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DIMENSIONS OF BRANDING AMONG PRIVATE SECTOR BANKS IN INDIA

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ABSTRACT

The Technological up gradation among banks made banking easy for the people. Indian banking industry started witnessing customer friendly and caring bankers, transparency in their works, banking at their fingertips, many more retail banking products to serve them. The consequences of all this, lead to intense competition among public sector, private sector and foreign banks. And to cope up with the competition they need to differentiate themselves with others. Further, services offered can be imitated by different banks making difficult for differentiation. Thus, branding of services among banks necessitates.

***KEYWORDS**: Indian Banking Industry, Public Sector, Private Sector and Foreign Banks, Liberalization .*

Introduction

"An exceptional brand culture has the effect of a charm, it entices and binds people" -Bernard Kelvin Clive

Indian banking industry has undergone a tremendous change after liberalization. The new RBI guidelines gave momentum for the entry of more and more private and foreign players in this sector. This intensified the competition in the banking sector in India. Competition changed the scenario of banking in India. Entry of foreign banks gave a new dimension to the Indian banking system. However, public sector banks are backed by Government, building confidence among the customers about security and safety of their savings. As such, branding at times takes a back seat for these banks. The tough fight is for the private and foreign banks to establish themselves and to reach corners of the country. Thus, branding becomes essential to create awareness and gain acceptance and to earn brand equity. Effective marketing strategy for private should be based on customer service and the use of modern technology. Along with this the banks should develop a strong brand identity for themselves. The identity should have internal, external and regulatory manifestations for their success in the long run.

Statement of the Problem

The present scenario of Indian banking system witnesses a highly competitive marketing environment for the banks, particularly for private sector and the foreign banks in the urban areas. The competitive environment poses a big challenge for the banks to differentiate themselves from others. Services of banks unlike tangible products can be copied easily by others, leaving little scope for differentiation. Thus, a need arises for the banks to focus on branding of their services. And the emphasis

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of branding is more in the private sector than public sector due to the nature and levels of competition. Consequently, the private sector banks need to struggle in the market to grab a major share in the market, and this requires branding as a marketing strategy on a regular basis. Thus, the present study is focused on developing a conceptual model to be adopted by the private sector banks based on internal, external dimensions and regulatory norms to be adhered to build trust, confidence among the customers.

Objectives of the Study

- To study the dimensions affecting branding among private banks in India.
- To build conceptual branding model to be adopted by Private Banks in India.

Scope of the Study

The study will provide valuable information for both the academicians as well as general public about the strategy to be adopted based on the internal, external and regulatory dimensions to be adopted by the private sector banks in India.

Review of Literature

Corporate branding has been the prevalent branding strategy adopted in the services sector (Aaker and Joachimsthaler, 2000; Berry, 2000; Berry et al., 1988; de Chernatony, 2001; Diefenbach, 1987; Pina et al., 2006). As the domain of this thesis is service branding, it is important to review the concept of corporate branding and its development and applications.

In the case of corporate or service branding the organization‘s name is central in the brand building process (Argenti and Druckenmiller, 2004; Berry, 2000; Berry and Seltman, 2007; de Chernatony, 2006; Hardaker and Fill, 2005; Harris and de Chernatony, 2001; Keller, 2003; Kim et al., 2003a; Low and Lamb, 2000).

According to Berry, 1987; de Chernatony, (2003), services branding should emphasize on the importance of a balanced approach based on Internal branding as well as external branding.

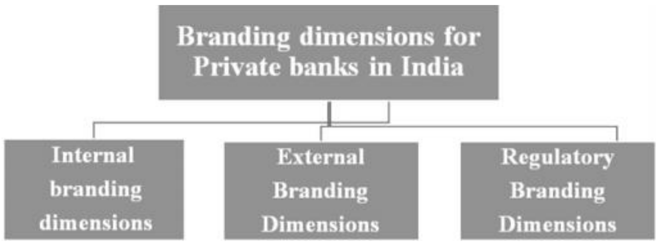
A study conducted by Selvaraj, (2009), on Indian banking customers concludes that, the Indian customers have a wide choice of banking service providers in the market and the more knowledgeable and discerning among them tend to opt for the best banks in terms of quality and reliability and are at par with international standard.

In their studies on internal service quality of banks, Krishnaveni and Prabha(2006)pointed out that organizational performance of banks is significantly and positively linked to internal service quality. The study revealed that among the different internal service quality dimensions taken up for the study, employee training has been found to be more crucial than any other dimensions. The study recommended that offering the right information and facilities to the employees would improve internal service quality perceptions.

