

A Study On Pricing And Promotional Strategy Of Rayat Sevak Co-Operative Bank Satara, Maharashtra

Dr. Sawant Vitthal Kundalika

Associate Professor and HOD of Commerce & Management, Balwant College, Vita, Dist. Sangli. (Maharashtra) India

Abstract

The Rayat Sevak Co-operative (i.e. RSC) bank is the unique bank of educational employees in the state of Maharashtra. In the present research paper an attempt is made to investigate pricing and promotional strategy of RSC bank, Satara of Maharashtra state. The RSC bank is coming under urban co-operative banks category. There are 7ps of services marketing viz.: product, price, place, promotion, people, physical evidence and process. But in the present paper is concerned to pricing and promotional strategy applied by RSC bank in its practices. Price is a key marketing tool in services. Setting right price is crucial to the profitability of services. Promotion is a comprehensive term and covers the entire gamut of advertising, publicity, public relations, personal selling and sales promotion. In banking business price terminology is used for 'interest'. Here, interest is charged for use of money services. It is observed that, the RSC bank is providing traditional services and there is a lack of modern services. In order to improve promotional strategy, the RSC bank should touch with direct mail due to it has capacity to go to target and audience directly and personal contact approach is possible. Tele-marketing will also assist to personal contact ability to operate and convenient for customer.

KEYWORDS: Bank, Interest, Price, Promotion, RSC

1. Introduction:

Banking is a service industry and which is working under public gaze. The Indian Banking industry can be broadly classified into two major categories such as (i) Non Scheduled Banks (ii) Scheduled Banks.

Scheduled banks involve commercial banks and co-operative banks. In terms of ownership commercial banks are further grouped into nationalized banks, the State Bank of India and its group banks, regional rural banks and private / sector banks. Co-operative banks consist of a State Co-operative Bank, 'District Central Co-operative Banks', and 'Primary Co-operative Banks.' Hence our banking structure is vastly expanded.

Co-operative banks have been working as a separate entity in the Indian Financial System – and have been performing their role successfully in a specific segment. Being local character co-operative banks are close to the people in the areas of their operations and have performed better in their respective areas in comparison to public sector banks.

Marketing is the process of determining what customers want, and of using that information to produce and sell a goods or service to satisfy that want -- (Southern Maryland Resource Conservation and Development Board.)

Marketing consists of identifying and meeting human and social needs. Three forces dominate the prevailing marketing environment in service sector. Increasing competition from

private players, changing and improving technology and continuous shift in the regulatory environment which has led to growing customer sophistication. Customers have become more and more aware of their requirements and demand higher standards of service. Marketing mix of any service industry consists of 7 p's viz : Product, Price, Promotion, Place, People, Physical evidence and process.

Urban Co-operative Banks (UCBs) are akin to commercial banks to their operations. 'Regional concentration' and 'Heterogeneity' these are two important features of UCBs. The Rayat Sevak Co-operative (RSC) Bank is a Salary Earners (i.e. Employees) co-operative Bank coming under the category of UCBs. The present study is concerned to pricing and promotional strategy applied by RSC bank in its practice.

2. Recent Trends in the Banking Sector :

In the present competition found in every sector. Therefore, it has become very important that banks in India determine the service quality factors. The current problem for banking industry in India to determine the dimensionality of customer, perceived service quality. This is because if service quality dimensions can be identified, service managers should be able to improve the delivery of customer perceived quality during the service process and have greater control over the overall outcome.

To gain and sustain competitive advantages in the fast changing retail banking industry in India, it is crucial for banks to understand in depth what customers perceive to be key dimensions of service quality. Recognition of service quality as a competitive weapon is relatively a recent phenomenon in the Indian Banking Sector. The need of hour in the Indian Banking Sector is to build up competitiveness through enhanced service quality, thus making the banks more market oriented and provide more loans to the customers as they want to improve their standard of living. In recent years banking sector has been undergoing changes especially the implementation of ICT has brought great changes in banking services. In India, recently 95 per cent of public sector banks 100 per cent of private sectors banks are computerized.

3. Statement of the Problem :

The present study is entitled as 'A study on pricing and promotional strategy of RayatSevak Co-operative Bank Satara, Maharashtra.'

The problems to be investigated are :

- ◆ Which policy is fixed by the RSC bank for fixing prices.
- ◆ Which promotional strategy is framed by the RSC bank.

4. Research Objectives :

The present study is carried out with the following objectives :

- i) To study 2 p's out of 7 p's of services marketing.
- ii) To reveal pricing policy launched by the RSC bank.
- iii) To identify promotional strategy applied by the RSC bank.

5. Significance of the study :

Bank is a social organization whether it may be commercial or co-operative bank. Most of commercial banks giving due attention on its service-marketing mix for getting adequate income. But co-operative banks have not implementing proper service-marketing mix and professional outlook for generating its income as compared to commercial banks.

