IMPACT OF MARKETING STRATEGIES ON CUSTOMER SATISFACTION FOR PUBLIC AND PRIVATE SECTOR BANKS

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Abstract

Amidst the rapidly evolving banking sector characterized by deregulation, technological innovation, and heightened competition, this research aims to explore the direct correlation between the marketing strategies of banks and the resulting customer satisfaction.Employing a quantitative research methodology, the study analyzes data from 488 respondents, collected through a structured questionnaire and analyzed using Structural Equation Modeling (SEM) via AMOS software. The sample encompasses a balanced mix of participants from both public and private sector banks, obtained through non-probability quota sampling.The findings reveal a significant positive relationship between marketing strategies and customer satisfaction in both sectors, with a marginally higher impact observed in private sector banks. This suggests that while public sector banks are effectively utilizing marketing strategies, there is scope for enhancement, particularly in innovation and personalization aspects. The study concludes that refining marketing strategies is crucial for both public and private sector banks to elevate customer satisfaction. It highlights the need for public sector banks to focus on customer engagement and employee training, while private sector banks should maintain their competitive edge through continuous innovation and personalization. This research offers valuable insights for strategic decision-making in the banking sector, emphasizing the importance of well-designed marketing strategies in achieving customer satisfaction and sustainable competitive advantage.

Keywords: *Marketing Strategies, Customer Advocacy, Public Sector Banks, Private Sector Banks and convenience.*

Introduction

Banks play a pivotal role in the economy of any country. They promote savings and provide financing for various economic activities, facilitating economic growth (Molyneux & Iqbal, 2016). An efficient and resilient banking system is essential for stable economic development. Banks in both public and private sector aim to provide quality financial services and products to their customers to ensure sustainability and profitability. In recent times, the banking sector has undergone rapid changes due to financial reforms, deregulation, technological innovations, and evolving customer needs (Ahmad et al., 2019). Intense competition has made customer satisfaction a key differentiator for success and survival of banks.

In this dynamic landscape, marketing strategies of banks have become critical for customer acquisition, retention and growth. Marketing helps communicate the value proposition of banks' offerings and builds enduring relationships with customers (Katircioglu et al., 2011). Banks deploy various strategies like promotional offers, relationship marketing, digital marketing and social media engagement to appeal to customers. However, customers today have high expectations and their satisfaction levels determine loyalty towards their bank. Dissatisfied customers readily switch banks, making customer satisfaction an imperative objective for banks' marketing efforts. This highlights the need to continually assess the impact of marketing strategies on customer satisfaction to formulate appropriate policies and initiatives.

Extant literature has widely researched service quality, customer satisfaction and loyalty in the banking sector (Baumann et al., 2007; Levesque & McDougall, 1996). Marketing strategies and their influence on customer attitudes and perceptions have also been studied (Katircioglu et al., 2011; Rajic et al., 2016). While these studies provide valuable insights, there is a research gap on directly examining the linkage between banks' marketing strategies and customer satisfaction. This study aims to address this gap by investigating the impact of marketing strategies adopted by Indian public and private sector banks on customer satisfaction levels.

India's banking industry provides an appropriate context for this study due to the coexistence of public sector banks, old and new private sector banks as well as foreign banks. After bank nationalization in 1969, public sector banks opened up branches across the country to mobilize savings and spur economic activity (Bhasin, 2019). However, intensification of economic reforms in the 1990s paved the way for private sector participation in banking. Currently public sector banks still have the biggest market share while private sector banks, especially new generation ones like ICICI, HDFC and Axis have aggressively gained ground. Private banks focused on customization, innovation and leveraged latest technology to provide superior customer experience which reshaped banking in India (Kaur & Mahajan, 2014). Foreign banks also operate although their market presence is limited. Such varied actors with differing priorities have made India's banking market highly competitive in terms of marketing and customer engagement initiatives. This diversity enables valuable comparison regarding the influence of various strategies on customer satisfaction across public, private and foreign banks operating in India.

