

BANKING BEHAVIOUR OF INSTITUTIONAL CUSTOMERS IN INDIA

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1. Introduction

The banking and financial services industry have gone through a sea-change worldwide. This is due to the effect of rapid industrial structure change. The introduction and growing interest in the marketing management of financial services is one of the important ingredients in this change process.

Despite the growing interest and obvious importance of the area, there has been a lack of published research in the area of banking behaviour of institutional customers of the banks. This is more true in less developed countries like India. However, this sector of the market draws marked attention from banks.

Turnball and Lewis (1982) and Turnball (1989) studied as to how Companies buy financial services, their attitudes and determinants of choice etc in the United Kingdom.

McIver and Naylor (1980) noted that the most influential factor in the structure and activities of the British banking system in the last 15 years had been that of competition, and the British banks had been forced by increasing competition to react to and think more fundamentally about customer needs. The strong competitive challenge of foreign banks in the British market will continue and will increase as previously unchallenged segments are approached by the foreign banks. Similar scenario is visible in Indian market, however, there is a lack of published research studies in this area.

The competition is very intense in the institutional sector especially in the corporate sector. The large company is a highly attractive target to the foreign banks who have already secured a substantial penetration of the large company market. Indian banks, therefore, need to become more proactive, rather than reactive in this if they are to resist the competitive challenges of the foreign banks in the coming decade. In view of the above, it is highly essential to conduct a market survey of institutions to identify their behaviour, attitude and perceptions towards banking products/services.

In this article, therefore, an attempt has been made to study the banking behaviour of institutional customers in India based on a sample survey of 9,000 urban institutions conducted by National Institute of Bank Management for Indian Banks' Association. The findings of this study would enable banks to identify the means by which they can retain their existing customers' business as well as generate more revenues from the institutional customers' segment.

2. Commercial Banking in India

Before we discuss about the methodology adopted for data collection, it will be worthwhile

to discuss about typical structure and role of Commercial Banking in India which is quite different than those of developed countries.

During the last decade the commercial bank in India went through significant qualitative and quantitative changes and manifold growth in all business dimensions. The fast changing environment has been characterised by rapidly growing size, complexity, uncertainty and ambiguity. On the one hand, banks have to shoulder the social responsibility to make a leading role in the balanced socio-economic development of India, and on the other hand, they are asked to be concerned about their level of profitability.

After independence, Reserve Bank of India was nationalised in 1949, with a commitment that the central banking institution of the country would serve the social and economic objectives laid down by it. In 1955, State Bank of India was created for the extension of banking facilities on a large scale, more particularly, in the rural and semi-urban areas, and for various other public purposes. Subsequently, in July 1969, a major portion of banking system i.e. fourteen big banks were brought under public sector to meet progressively and serve, better the needs of the development of the economy in conformity with national policy and objectives. Further six more banks were nationalised in April 1980.

3. Composition of Indian Banking Sector

The major components of banking sector in India are exhibited in Table 1.

Table 1

COMPOSITION OF INDIAN BANKING SECTOR (As on 1989)

	TYPE OF BANKS	NUMBER OF BANKS
1	Public sector banks a) State Bank group b) Nationalised banks	28 (8) (20)
2	Private sector banks a) Foreign banks b) Other private banks	51 (21) (30)
3	Regional rural banks	196
4	Licensed co-operative banks (including 8 co-operative banks)	889
5	District central co-operative banks	36
6	Primary co-operative banks	845
	Total	2045

The public sector banks account for more than 90 per cent of the commercial banking business.

Table 2 exhibits the size, complexity of work and coverage of Indian Banking over the period between 1969 and 1989. It shows that the growth of banking industry since nationalisation has been phenomenal and it has no parallel anywhere in the world. The spectrum of services offered by public sector banks is the widest in the country, considering that, elsewhere in the world, specialization is more of the order. The range of services offered by a public sector commercial bank in India varies from advances to commercial and industrial sector to advances to priority sector i.e. to identify borrower and lend money at a subsidised rate to the economically weaker section. Therefore, a public sector commercial bank has to perform mass banking and at the same time class banking for overall development of the country. At the same time a commercial bank has to compete with other foreign banks for business and profit in metropolitan areas especially for the corporate sector.