The study will be helpful for co-operative banks in general and the RSC bank in particular for enhancing their service marketing mix in order to survival and growth. As well as application of proper service marketing mix in RSC bank will enhance its productivity and customer satisfaction.

6. Methodology :

The study is primarily based on primary data. This data is collected by conducting survey of the RSC bank. A structured questionnaire is prepared and questions relating price and promotion strategy in view point of marketing are asked to the management personnel of the RSC. The secondary data is obtained from the Annual Reports of RSC bank, published books, journals and websites. The data pertains for the five financial years from 2006-07 to 2010-11. The data processed with simple statistical tools such as percentages and averages.

7. Theoretical Background of Price and Promotion of Services Marketing :

7.1 Price :

Price is a key marketing tool in services. Setting right price is crucial to the profitability of services. The broad parameters of price setting can be seen by i) Cost Price, ii) Competitors Price Strategies, iii) Customer.

The mechanism for fixing the price for services is almost same as products but with marginal differences. These marginal differences are on account of inconsistency, inseparability, perishability and seasonality of demand characteristics of services.

Marketers have to consider these characteristics while pricing services and marginal differences which need to be considered are i) Negotiations ii) Discounts / Rebates iii) Quality Service Industry pricing methods :

i) Creative Pricing, ii) Cost Oriented Pricing, iii) Cost Plus Pricing, iv) Rate of return pricing, v) Demand Oriented Pricing, vi) Discriminating Pricing, vii) Backward Pricing, viii) Market Penetration Pricing, ix) Skimming Pricing.

Majority of consumers are looking value when they are buying a product of service.

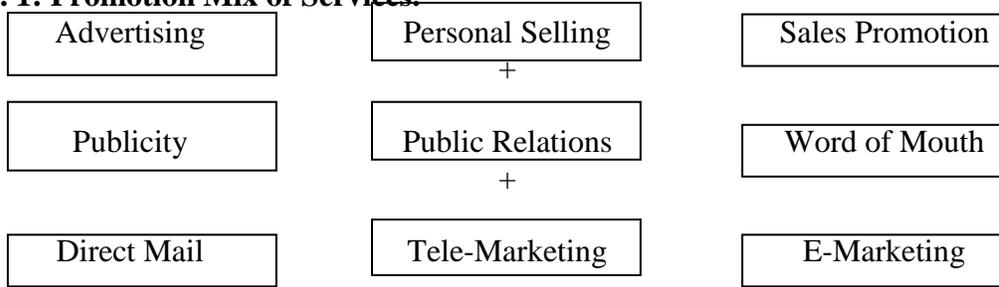
Value is a function of quality and price i.e.

$$\text{Value} = \frac{\text{Quality}}{\text{Price}}$$

7.2 Promotion :

Promotion is a comprehensive term and covers the entire gamut of advertising, publicity, Public relations, Personal selling and Sales promotion. It is noted that Sales promotion is a part of promotion. Promotion is an element in an organisations marketing mix that serves to inform persuade and / or remind people about an organisation's or individual's goods services image, ideas, community involvement or impact on society. Promotion is used in hopes of influencing the recipient's feeling, belief's or behaviour through any form of communication. In communicating the services to the customer's promotion element of the service product marketing mix plays a vital role.

Fig. 1: Promotion Mix of Services.



Guidelines for service communication:

- i) Provide tangible clues
- ii) Make the service understood
- iii) Communication Continuity
- iv) Promising what is possible.
- v) Capitalizing on word of mouth.
- vi) Direct communication to employees.

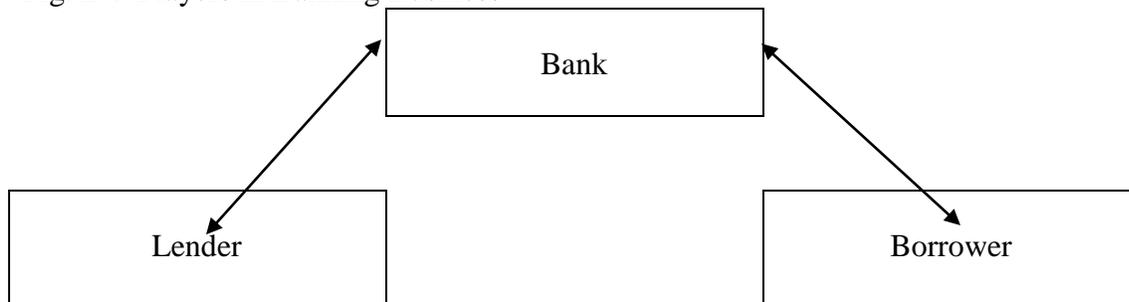
Advertising and Sales promotion are most widely used form of promotion. Paid search advertising is an effective direct marketing medium. We hear advertising messages on FM Frequency. The timing of the promotional schemes is very crucial.