Review of Literature

Extensive research exists examining bank marketing strategies and their influence on customer attitudes and satisfaction. This section synthesizes key scholarly insights on salient

aspects including significance of customer satisfaction for banks, services marketing approaches deployed in retail banking, and effectiveness of various strategies in shaping customer perceptions and satisfaction.

Customer satisfaction reflects customers' subjective evaluation of overall service experience determining repeat purchase and loyalty (Gustafsson et al., 2005). In banking, high satisfaction lowers customer turnover, enhances willingness to pay and positive referrals, ensuring profitability over long-term relationships (Levesque & McDougall, 1996). This underlines its high significance as a key performance metric. Customers assess functional quality of services and service delivery interactions to determine satisfaction levels (Bahia & Nantel, 2000). Various determinants like efficiency, reliability, responsiveness, convenience, customization, assurance and employee demeanour have been identified by scholars (Mokhlis, 2012; Lassar et al., 2000). Relationship marketing efforts fostering customer engagement and commitment also critically impact satisfaction (Liu et al., 2011). Accordingly banks worldwide leverage diverse marketing strategies to shape service experiences and drive customer delight.

Public and private sector banks differ significantly in adoption of marketing practices despite increasing competitive imperatives (Awan et al., 2011). Bureaucratic rigidities make public sector banks less market-focused with short-term sales transactional approach rather than long-term customer relationships (Sinha & Mishra, 2013). Private banks strategically deploy marketing mix elements along with latest technology to enhance service quality and exceed customer expectations (Katircioglu et al., 2011; Holliman & Rowley, 2014). Customers perceive attractive product features, reasonable pricing, innovative promotions and ubiquitous access as additional values driving satisfaction (Duncan & Elliott, 2004; Rajic et al., 2016). Digitization enabling convenience and self-service options improves perceptions of reliability augmenting satisfaction (Durvasula et al., 2003). CRM initiatives foster enduring customer relationships and positive word-of-mouth referrals (Wong & Sohal, 2002). Thus private banks' marketing strategies significantly influence satisfaction. However comparing such outcomes across public and private banking domains remains understudied. This merits investigation given their coexistence in India and other major emerging economies.

Levesque, T.J., & McDougall, G.H.G. (1996). Customer dissatisfaction: The relationship between types of problems and customer response. Canadian Journal of Administrative Sciences, 13(3), 264-276. Service quality problems negatively influence customer satisfaction levels and failure recovery efforts like apologies, refunds, or free services determine post-complaint satisfaction.

Bahia, K., & Nantel, J. (2000). A reliable and valid measurement scale for the perceived service quality of banks. International Journal of Bank Marketing, 18(2), 84-91. Bank service quality model has 5 dimensions - effectiveness/assurance, access, price, tangibles and services portfolio. This impacts satisfaction.

Lassar, W. M., Manolis, C., & Winsor, R. D. (2000). Service quality perspectives and satisfaction in private banking. Journal of Services Marketing, 14(3), 244–271.Functional and

technical service quality shape customer satisfaction in private banking. Assurance is critical determinant.

Wong, A., & Sohal, A. (2002). Customers' perspectives on service quality and relationship quality in retail encounters. Managing Service Quality, 12(6), 424–433. Customer relationships partially mediate service quality and loyalty intentions indicating CRM importance.

Durvasula, S., Lysonski, S., & Mehta, S. C. (2003). Technology and its CRM implications in the banking industry. Journal of Consumer Marketing, 20(3), 234-247.Technology enabled distribution channels like ATMs, credit cards and internet banking enhance service convenience thereby improving customer satisfaction and retention.

Duncan, E., & Elliott, G. (2004). Efficiency, customer service and financial performance among Australian financial institutions. International Journal of Bank Marketing, 22(5), 319-342. Marketing efforts like channel accessibility, customized products and pricing significantly influence customer perceptions of service quality and satisfaction.