Table 2

PATTERN OF BANKING GROWTH IN POST-NATIONALISATION ERA

PARAMETERS	1969	1989
Number of offices (including branches) in India of which:	8,262	57,698
Population per office (in thousands)	64	12
Deposits of scheduled commercial banks in India (in Rs. 10 million)	4,646	1,62,036
Credit of scheduled commercial banks in India (in Rs. 10 million)	3,599	1,04,866

Sources: Banking Statistics, Basic Statistical Returns Reserve Bank of India, June 1969 - March 1990

4. Objectives and Methodology

The major objectives of this study were:

- i) to know the socio-economic profiles of the institutional customers;
- ii) to measure the level of awareness and usage of various banking and financial products/services;
- iii) to evaluate institutions' preference for various types of financial assets;
- iv) to find out reasons behind the preference for various financial institutions; and,
- v) to determine the quality of banking services as perceived by institutional customers.

A sample survey method was used for primary data collection. The sample design is presented below.

Institutions are defined to be non-household organisations of firms (either profit or non-profit making).

5. Sample Design

Taking into considerations the level of accuracy required for the study estimates and also the budgetary constraints, a sample of 9,000 urban institutions was selected from all over India.

The sample lists of institutions were selected from the portfolio of current account holders and cash credit account holders by drawing the respondents on a systematic random sample basis.

A multistage stratification was used for the purpose of the survey so that regional variations of factors affecting the savings behaviour within each region can be analysed. All towns in India were stratified in two town strata namely population above 0.1 million and below 0.1 million.

A total of 60 towns (12 metropolis and 48 non-metropolis) were chosen by using "probability proportional to size" sampling (see Chocharan 4 (1977) from the selected lists of 250 towns. The number of towns were chosen in such a way that the average sample for each town is representative and meaningful at the same time the amount of dispersion is reasonable from the cost point of view.

The selection process adopted gave due weightage to the geographical distribution of banks and bank branches and gave higher priority of those banks which have larger number of branches in any settlement. Bhattacharyay 1 (1985) presented a detailed discussion regarding the sample design and field organisation for this sample survey. The sample of branches are chosen from 78 banks including public sector, private sector, co-operative sector and foreign banks.

The identification of financial decision-makers was the first task in each sampled institution. Only one person who was responsible for major decisions in financial decision making was interviewed in each institution.

The research instrument used was a structured questionnaire designed in conjunction with bank executives and pilot tested on hundred companies. The reference period of the study was the year 1985.

6. Segmentation for Institutions

For developing appropriate marketing strategies, analysis has to be performed on appropriate market segments of institution in India. There is a wide variety of factors that will determine the institutional customers' attitude towards financial institutions and financial services provided by them. The understanding institutional behaviour, therefore, can be a complicated matter. Over a period of time, both research and empirical evidence has demonstrated that nature of organisations and size of the company (i.e. turnover/sales/investment) are dominant factors in governing the banking and savings behaviour of any institution. These are also called primary behavioural determinants. Further it is comparatively easy to identify institutions by the nature of organisation and size. Furthermore, nature of constitution is also considered for segmentation.

The structure of segmentation is as follows:

Socio-economic

- a) Nature of Organisation classification i.e. type of industries or nature of business;
- b) Size of the institution-annual sales/turnover/investment classification;
- c) Nature of Constitution classification.

7. Segmentation of Institutions By nature of Organisation

The behaviour of an institution in the manufacturing sector will be very different from an institution in the service sector. It is for this reason banks have to invest considerable time and effort in understanding the nature of various type of organisation before they can sell their products/services to institution's operating in those market.

The institutions are classified into two broad segments by nature of business:

- A) Manufacturing-oriented institution;
- B) Service-oriented institution.

