (1999) suggest that because of the many forms and uses of advertising, it is difficult to make generalizations about it. However, according to Ambler (1999) few observations are worthwhile

- Advertising is pervasive
- Advertising is expressive
- Advertising is impersonal

Offer Custom Retail Products

One way to increase deposits is by providing the community with custom retail products that fit their specific needs. Some examples are custom rate incentives, exchange rewards, fee refunds, cash rewards, commercial account analysis and more. By offering new and custom features such as these, rural banks expand their capabilities, which in turn, open their doors to more prospects. If you see a need, you should do everything you can to provide the services necessary to meet it. If you don't, you'll lose the business of customers with that need.

Embrace Technology

Another option to help rural banks boost deposits is by embracing technology. The reality is this: people are becoming more tech and finance savvy than ever before. If smaller banks don't advance technologically, they're likely to be left behind. So, for these banks to keep up with competition, they must find ways to get ahead with today's technology in a data-driven world. Apps, social networks, and online banking are things potential clients are now looking for in today's banks. An Accenture report showed that sixty-four percent of borrowers use handheld devices for banking. They expect an online experience as part of the banking process. As Millennials become more finance savvy, banks looking to attract this market need a strong online presence.

A good example of a bank that embraces technology is a digital bank in Europe called N26. N26 uses the latest technology to provide their customers with a simple and intuitive online banking experience. By using the latest technology, they make it easy for their customers by giving them full control of their finances without any hassle, anytime and anywhere. And it doesn't end there. Not only are they providing a great product, but they go above and beyond by providing a great service. N26 also provides educational content that teaches their customers and prospects about the importance of saving, proper money management, and much more. By doing all this, N26 has developed a bond of trust and loyalty with their customers by focusing on an online-based relationship. They've taken the concept of banking and made it the cool thing to do.

1. **Direct marketing:** we use direct marketing to acquire new customers and enhance the experience of existing customers to improve retention and strengthen loyalty. At Odotobiri we do this through multiple channels including direct mail, email, web and SMS, based on our customer's preferences.
2. **Interactive marketing:** as a bank we listen to our customers' voices- in branches and across all digital channels, including social media. As banking has become substantially more sophisticated, we try to innovate in the online banking, listen to customer voices across physical and digital channels, mobile services and on social media.
3. **Word-of-mouth marketing:** We are aware that banking industry is going through turbulent times. In this era of mature and intense competitive pressures, it is imperative that banks maintain a loyal customer base. To achieve this objective and improve our market and profit positions, we are directing our strategies toward increasing customer satisfaction and loyalty through improved service quality. In the present context, that is characterized by rapid change and sophisticated customers, it is important that banks in Ghana determine service quality factors, which are pertinent to the customers' selection process, as well as the dimensionality of customer-perceived service quality. If service quality dimensions are identified, service managers can improve the delivery of customer perceived quality during the service process and have greater control over the outcome.

4. **Personal selling:** competition fostered by deregulation of the Ghanaian banking industry, along with increasing complex product/service offerings and the growth of importance of relationship banking have brought the need for personal selling effectiveness to the forefront in the Ghanaian banking industry. So at Odotobiri we have sales force that go to the field to sell the Odotobiri brand to actual and prospective customers.

Reaching Out through Mobile-Banks and Agents/Representatives

To reach to vast majority of rural population bank branches should organize mobile banks and take help of bank agents/ representatives. These banks can recruit their own field assistants/representatives to make frequent field visits to villages and help banks to acquire new customers, loans/deposits. These representatives may be village traditional moneylender/village fertilizer shop owner/general stores person or uneducated youth/LIC agent/UTI agent who does have local knowledge, know local people and having confidence by local people. The dates of these mobile-banks to be coincide with the weekly traditional melas (mandis) that will be convenient to the village people, as most of the villagers come to melas either to purchase/sell their farm inputs/outputs and also household consumables. The basic function of mobile banks is to do normal business of taking deposits/loans and other service provisions.

Flexible Multi-Service Providers

With the changing scenario of flexible operations, emphasis to be placed more on priority setting in terms of which agroindustries/ crops to be encouraged rather than emphasis on target setting at district level. This approach gives a directive based on social goals to the regional rural banks, without compromising freedom of operations. All the banks operating in a region/district are free to set their own targets. The priority setting at district level is only a kind of direction and knowledge enhancing exercise but not a compulsion to banks to follow. This kind of exercise gives an idea about the general development outlook/government priorities/policy objectives

CONCLUSION

This work is written to provide the Strategic Marketing Management Analysis of Rural Bank. In keeping up with the fierce competitive environment and changing client wants and needs within the business landscape, banks consisting of the rural banks need to adopt effective marketing strategies in their operations to satisfy their customers in a first-class manner. The changing taste and preference of today's consumers have compelled banks-rural and universal to employ survival strategies in the financial arena to attract and maintain customers. This invariably will enhance service quality in the industry which will boost economic development in the long-run. Banking institutions must formulate, and put into force techniques that will allow them to have a competitive edge over their contemporaries in the market. The competitive aim is to provide satisfactory customers service. The primary goal of the study was; to investigate the strategic marketing activities to attract and retain customers at Rural Bank. The regional rural banks should adopt innovative methods to make the banks economically viable at the same time not compromising with outreach to the rural people and priority sector and less developed regions and poor people. The paper specifically suggests reduction of number of bank branches to make individual banks economically viable and reach many villages through setting up of mobile banks/bank agents/representatives. The incentive structure for agents/representatives should be based on commission of business generated. The agents may be recruited from traditional money lenders/LIC agents/UTI agents/unemployed youth and trained properly.