Conduit, J., Howcroft, B., & Matanda, M. J. (2007). The marketing strategy-performance relationship in UK banks. Journal of Financial Services Marketing, 12(2), 94-108. Innovative bank marketing strategies like events sponsorships positively impact attitudinal loyalty and financial performance.

Awan, H. M., Bukhari, K. S., & Iqbal, A. (2011). Service quality and customer satisfaction in the banking sector: A comparative study of conventional and Islamic banks in Pakistan. Journal of Islamic Marketing, 2(3), 203-224. Islamic banks lagged in service quality features like competitiveness, systemization and resource allocation. This negatively affected satisfaction compared to conventional banks.

Holliman, G., & Rowley, J. (2014). Business to business digital content marketing: marketers' perceptions of best practice. Journal of Research in Interactive Marketing, 8(4), 269-293. Digital content marketing via social media enhances customer engagement for banks by effectively addressing needs of tech savvy segments leading to satisfaction.

Rajic, T., Dado, J., & Taborecka-Petrovicova, J. (2016). Linking retail service quality and satisfaction to prices in a fragmented retail banking market. E&M Economics and Management, 19(1), 30-41. Good value for money pricing and supplementary services variety add to customer perceived value augmenting satisfaction levels.

The above studies provide useful framework regarding bank marketing strategies like services innovation, adoption of technology for delivery channels, relationship and referral marketing and integrated promotions mix to positively influence associated customer perceptions, attitudes and satisfaction. However literature gaps exist regarding comparing outcomes of such strategies across public and private sector banks within India and similar diverse contexts. The present study aims to address this gap through a comprehensive investigation.

Statement of the problems

India's banking industry is undergoing rapid technological transformation with both public and private sector banks making significant investments towards technology upgradation and digitization to improve services quality and customer experience. Many banks are embracing latest

technologies like artificial intelligence, advanced data analytics, digital banking platforms, payment systems and customer engagement apps to provide more convenience, personalization and transparency. This technological progress is reshaping banking operations and enabling banks to launch innovative products and services to address evolving consumer needs.

In tandem, banks are also deploying diverse marketing strategies encompassing the marketing mix elements to engage customers and communicate their improving value propositions. Public sector banks have accelerated their adoption of technology and marketing practices in recent times to catch up with private sector counterparts known for superior customer service and orientation. Technology infusion and marketing innovations have also intensified competition to attract and retain customers across the banking system.

While such initiatives have exponentially increased promises made to customers regarding convenient, efficient and customized banking, it remains unclear whether modernized offerings actually translate into delighted customers and meet heightened consumer expectations. Do sophisticated technologies combined with marketing strategies of Indian public and private sector banks truly enhance perceived service quality and satisfaction levels from the customers' perspective? Given substantial investments towards these areas, assessing effectiveness of technology-enabled banking services and associated marketing efforts in improving customer satisfaction can provide meaningful insights to guide appropriate policies and strategies. This empirical investigation aims to fill this knowledge gap by analyzing linkages between technology adoption, marketing strategies and customer satisfaction across India's banking sector comprising public, private and foreign banks. The study findings will have valuable implications for formulating requisite measures by banks to leverage technological progress and marketing for competitive advantage rooted in delivering superior customer experiences.

Objectives of the study

1. To Assess the Effectiveness of Marketing Strategies in Public Sector Banks:
2. To Examine the Impact of Marketing Strategies in Private Sector Banks:
3. To Compare and Contrast the Influence of Marketing Strategies on Customer Satisfaction between Public and Private Sector Banks:
4. To Develop Strategic Recommendations for Banks to Optimize Marketing Strategies:

These objectives aim to provide a thorough understanding of the dynamics between marketing strategies and customer satisfaction in the banking sector, offering insights for strategic decision-making and operational improvements.

Research Methodology

This research aims to analyze the impact of marketing strategies on customer satisfaction in public and private sector banks. The methodology adopted for this study is a combination of quantitative approaches, primarily focusing on questionnaire-based data collection and Structural Equation Modeling (SEM) analysis using AMOS software.