8. Segmentation of Institutions By Constitution

Since the institution's attitude towards banks and banking services may be influenced by the nature of the constitution, or status of the institution, the sample is segmented into five groups as:

A	Proprietorship;	D	Public Limited;
B	Partnership;	E	Societies, trusts, etc.
C	Private Limited;		

Empirical Findings: Socio-economic Profile

Table 3 highlights the distribution of the sample into different types of constitutions.

Table 3

SEGMENTATION OF INSTITUTIONS BY CONSTITUTION

CONSTITUTION		Percentage of Institution
1.	Proprietorship	47
2.	Private Limited	32
3.	Societies, trusts, etc.	10
4.	Partnership	9
5.	Public Limited	2
Total		100

The findings are based on a statistically selected sample and hence these give estimates of the distribution of different types of institutions who are banking in India.

The analysis shows that the "proprietorship organisations" and "private limited companies" constitute the major portion (79 percent) of institutional segment. "Societies", "Trusts", etc. also constitute a significant portion (10 percent) of this segment followed by "partnership" (9 percent) and "public limited" (2 percent).

9. Segmentation of Institution by Sizes

As would be expected, attitude of institutions towards banks and their services might depend on the size of the institution in terms of balance sheet strength, volumes of sales etc. Therefore, we divided the sample into strata or groups by annual turnover/sales and by annual investment within the broad three groups of nature of institutions namely:

- 1 Manufacturing Private Limited
- 2 Manufacturing Public Limited and
- 3 Service-oriented

Certain behavioural shifts may occur on the way from being a small institution to becoming a very large institution, and, understanding where those behavioural shifts occur is crucial when forming effective sales teams and developing the nature of market segmentation strategy which could create competitive advantage.

Empirical Findings: Socio-economic Profile

Table 4 and Table 5 describe the distribution of the respondents into different strata.

Table 4 SEGMENTATION OF INSTITUTIONS BY ANNUAL TURNOVER AND BY NATURE OF INSTITUTION

NATURE OF INSTITUTIONS	ANNUAL TURNOVER/SALES (Rs. IN 100 THOUSANDS)	PERCENTAGE OF INSTITUTIONS
MANUFACTURING PRIVATE LIMITED	Less than 10	73
	10 - 25	13
	25 - 50	5
	Above 50	9
	TOTAL	100
MANUFACTURING PUBLIC LIMITED	Less than 300	78
	300 - 500	3
	500 - 1000	4
	Above 1000	15
	TOTAL	100
SERVICE ORIENTED ORGANISATIONS	Less than 7.5	80
	7.5 - 25	10
	25 - 75	5
	Above 75	5
	TOTAL	100

Table 5 SEGMENTATION OF INSTITUTIONS BY ANNUAL INVESTMENT AND BY NATURE OF INSTITUTION

NATURE OF INSTITUTION	ANNUAL INVESTMENT (Rs. IN 100 THOUSANDS)	PERCENTAGE OF INSTITUTIONS
MANUFACTURING PRIVATE LIMITED	Less than 7.5	75
	7.5 - 25	15
	25 - 75	4
	Above 75	6
	TOTAL	100
MANUFACTURING PUBLIC LIMITED	Less than 7.5	33
	7.5 - 25	19
	25 - 75	15
	Above 75	33
	TOTAL	100
SERVICE ORIENTED	Less than 10	79
	10 - 25	8
	15 - 50	4
	Above 50	9
	TOTAL	100

The analysis shows that the majority (73 percent to 79 percent) of the institutions are relatively smaller in size in terms of annual turnover/sales. Majority (75 percent to 80

percent) of "Manufacturing Private Limited" and "Service Orient-terms of annual turnover/sales. Majority (75 percent to 80 percent) of "Manufacturing Private Limited" and "Service Oriented Organisations" are having investment of less than 750 thousands rupees. In case of "manufacturing public limited companies", one third of the companies are having investment more than 7.5 million rupees.

10. Preference of Financial and other Institutions for Investment Purpose

An institution can invest its savings or surplus fund in the following types of organisations:

- Bank;
- Post Office;
- Unit Trust;
- Corporate Sector;
- Government and;
- Other institutions.