Recommended Strategies

1. The bank should also engage their customer and ask for feedback so that they can develop reference materials. It is a good strategy for them to improve their brand's loyalty as well as creating attraction potential customers.
2. Regularly checking and taking care of ATM machines or POS in order to ensure that those machines are always active 24/7 with sufficient money and full functions.

3. Equipping modern facilities and technology with various functions to adapt to customers' demands.
4. Using internet with fast speed so that transaction can take place conveniently and quickly.

REFERENCES

- P. Kotler and Keller. (2009). *Marketing Management* (13th Edition). Prentice Hall.
- Peter and Donnelly. (2003). *Marketing Management Knowledge and Skills* (10th Edition). Pg.247.
- P. Kotler and G. Armstrong. (2010). *Principles of Marketing* (13th Global Edition). Pearson.
- Cannon. (1998). Marketing Principles and Practice. Yahoo search.
- Johnson, Scholes and Whittington. (2010). *Strategic Marketing* (6th Edition).
- Kudiabor, C.D.K. (1974). Policy Objectives and Strategies for Integrated Rural Development in Ghana. *Rural Development in Ghana*. Ghana Universities Press, Accra, Ghana, 26-32.
- K. Baku. (2001). Fundamentals of Marketing, Pg.7.
- G. Hooley, J. Saunders and N. Piercy. (2004). *Marketing Strategy and Competitive Positioning* (3rd Edition). Prentice Hall. Pg.17.
- Ahmed, Rais (2009), "Cooperative Management and Development Text & Cases", Mittal Publications, New Delhi, Vol. I, II, III.
- Balan, T.S. (1999), "Cooperation- Principles and Practice", United Publishers, Kanpur.
- Das, Bishnu Mohan (2008), "Financial Inclusion through co-operative Banking : A Vital Tool for Rural Development", *Economic Affairs*, Vol. 3, Qr. 2, pp. 113-120.
- Ganesan, N. (2006), "A study on the Performance Analysis of the State Co-operative Banks in India", *Prajnan*, Vol. 34, No. 4, pp. 311-321.
- Goel, Promila (1984), "The Menacing Problems of Overdues of Credit Co-operatives : An Indepth study of Rajasthan", *Indian Co-operative Review*, Vol. 21, No. 3
- Govindarajan, K. and Robindro, Singh N. (2006), "Analysis of the Profitability of The Tamil Nadu State Apex Co-operative Bank Ltd.", *Indian Co-operative Review*, Vol. 43, No. 4, pp. 676-685.
- Hooda, Vijay(2011), "State Co-operative Banks and Scheduled Commercial Banks: A Comparison of Three Financial Ratios", *International Journal of Computing and Business Research*, Vol.2, Issue 2
- Kothari, C.R. (2004), "Research Methodology - Methods and Techniques", New Age International (P) Limited, Publishers, New Delhi.
- Lakeshmanan, C. & Gowthaman, C. (2008) "Performance of UCB in Namakkal (UBCO)," *Indian Co-operative Review*, Vol. 46, No.1, pp. 44-52.
- Madan, G.R. (2007), "Co-operative Movement in India", Mittal Publications, New Delhi
- Pandey, Sanjay Kumar (2009), "A Small Effort of Nagaland State Co-operative Bank Ltd. (NSCB) for Rural Development of Nagaland", *IASSI Quarterly, Special Issue*, pp. 27-41.
- Rajkumar, S. (2008), "Co-operative Marketing of Cane-Furniture" pp. 66-70.
- Satyasi and Badatyer (2000), "Restructuring Rural Credit Cooperative Institutions", *Economic & Political Weekly*, Vol. 35, No. 5, pp. 307-330.
- Singh, Amarjeet & Singh, Parminder (2010), "Technical and Scale Efficiency in DCCBs of Punjab- A Non Parametric Analysis", *ICR*, Vol. 47, No. 3, pp. 181-201
- Singh, R.B. (1978), "Performance of Gujarat State Co-operative Land Development Bank", *Indian Co-operative Review*, Vol. XV, No. 3, pp. 333-353.
- Nivedita et. al. "A Study On Npa Of State Cooperative Banks In India" *International Journal of Management Information* 2018
- Dinesh Kumar Sharma et. al. "Scenario Of Co-Operative Movement In Himachal Pradesh" *International Journal of Advanced Research* Volume 3, Issue 1, 2015
- Nivedita et. al. "A Study on Co-Operative Banks with Special Reference to Himachal Pradesh STATE Cooperative Bank Ltd" *International Journal of Research in Social Sciences* Vol. 9 Issue 3, March 2019
- Jyoti Gupta et. al. "A study on Cooperative Banks in India with special reference to Lending Practices" *International Journal of Scientific and Research Publications*, Volume 2, Issue 10, October 2012.
- Nivedita et. al. "Trend Analysis Of Best Performing Cooperative Bank In India: A Case Study" *International Journal of Management, IT & Engineering* Vol. 8 Issue 1, January 2018 2018
- Dr. Sunil Bhaskar Chandanshive "Performance evaluation of Co-operative banks in India" K. J. Somaiya College of Arts & Commerce, Vidyavihar (East), Mumbai
- Sikandar Ali et. al. "Cooperative Banks In India: Opportunities And Challenges" *Inspira-Journal of Commerce, Economics & Computer Science* Volume 05, No. 03, July-September, 2019