Sampling Method: The study employed a non-probability quota sampling method. This approach was chosen to ensure that specific quotas for each category - public and private sector banks - were met. A total of 500 participants were targeted, with an equal distribution of 250 from

public sector banks and 250 from private sector banks. This method allowed for a balanced representation of both sectors, providing a comprehensive view of the banking landscape.

Data Collection: Data were collected using a structured questionnaire method. The questionnaire was designed to gather information on various aspects of marketing strategies and their perceived impact on customer satisfaction. The questions were formulated to be clear and concise, ensuring ease of understanding and response accuracy. The questionnaire was distributed both online and offline, considering the convenience and accessibility of the respondents.

Sample Size and Data Finalization: Out of the 500 distributed questionnaires, 488 responses were finalized for analysis. The criteria for finalization included completeness of the response and the relevance of the respondent's experience with the banking services. This final sample size of 488 provided a robust data set for meaningful analysis.

Descriptive Study Approach: The study adopted a descriptive research design, aiming to describe the characteristics of the variables of interest in a precise manner. This approach was instrumental in providing an accurate depiction of the current state of marketing strategies in the banking sector and their impact on customer satisfaction.

SEM Analysis Using AMOS Software: For data analysis, the study utilized Structural Equation Modeling (SEM) through AMOS software. SEM was chosen for its ability to analyze complex relationships between observed and latent variables. This method is particularly effective in understanding the causal relationships and the structural link between marketing strategies (as latent variables) and customer satisfaction (as an observed variable). AMOS software facilitated the modeling of these relationships, providing a graphical representation of the paths and the strength of the associations.

Ethical Considerations: Throughout the research process, ethical considerations were strictly adhered to. Participants were informed about the purpose of the study, and their consent was obtained. Confidentiality and anonymity of the respondents were maintained, ensuring that the data were used solely for academic purposes.