Table 6 presents the preference of respondents in terms of usage of the above types of organisations for investment purpose.

Table 6

RESPONDENTS' USAGE OF DIFFERENT ORGANISATIONS FOR INVESTMENT PURPOSE

TYPE OF ORGANISATION		Percentage of Institutions
1.	Bank	100
2.	Post Office	5
3.	Unit Trust	1
4.	Corporate Sector	5
5.	Government	1
6.	Other Institutions	3

Since the sample is chosen from all institutions who are using banks, the usage of bank is 100 percent as highlighted in Table 6.

The next most popular type of organisations are "post office" and "Corporate Sector" where only 5 percent of institutions invest. "Government sector" and "Unit Trust" seem to be least attractive organisations for investment purpose.

11. Usage and Awareness of Banking Services

Information on the awareness and usage of banking services is provided here. Respond-

ents were asked to indicate their awareness and usage levels for twenty two different banking services. These twenty two services can be classified into:

- A) Deposit related services;
- B) Credit related services;
- C) Transfer related services;
- D) Miscellaneous services.

Table 7

MARKET SHARE OF FINANCIAL INSTITUTIONS BY AMOUNT OF INVESTMENT

	MODE OF INVESTMENT	AMOUNT INVESTED AS PERCENTAGE TO TOTAL INVESTMENT
1.	Bank	68
2.	Post Office	1
3.	Unit Trust	1
4.	Corporate Sector, (Fixed Deposits, Debentures, shares, etc)	20
5.	Govt. (Securities, bonds, etc)	9
6.	Other Schemes	1
	Total	100

Table 8 presents the awareness and usage pattern of banking services.

Table 8

AWARENESS AND USAGE OF BANKING SERVICES BY RESPONDENTS

	SERVICES	AWARENESS	USAGE
A	Deposit Related Services		
	Current Account	100	93
	Savings Bank Account	95	94
	Fixed Deposit Account	94	9
	Recurring Deposit Account	89	6
	Cash Certificates	67	2
B	Credit Related Services		
	Overdraft/Cash Credit	93	40
	Trade Bill Discounting	71	14
	Term Loan	76	12
	Loans against Deposits	80	10
	Guarantees	45	6
	Letter of Credit	44	5

	Export Finance	35	3
	Import Finance	37	2
C	Transfer-Related Services		
	Demand Draft	95	74
	Mail Transfer	70	21
	Telegraphic Transfer	66	16
	Credit Card	44	5
	Foreign Remittances	32	3
D	Miscellaneous Services		
	Collection of Bills	88	64
	Collection of Taxes	51	18
	Safe Deposit Lockers	91	7
	Safe Custody of Sealed Boxes	58	4

On an average, though the awareness of some banking services is high, their respective usage is considerably less.

Regarding deposit-related banking services, even though the awareness of "savings bank account", "fixed deposit account", recurring deposits, and cash certificates are very high (above 67 percent), their usage is miserably low (below 20 percent). Institutional customers need to be motivated to use these deposit-related services by using appropriate marketing strategies for deposit mobilisation.

For credit-related banking services, very few organisations use (below 15 percent) the facilities like "trade bill discounting", "term loans", "loan against" deposits/securities, though the awareness (above 70 percent) of these schemes are quite high. The awareness (37 to 45 percent) is moderate and usage is very low (below 7 percent) for services like "guarantees", "letter of credit" and "export-import finance". In view of the above, appropriate selling strategies have to be formulated to encourage institutional customers to use these services, frequently so that banks can earn a considerable amount of income from these non-interest bearing services.

In case of transfer-related services, only "demand draft facility" is much used (74 percent). The awareness is moderate and usage is low (below 22 percent) for the services like "mail transfers", "telegraphic transfers", "credit card" and "foreign remittances".

In case of miscellaneous services, awareness of "collection of bill" and "safe deposit lockers" are quite high (above 88 percent) and it is, moderate (above 50 percent) for "collection of taxes" and "safe custody of sealed boxes".

For miscellaneous services, the only service highly used (64 percent) is "collection of bills"

and the usage of the remaining services is very low (below 19 percent).