8. Pricing of RSC Bank:

The RSC bank is rendering different type of services to its members. It is observed that, the RSC bank is providing traditional services and there is a lack of modern or advanced services – in the bank, therefore non-interest income of the bank is negligible. The bank is obtaining commission by providing some kind of services and a commission rate varies according to type of service. But it is noted that non-interest income of the RSC bank is not remarkable as compared to any public sector or commercial bank.

As interest rates are governed by RBI. There are three key players in the banking business viz. : the lender, the bank and the borrower.

Fig. 2 : Players in Banking Business



It works on the simple principle that the bank.

Borrowers at interest rate = X
 Lends at interest = Y
 and Earns = (Y - X)

Hence, price terminology is used for 'interest'. Here interest is charged for use of money service.

8.1 Interest Rates on Deposits :

The RSC bank determines interest rates on various types of deposits and loans as per RBI direction.

The deposits are lifeblood of RSC bank. Credit creation and deployment depend upon deposits. The RSC bank pays interest on saving and fixed deposits only.

Table 1 : Interest Rates on Current, Saving and Fixed Deposits in RSC Bank as on 31st March, 2011.

Sr.No.	Type of Deposit	Interest Rate (In Percentage)
1.	Current Deposits	Nil
2.	Saving Deposits	4.00
3.	Fixed Deposits	
i)	46 days to 90 days	6.00
ii)	91 days to 180 days	6.50
iii)	181 days to 1 year	7.0
iv)	1 year to 2 years	7.50
v)	2 year to 3 years	8.00
vi)	Above 3 years	8.25
vii)	Monthly fixed deposit scheme	8.25

(Source : Primary data compiled)

From the Table 1, it is clear that, the RSC bank is not offering interest on current deposits. The rate of interest on fixed deposits varies from 6 per cent to 8.25 per cent. It is also seen that the RSC bank is offering additional 0.50 per cent interest on fixed deposits of senior citizens and also on fixed deposits of sanstha's or credit societies deposited amount up to Rs. 5 lac or more in one time.

Here, a person who has been completed 60 years of age is called as senior citizen. The average rate of interest on deposits is 6.93 per cent in the RSC bank. The rate of interest on monthly fixed deposit scheme and deposit above 3 years period is the same.

8.2 Interest rates on Loans :

The major portion of the RSC bank funds is employed by way of loans and advances.

Table 2 : Rates of Interest on Various Loan Schemes in RSC bank as on 31st March, 2011.

Sr.No.	Type of Loan	Interest Rate (In Percentage)
1.	JaminkiKarz No. 1	11.00
2.	JaminkiKarz No. 2	11.00
3.	JaminkiKarz No. 3	11.00
4.	Special Housing Loan	
	i) UptoRs. 10 Lac	9.50
	ii) Above Rs. 10 Lac	10.00
5.	Education Loan	10.00
6.	Vehicle Security Loan	10.00
7.	Gold Security Loan	11.00
8.	House Mortgage Loan	11.00

(Source : Primary data compiled)

Table 2 reveals that, the rate of interest on loans ranges from 9.50 to 11.00 per cent in the RSC bank. There are major eight type of loan schemes framed by the RSC bank. The rate of interest is the lowest on special housing loan subject to loan amount should not more than 10 lac. It is also found that the same rate of interest (i.e. 11 per cent) is charged by the RSC bank in case of five types of loan.

The average rate of interest on loans is 10.50 per cent in the RSC bank.

After taking into account average rate of interest on loans and deposits, it is presented with the help of following formula :

Borrower at average interest rate = X, Lends at average interest rate = Y

Therefore X = 6.93 per cent Y = 10.50 per cent

So Average Earns = Y - X
= 10.50 - 6.93
= 3.57 per cent.

Hence, average interest income of the RSC bank is 3.57 per cent.

It is also termed as spread. The formula of spread is given below :

Spread = Interest Earned Less Interest Expended

It is observed that, 1 per cent interest rebate system on 'JaminkiKarz No. 1, 2, 3 and Housing Loan is introduced by RSC bank from financial year 2010-11 for sincere and regular installment payers on these type of loans.

9. Promotion Strategy of RSC Bank :

Promotion is definitely an important aspect of the marketing mix – of services. The competition has forced the RSC bank to advertise their services. The RSC bank is adopting following methods as a promotion strategy.

- i) Publication of advertisement in different souvenirs.

- ii) Publication of advertisement in colleges and schools annuals.
- iii) Issuing circular which states details about bank's deposit and loan schemes to all branches of RayatShikshanSanstha.

Table 3 : Advertisement and Publicity Expenditure incurred by RSC Bank.