Analysis and Interpretation

Marketing Strategies of Banks and Their Impact on Customer Satisfaction

The SEM analysis was conducted separately for public and private sector banks to understand the nuances in the relationship between marketing strategies and customer satisfaction in these two segments. The results are presented in two path diagrams, Fig.1 for public banks and Fig.2 for private banks, illustrating the regression weights, both standardized and un-standardized, along with standard errors, critical ratios, and p-values.
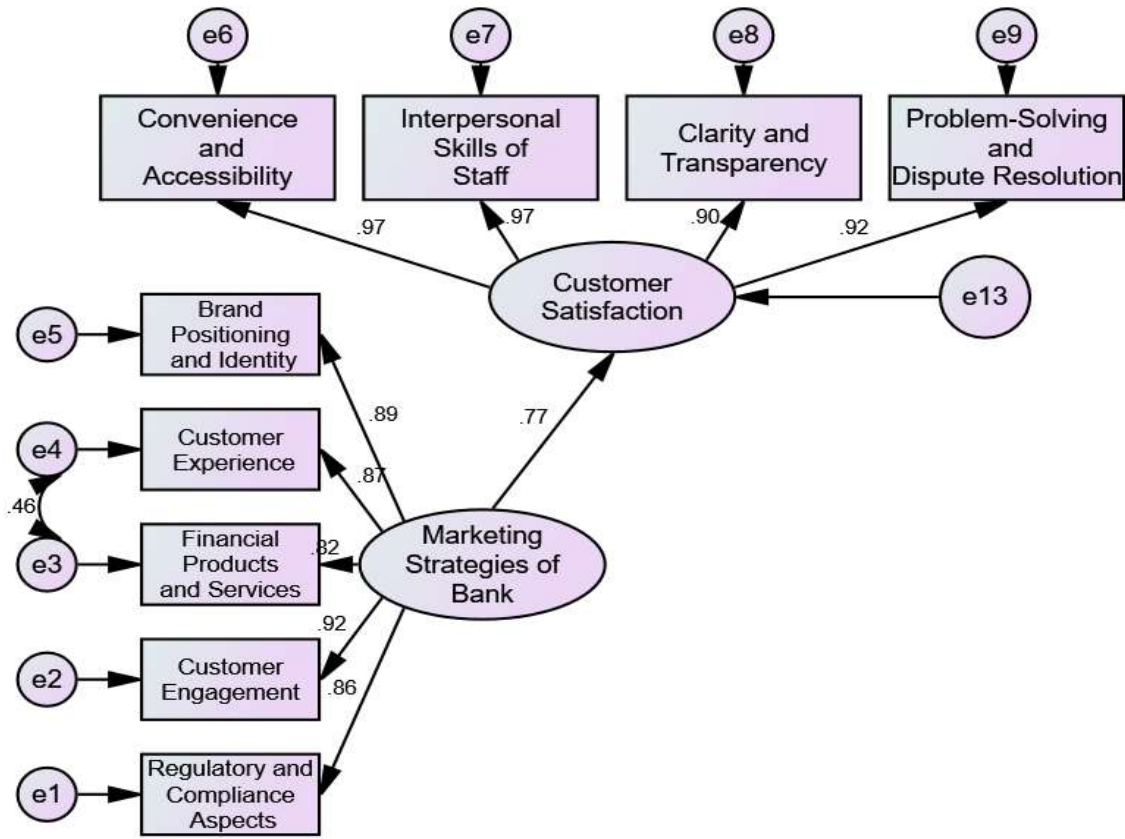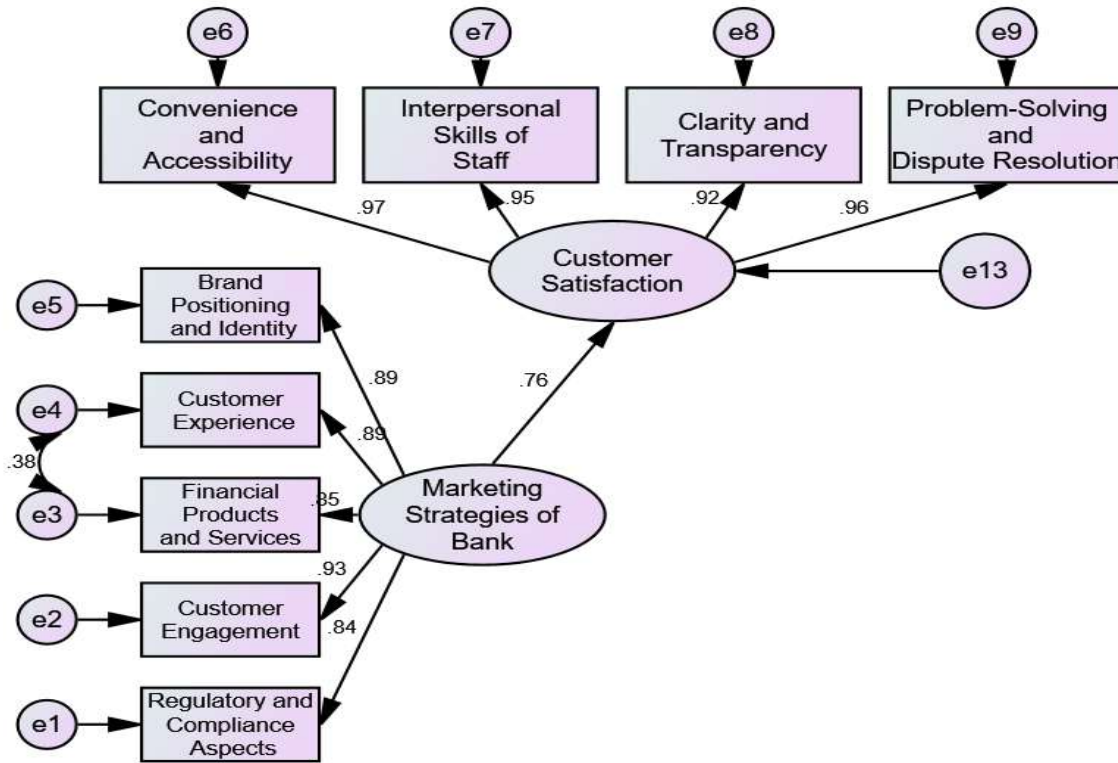
Fig.1 Public Bank path