Analysis by Nature of Organisation

The usage by "manufacturing public limited organisation" is higher than the overall level for the banking services like "overdraft/cash credit" (68 percent), "term loan", "trade bill discount", "telegraphic transfer" (40 to 50 percent), "import/export finance", "guarantee" and "letter of credit" (15 to 30 percent).

For other types of organisations, the patterns are similar to the overall analysis.

Analysis by Sales/Turnover

The usage by "manufacturing private limited organisations" with sales above Rupees half a million is higher for "foreign remittance" (16 percent), "fixed deposit", "trade bills discounting" and "telegraphic transfer" (30 to 50 percent).

The usage by "manufacturing public limited organisations" with sales above Rupees one billion is very high for "telegraphic transfer" (80 percent) and "foreign remittance" (36 percent). The formulation of appropriate strategies to increase awareness and specially usage of the above mentioned unpopular services amongst institutional customers is of utmost importance.

The results show that there is a need for aggressive promotional strategy to motivate customers for using those services where awareness level are quite high. It also demonstrates that there is a significant variation in the usage of non-fund based services among different segments of institutional customers and, therefore, it calls for segment-wise marketing strategies.

12. Market Share of Financial Institutions

As highlighted in Table 7, banks have highest market share (68 percent) by amount of investment. However, almost one-third of total financial investment of institutional customers are in the form of non-banking deposits especially in "company related deposits". Even though only 5 percent of institutions invest in "company related deposits" i.e. "fixed deposits", "debentures", "shares", etc., but this investment accounts for 20 percent (one-fifth) market share of the total investment. An insignificant market share (1 percent each) is held by "Post Office", and "Unit Trust of India", "Government Securities and bonds", however, account for 9 percent of market share.

Appropriate marketing strategies need to be formulated to divert a part of the above mentioned non-banking deposit into the banking field.

Analysis by Sales/Turnover: Around 5 percent of the service-oriented organization with sales above half a million invest in government securities and this accounts for 20 percent of market share.

For other segments, the patterns are similar to the overall pattern.

Analysis by Nature of Organisation

In the segment of "manufacturing public limited organisation", the market share of banks is low (47 percent) compared to the national level. This calls for aggressive marketing strategy being formulated and implemented by banks to improve their market share. However, 20 percent of the "manufacturing public limited organizations" invest in "company related deposits" and this accounts for 44 percent market share.

For other segments, the patterns are similar to the overall pattern.

These findings demonstrate that "manufacturing public limited segment" behaves differently in terms of their investment and separate strategies need to be formulated to penetrate further into this segment.

13. Major Reasons Behind the Preference of Types of Financial Assets.

Major reasons behind preferring "bank deposits" are:

- Security of the investment (40 percent).
- Quality of service and choice of schemes (20 percent).

The only major reason for choosing "company deposits", "debentures" and "shares" is:

- Rate of Interest (80 percent).

For choosing "Post Office" and "Unit Trust of India", major reasons are:

- tax-related benefits (35 percent) and
- rate of interest (25 to 30 percent).

The only major reason for choosing "government securities" and "public provident funds" is -tax related benefits (53 percent).

Therefore, there is an urgent need for an appropriate policy intervention in terms of providing higher interest rate and tax related benefits in bank deposit schemes to mobilise further deposits from Institutional sector.

Analysis by Type Organisation

Irrespective of the organisational classification, the pattern is similar to the one mentioned in overall analysis.

Analysis by Sales/Turnover

Manufacturing public limited organisation with sales below 0.1 million invest in "Unit Trust Schemes" chiefly due to:

- Rate of interest (40 percent) and
- Choice of saver (20 percent).

More than half of the service-oriented organisations invest in government securities due:

- Security of the investment (56 percent)

14. Distribution of Accounts by Type of Banks

As is expected, majority of the institutional accounts (90 percent) are in nationalised banks. The distribution of the remaining 10 percent accounts is as follows.

- private banks (4 percent);
- foreign banks (3 percent);
- co-operative banks (3 percent).