Sr.No.	Year	Expenditure incurred (Rs. in Lac)
1.	2006-07	2.15
2.	2007-08	2.55
3.	2008-09	1.82
4.	2009-10	1.69
5.	2010-11	0.59

(Source : Primary data compiled)

From the, above Table 3, it has been found that the trend of expenditure incurred on Advertisement and publicity is not uniform. But from the year 2008-09 there is a decreasing trend of expenditure incurred. The average amount of advertisement and publicity expenditure of the RSC bank is Rs. 1.76 lac.

It is also observed that advertisement and publicity budget of the bank was Rs. 3 Lac for each year. Hence, the RSC bank has incurred less expenditure than budget. Other promotional tools such as public relations, telemarketing, E-marketing, Direct mail and Sales, promotion are not being used in the RSC bank. There is a necessity to augment promotion in the present competitive environment.

10. Findings :

- i) The RSC bank is the unique bank of educational institution employees (i.e. salary Earners) in the state of Maharashtra.
- ii) The RSC bank has not framed slogan of its functioning.
- iii) The share of non-interest income in total income of RSC bank is negligible.
- iv) The RSC bank is offering 0.50 per cent more interest on fixed deposits of senior citizens.
- v) 'Monthly Deposit Scheme' pertains to regular members only in the RSC bank.
- vi) The RSC bank determines interest rates on various type of deposits and loans as per RBI direction.
- vii) Various loan schemes are restricted towards members only in the RSC bank because of its formation status.
- viii) The RSC bank pays interest on Saving and Fixed Deposits only.
- ix) The average rate of interest on loans is 10.50 per cent, on deposits is 6.93 per cent and average interest income (i.e. spread) of is 3.57 per cent of the RSC bank as on 31st March, 2010.
- x) 'Interest Rebate System' is introduced by RSC bank from the financial year 2010-11 on Jaminkikarz No. 1, 2, 3 and Housing Loan.
- xi) It is found that expenditure incurred by RSC bank on 'Advertisement and Publicity' is lower than budgeted figures during these five years.
- xii) Other promotional tools like Telemarketing, Direct mail and E-marketing are not being used by RSC bank.

- xiii) 'Personal selling' one of most important elements of promotion of services is not found in the RSC bank. Hence, 'Pigmy Agents' are not appointed by the RSC bank for collection of deposits.
- xiv) It is observed that, the RSC bank is providing traditional services and there is a lack of modern or advanced services.

11. Suggestions :

- i) There is an urgent need to reformulate existing marketing mix of the RSC bank in order to enhance its customer satisfaction according to changing circumstances and to adopt modern technology like ATMs and accept well and wide marketing culture and E-marketing.
- ii) Efforts should be made to frame slogan of functioning of the RSC bank. A slogan must be effective and directional.
- iii) The RSC bank has required to adopt 'Differential Pricing Strategy' to some extent in order to improve its earning capacity.
- iv) In order to increase in deposits from members and customers, there is an urgent need to appoint 'Pigmy Agents' in the RSC bank. Minimum 'One Pigmy Agent' for each branch should be aim. Personal selling (Here appointment of pigmy agent) one of the most important elements of promotion of services.
- v) The RSC bank should undertake a planned 'Marketing Development Programme' and draw up plans for next five years.
- vi) In order to improve promotional strategy the RSC bank should touch with direct mail due to it has capacity to go to target and audience directly and personal contact approach is possible. Tele marketing will also assist to personal contact ability to operate and convenient for customer.

References

A Ananth and A. Arulraj (Feb. 2011); 'A Study on Banking Service Quality InNagapattinam District, Tamilnadu'; Indian Journal of Marketing, New Delhi; Volume – 41, Number 2

Annual Reports of the Rayat Sevak Co-operative Bank Ltd; Satara of 5 years (i.e. from 2006-07 to 2010-11)

Chunawala S. A. (2008); 'Advertising Sales and Promotion Management'; (3rd Edition); Himalaya Publishing House, Mumbai.

Deshmukh P. G. (2002); 'Working of Co-operatives in India – Overview and Prospective'; Kanishka Publishers, New Delhi.

Gupta S. L. and Ratna V. V. (2005); 'Marketing of Services – An Indian Perspective – Text and Cases,' Wisdom Publishers, Delhi.

Kumbhar Vijay M. (January – June 2011); ‘E-Banking and Its Impact on Customer Satisfaction – A Case Study of Public and Private Sector Banks in Satara City’. Ethos (Journal), Satara, Volume – 4, No. 1.

R. Ushadevi (2006); ‘Sales Promotion Techniques’; ‘Innovations in Marketing Management’ (Editors – V. Balakrishnan& C. SamudhraRajakumar) Excel Books, New Delhi.

<http://www.agmrc.org>

www.learnmarketing.net