Fig.1 Private Bank path

Table No. 1
Regression Weights for both public and private banks

Bank Type	Paths			Standardized Estimates	Un-Standardized Estimate	S.E.	C.R.	P	Label
Public sector banks	Customer Satisfaction	<---	Marketing Strategies	.77	1.099	.059	18.575	.000	Supported
Private sector banks	Customer Satisfaction	<---	Marketing Strategies	.76	1.122	.066	17.006	.000	Supported

Public Sector Banks

For public sector banks, the path from marketing strategies to customer satisfaction showed a standardized estimate of .77, with an un-standardized estimate of 1.099. The standard error was .059, and the critical ratio (C.R.) was 18.575, indicating a highly significant relationship (p < .000). This result supports the hypothesis that marketing strategies have a strong positive impact on

customer satisfaction in public sector banks. The high standardized estimate suggests that improvements in marketing strategies are likely to lead to a substantial increase in customer satisfaction.

Private Sector Banks

In the case of private sector banks, the path from marketing strategies to customer satisfaction also showed a strong relationship, with a standardized estimate of .76 and an un-standardized estimate of 1.122. The standard error was .066, and the critical ratio was 17.006, which is also highly significant ($p < .000$). This finding supports the hypothesis for private sector banks as well, indicating that effective marketing strategies are crucial in enhancing customer satisfaction in this sector.

Findings:

The close similarity in the standardized estimates for both public (.77) and private (.76) sector banks suggests that marketing strategies are almost equally effective in both sectors in terms of impacting customer satisfaction. However, the slightly higher un-standardized estimate in private sector banks (1.122 vs. 1.099) might indicate that the impact of marketing strategies is marginally more pronounced in the private sector. This could be attributed to the more dynamic and competitive environment in which private sector banks operate, necessitating more aggressive and innovative marketing strategies.

The moderated SEM analysis provides valuable insights into the impact of marketing strategies on customer satisfaction in both public and private sector banks. The findings underscore the importance of effective marketing strategies in enhancing customer satisfaction across the banking sector. While there are slight differences in the magnitude of impact between public and private sector banks, the overall trend suggests that banks in both sectors can significantly benefit from refining and enhancing their marketing strategies to improve customer satisfaction.

Suggestions

For Public Sector Banks

Enhance Customer Engagement: Public sector banks should focus on improving customer engagement through personalized marketing and customer service.

Innovate Marketing Strategies: Incorporating innovative marketing strategies, including digital marketing and social media engagement, can help public banks to better meet customer expectations.

Employee Training: Investing in employee training to improve service delivery and customer interaction can significantly enhance customer satisfaction.

For Private Sector Banks

Maintain Competitive Edge: Private banks should continue to leverage their innovative marketing strategies to maintain their competitive edge and customer satisfaction levels.

Focus on Personalization: Greater emphasis on personalized services and customer relationship management can further enhance customer satisfaction.

Technological Advancements: Continued investment in technological advancements, including AI and data analytics, can help in understanding and meeting customer needs more effectively.

Conclusion

The study's findings indicate that marketing strategies play a significant role in influencing customer satisfaction in both public and private sector banks. The analysis shows that these strategies are almost equally effective across both sectors, with a slightly higher impact in private sector banks. This suggests that while public sector banks are performing well in terms of customer satisfaction, there is room for improvement, especially in terms of innovation and personalization in marketing strategies. Private sector banks, on the other hand, should continue to focus on their innovative and customer-centric approaches to maintain high levels of customer satisfaction. Overall, the study highlights the importance of effective marketing strategies in the banking sector and provides valuable insights for banks to refine their approaches to enhance customer satisfaction.

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7494