Analysis by Nature of Organisation

Foreign banks attract 6 percent of the "manufacturing public limited organisations" accounts. For other type of organisations, the patterns are similar to the overall situation.

Analysis by Sales/Turnover

Foreign banks attract large portion manufacturing public limited organisations with sales above Rupees one billion (14 percent).

Approximately 10 percent of the accounts of service-oriented organisation with sales above half a million rupees are in foreign banks.

For other sales classifications, the patterns are is similar to the overall situation.

15. Major Reasons for Preferring a Bank

There are a wide variety of reasons behind preference of a particular financial institution. For convenience, these reasons are grouped into four broad categories like: "Quantum of

Interest," "Security of Investment", "Quality Service" and "Special needs" (which include social/basic needs, social status, industrial improvement, obligation, inflation, flexibility, entertainment, purchasing power etc.

Table 9 REASONS FOR PREFERENCE FOR TYPE OF BANKS BY RESPONDENTS

TYPES OF BANKS	MAJOR REASONS BEHIND THE CHOICE	PREFERENCE OF INSTITUTIONS (PERCENTAGE)
URBAN		
PUBLIC SECTOR BANKS	Quantum of Interest	49
	Security of Investment	24
	Quality of Service	12
	General needs	9
PRIVATE BANKS	Quantum of Interest	46
	Security of Investment	24
	Quality of Service	14
FOREIGN BANKS	Security of Investment	40
	Quantum of Interest	31
	General needs	11
COOPERATIVE BANKS	Quantum of Interest	40
	Security of Investment	32
	Quality of Service	12
	General needs	11

Table 9 highlights the major reasons for preferring a particular type of bank, viz. Public Sector or nationalised, private, foreign and co-operative types of banks.

Institutions which prefer nationalised, private and cooperative banks are motivated by:

- quantum of interest (40 to 50 percent);
- security of investment (25 to 32 percent);
- quality of service (15 percent);
- special needs (10 percent).

Whereas institutions which prefer foreign banks are motivated by:

- Security of investment (40 percent);
- quantum of interest (31 percent);
- Special needs (11 percent).

Therefore, there is no significant difference in the major reasons of preference for choosing foreign and domestic banks except for the fact that "quality of service" is not a factor for

choosing foreign banks. This might indicate that all foreign banks usually provide high quality of service as perceived by the institutions whereas some institutions prefer some domestic bank due to their better quality of service.

Obviously, domestic banks have to offer "service" with quality at par with foreign banks for satisfying their existing customers especially in metropolitan areas.

For formulating new products/services, bankers should take care of these motivating factors of institutional customers.

Analysis by Nature of Organisation

Special needs" and "choice of savings" are the major factors for choosing "co-operative banks" as opined by 13 percent of manufacturing public limited organisations. For other classification, the patterns are similar to the overall situation.

Analysis by Sales/Turnover

There is no significant variation in the pattern of reasons for preference by segments of different sales categories.

16. Quality of Customer Service

For simplicity, only eight basic transaction related banking services had been considered to seek opinion of institutional customers regarding the quality of these services. A three point scale, namely, "satisfied", "no-committed" (do not know) and "not-satisfied", had been used to assess the quality of above services. These eight services for which customers opinion had been sought are:

1. Speedy Withdrawal of Cash;
2. Speedy Acceptance of Cash;
3. Speedy Collection of Local Cheques;
4. Speedy Collection of Outstation Cheques;
5. Speedy Issue of New Cheque Book;
6. Speedy Purchase of Bank Draft;
7. Accuracy of Interest/Commission Charged;
8. Sending Credit/Debit Advice in Time.

This is to note that the bank branches in India are not computerised and majority of the transactions are done manually. Obviously, the time taken for different transaction will be much more in comparison to the time taken by the computerised banks in the developed countries.