Mishra J.K. and Jain M. (2007) studied various dimensions of customer satisfaction in nationalized and private sector banks. The study concluded that satisfaction of the customers is an invaluable asset for the modern organizations, providing unmatched competitive edge, which helpe in building long term relationship as well as brand equity.

Most of the studies on Indian bank marketing have focused on service quality, customer satisfaction and related dimensions, but studies on service branding among private banks and adherence to regulatory norms for which a term “Regulatory branding” can be coined has not been undertaken. Hence, this study was undertaken with the objective to identify the internal branding dimensions, external branding dimensions and adherence to the regulatory norms among Private Banks in India and their influence and impact on banking service brands.

Conceptual Model for Banking Services Brands for Private Banks in India



Branding Strategy for Private Banks

Review of literature on services branding emphasises that services branding comprises of internal branding and external branding, however for private banks need to build confidence and trust among the customers since, they will be putting their hard earned money at stake. This necessitates strict adherence to regulatory norms framed by RBI and other regulatory institutions which have been set up to safeguard the interests of the customers. Thus, regulatory branding along with internal and external branding has to be the component of branding strategy for private banks in India.

- **Dimensions of Internal Brand**

According to Oakner, 2005. "Companies are learning that their brands stand or fall on the internal relationship of employees as much as their external promises to customers".

▪ **Corporate Brand**

Employees understanding and assimilation of organizational values form positive perceptions about the corporate brand which can be transferred to other stakeholders (Yaniv & Farkas, 2005).

▪ **Reputation**

Devine & Halperin (2001) stated that corporate reputation acts as a gauge and gives an organization a sense of identity. For building corporate reputation communicating the organizations message with the stakeholders are important.

▪ **Modernity**

Employees perceive modern organizations to be relevant and growing (Davies et al, 2004). Modern organization which embraces new technology is considered as progressive too.

▪ **Effective Human Interface**

Gill and Swann (2004) stated that in order to deliver customer satisfaction, employees need to interact efficiently.

▪ **Perceived Customer Satisfaction**

Employees consider themselves to be key partners in value delivery in organizations where customer satisfaction is considered the most important (Kohli & Jaworski, 1990).

- **External Brand Dimensions**

External strong brand builds a strong image in the minds of its customers and among its competitors. According to the framework of Grace and O'Cass(2005) Brand name, Price/value for money, services cape, core service, employee service, feelings, self-image congruence, controlled communication, uncontrolled communication, brand attitude, customer satisfaction influence the brand verdict of customers in the service industry.

▪ **Brand Verdict**

Grace & O'Cass (2005) identified brand verdict, as the final decision of the customer towards the brand. The brand verdict is the final decision and actionable response to the brand (Grace O'Cass, 2005).

▪ **Brand Name**

It is argued that the brand name is more important when there is a lack of available information (as is often the case with services) due to the brand name becoming a surrogate for missing attribute information (Degeratu et al, 2000).

▪ **Price/Value for Money**

(Grace & O'Cass,2005),for the consumer, price is the perception of what is given up or sacrificed to obtain a product or service (Zeithaml,1988) and is more aptly referred to as "perceived price".

▪ **Services Cape**

The physical setting where the services are performed is termed as the services cape. Bitner (1992) argued that the service setting can affect consumer's emotional, cognitive and physiological responses, which in turn influence their evaluations and behaviors.

- **Core Service**

Service processes that inconvenience consumers through lengthy waits can result in the consumer evaluating the service as poor quality and feeling dissatisfied with the service encounters (Danaher and Mattson, 1998).

- **Employee Service**

Service provided by the employees also affects customer satisfaction, perception of service quality (Crosby et al., 1990) and future consumption behavior (Chandon et al., 1997).

- **Feelings**

In services the physical cues being limited, affective responses towards service providers influence service evaluations (Jayanti, 1995)

- **Self-Image Congruence**

Sirgy et al (1997) argued that if the consumer perceives the brand user- image to be congruent with their own or ideal self-image, then product usage and brand attitudes is enhanced.

- **Controlled Communication**

Kempf and Smith, 1998 suggested that advertising affects attitudes, intentions and perceptions. Advertising helps in making the services tangible (Stafford and Day, 1995) and increase the likelihood of future purchase intentions.

- **Uncontrolled Communication**

'Word of Mouth'is also considered to affect decisions of service consumers in terms of brand choice (Bansal & Voyer, 2000), performance perceptions and brand attitudes (Mangold et al, 1999).

- **Brand Attitude**

Positive brand attitude is vital to the long term success of the brand (Farr & Hollis, 1997) and are strong predictors of future behavioral intentions (Keller 1998).