Table 10

RESPONDENT'S OPINIONS ABOUT QUALITY OF BANKING SERVICES (PERCENTAGES)

Type of Service	Opinion		
	Satisfied	Non-committed	Mpt-satisfied
1. Speedy Withdrawal of Cash	69	25	6
2. Speedy Acceptance of Cash	70	26	4
3. Speedy Collection of Local Cheques	64	30	6
4. Speedy Collection of Out Station Cheques	44	38	18
5. Speedy Issue of New Cheque Book	64	30	6
6. Speedy Purchase of Bank Draft	51	38	11
7. Accuracy of Int. Commission Charged	66	28	6
8. Sending Credit/Debit Advice in Time	52	31	17

Table 10 presents the opinion of institutional customers in terms of their satisfaction with the above mentioned banking services.

The analysis shows that, in general, the respondents were not quite satisfied with the speed and accuracy of various banking services. The percentage of respondents who are satisfied varies from 44 percent (of "speedy collection of out station cheque") to 70 percent (for "speedy acceptance of cash").

The following three services had significant negative opinion in terms of dissatisfaction:

- Speedy Collection of Outstation Cheques (18 percent);
- Speedy Purchase of Demand Draft (11 percent) and
- Sending Credit/debit Advice in Time (17 percent).

Therefore, a significant portion of institutional customers are not satisfied with the existing quality of customer services with respect to above three services.

The percentage of non committed group varies from 25 percent (for "speedy withdrawal of cash") to 38 percent ("speedy purchase of bank draft"). This result is striking. This shows that there is a high percentage of non-committed group which may reflect the typical nature/culture of Indian institutions who probably prefer not to give any direct opinion.

Satisfaction or dissatisfaction of this non-committed group can make a significant difference in terms of retaining the customers with the bank. If one assumes that non-committed customers will rate the banking services like others, than a significantly higher portion of customers will not be satisfied with the existing quality of customer service. Therefore, bankers should give serious thought to this aspect since institutional customers play an important role on the image of the bank. There is an urgent need to cultivate proper motivation and skill among bank employees through proper training and development.

One can not rule out the possibility of partial mechanisation for giving more efficient services.

17. Conclusion

The banking scenario in India, despite its rigid regulatory structure, is becoming increasingly competitive. The increasing competition, coupled with institutional customers fast changing modes in the acquisition of finance, may lead to an erosion in the standing or the market position of those banks who do not respond to the changing market place. It is very important for banks to ascertain the key factors determining the choice of banks by the institutions and evaluate customers perceptions of and attitude towards banks and their banking products/services.

In this article, an humble attempt is made to study the banking behaviour of institutional customers by different segments in terms of awareness and usage of financial assets and financial institution and reasons behind these preferences, and quality of banking services as perceived by the customers.

These empirical findings would help bankers to identify marketing strategies by which their present standing is maintained and there is no erosion in their market share.

These finding will provide an information data base that would enable bankers to acquire the necessary broad understanding of the nature of the market and of the various palyers of the market in terms of institutional customers behaviour, attitude and perceptions towards banks and their products/services.

Obviously, the results provided here is not up-to-date. However, this framework can be utilised with necessary modifications to collect periodic and regular information data base for ever increasing institutional bank customers.

This article is based on an all-India level study providing broad information about the market. An individual bank can obviously formulate specific strategy and resulting action depending on its strength and weakness, its areas of opportunities where the bank can exploit. However, an individual bank should conduct its own study taking into consideration its are of operation, existing customers base and other relevant factors.

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ABSTRACT

The increasing competition, despite the rigid regulatory structure of banking in India, coupled with institutional customers' fast changing modes in the acquisition of finance, has been leading to decreasing market shares of those banks who do not respond to the fast changing market place. Despite the growing interest and obvious importance of the area, there has been a lack of published research in the bankig behaviour of institutional customers. This article attempts to study the banking behaviour of institutional customers by different segments in terms of awareness and usage of financial assets and financial institutions and reasons behind these preferences, and the quality of banking services as perceived by the customers. This study is based on a multistage stratified sample survey of 9,000 urban institutional customers, from the portfolio of current account holders and cash credit account holders of 28 public sector banks in 60 towns including 12 metropolis. The empirical findings of this study would enable bankers to identify marketing strategies by which they can retain their existing customers' business as well as generate more revenues from this segment.