- **Customer Satisfaction**

In the banking sector, Loveman (1998) found that higher customer satisfaction leads to increased cross-selling at the branch level, and Ittner and Larcker (1998) found customer satisfaction was a leading indicator of revenue, and growth in the customer base in bank branches.

- **Dimensions of Regulatory Brand**

The various regulations imposed from the regulatory bodies in India from time to time will build trust among the customers of the bank about safety, security and profitability of their deposits. The regulations imbibe confidence in the minds of the customers to put their hard earned money at stake. And it is obligatory for all the private and foreign banks to adhere to these regulatory regime. This influences the brand image of the banks.

Regulatory Brand: Dimensions

- **Banking and financial Regulators**

The Indian financial sector is governed by financial sector regulators, such as,

- RBI is the key regulator for the banking system in India.
- National Housing Board (NHB): regulatory authority for HFCs in India.
- Securities Exchange Board of India (SEBI) regulatory authority for the securities market in India.
- Insurance Regulatory and Development Authority of India (IRDAI) regulates the insurance sector.

The key statutes and regulations that govern the banking industry in India are:

- **RBI Act:** Enacted in 1934 with the objective to establish and set out the functions of the RBI. It empowers the RBI to issue rules, regulations, directions and guidelines on a wide range of issues relating to the banking and the financial sector.
- **BR Act**: The Banking Regulation Act, 1949, provides a framework for supervision and regulation of all banks. It also gives the RBI the power to grant licences to banks and regulate their business operation. The BR Act also sets out details of the various businesses that a bank in India is permitted to engage in.

- **FEMA**: The FEMA is the primary legislation in India which regulates cross-border transactions and related activities. FEMA and the rules made thereunder are administered by the RBI.

In addition thereto, the following regulations also govern banking in India:

- The Bankers Books Evidence Act 1891.
- The Recovery of Debts Due to Banks and Financial Institutions Act 1993.
- The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002.
- The Payment and Settlement Systems Act 2007
- The various guidelines, directions and regulations issued by the RBI and the NHB from time to time.

- **Bank Governance and Internal Controls**

Banks in India are expected to be set up in the form of a company's other than for foreign banks.

- The BR Act sets out the key provisions to be complied with by each banking company in relation to the constitution of its board, the criteria for appointment of its director, and the role of the board.
- Companies Act, 2013 (CA 2013) sets out certain corporate governance standards, which would have to be complied with.
- Corporate governance standards banks are expected to follow under the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.
- RBI guidelines include provisions relating to conflict of interest, having an adequate compliance team and appropriate customer redressal mechanisms.

Rules Governing Banks Relationships with their Customers and Other Third Parties

Banks in India are subject to consumer protection laws that act as an alternative and speedy remedy to approaching courts, a process that can be expensive and time-consuming.

Any complaint under the Consumer Protection Act is dealt with in the following manner:

- District forum: this deals with consumer complaints of a value not exceeding 2 million rupees.
- State commission: this deals with consumer complaints of a value between 2 million rupees and 10 million rupees. It also hears appeals against orders passed by the district forum.
- National Commission: this deals with consumer complaints of a value exceeding 10 million rupees. Further, hears appeals against the orders passed by the state commission.

- **Customer on-Boarding**

Banks and other financial institutions are required to follow certain customer identification procedures referred to as know-your-customer requirements or KYC requirements) to prevent cases of fraud as well as money laundering.

The provisions governing are:

- Prevention of Money-Laundering Act, 2002 and
- Prevention of Money-Laundering (Maintenance of Record) Rules, 2005.

- **Other Third Parties-Related Parties**

In India, transaction with affiliates (referred to as related-party transactions-RPTs) is essentially regulated by the CA 2013. If the banks are a listed company, it will also need to comply with the norms set out for RPTs in the SEBI LODR.

- **Other Third Parties-NBFCs**

There are restrictions in relation to funding provided to NBFCs as well as outstanding of any core banking functions to NBFCs.

Cross-Border Banking Activities

Cross-border financial activities undertaken in India are governed by comprehensive frameworks such as:

- ECB Regulations,
- FEMA
- Foreign Direct Investment(FDI)

Conclusion

Post liberalization intense competition developed among the banks, paving the need for banks to create an identity for themselves and to build a strong image in the minds of the customers. People will opt any bank for banking only when they can sense trust, belief, confidence and profitability in that particular bank. In this case, public sector banks are at advantageous position as they are backed by the government. Thus, Private Banks should develop a brand based on internal brand, external brand and regulatory brand to have long run customer relationship and success.

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