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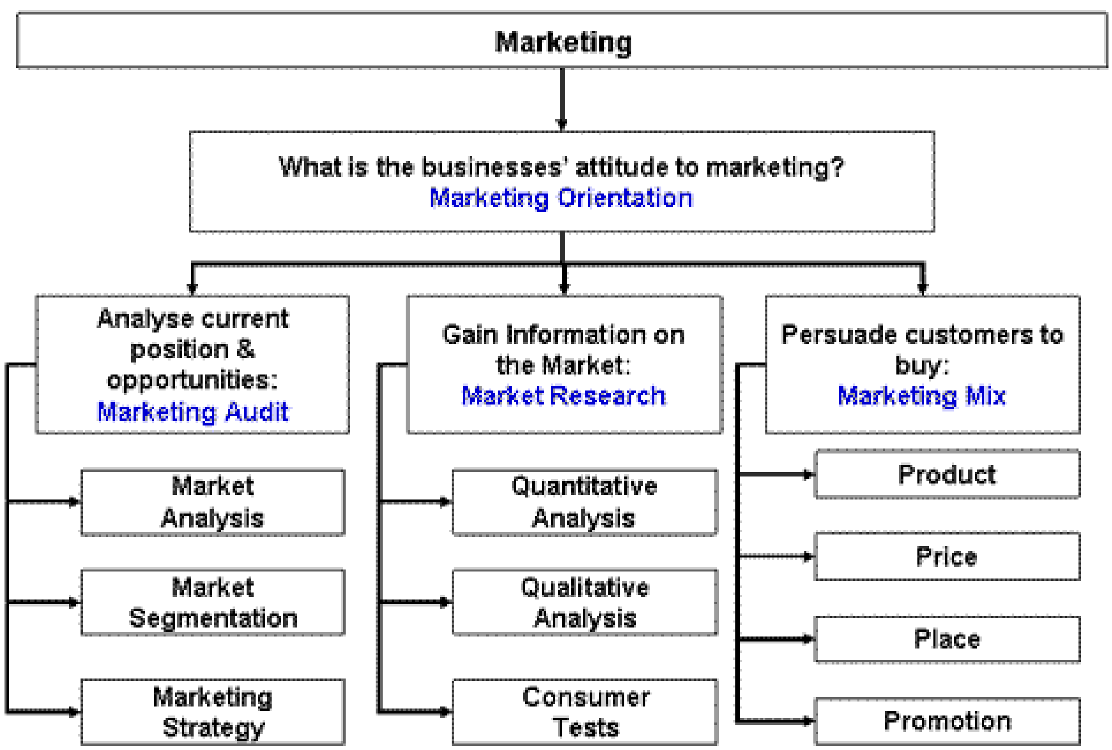
INTRODUCTION TO MARKETING

Marketing

American association of marketing defines marketing as the performance of those activities that are directed at satisfying human needs and wants.

In view of "Philip Kotler" Marketing is a consumer-oriented activity backed with integrated marketing approach aimed to satisfy the needs of the consumers and also thereby achieving organization objectives. Marketing is a total system of business activities designed to plan prices, promote and distribute want – satisfying product to the target market to achieve organization objectives.



Marketing Mix

Marketing Mix is the term used to describe the combination of four inputs that constitute the act of an organizations marketing system.

The four P's of the marketing mix:

- **Product** Defining the characteristics of your product or service to meet the customers' needs.
- **Price**: Deciding on a pricing strategy. Even if you decide not to charge for a service, it is useful to realise that this is still a pricing strategy. Identifying the total cost to the user (which is likely to be higher than the charge you make) is a part of the price element. **Price** becomes **Cost to the user**
- **Promotion** This includes advertising, personal selling (e.g. attending exhibitions), sales promotions (e.g. special offers), and atmospherics (creating the right impression through the working environment). Public Relations are included within Promotion by many marketing people (though PR people tend to see it as a separate discipline). **Promotion** becomes **Communication**
- **Place** or distribution. Looking at location (e.g. of a library) and where a service is delivered (e.g. are search results delivered to the user's desktop, office, pigeonhole - or do they have to collect them). **Product** becomes **Customer needs and wants**

These four ingredients in marketing mix are inter-related.

MARKETING STRATEGY

The marketing logic by which, the business unit hopes to achieve its marketing objectives. Marketing strategy consists of specific strategies for target markets, marketing mix and marketing expenditure level.

Marketing strategies are required to increase the sales and profits of any business. At the planning stage it will be recognized that there is a gap between the business current sales and the potential sales that can be achieved. This is called the sales performance gap.

What follows are some marketing strategies that can be used to increase sales easily and at low cost:

1. **Better product mix** – Certain products that you sell might be of low profit (lower gross profit margin) so it is important to get the product mix right. For example certain products might require that you carry higher inventory or have more service facilities – this invariably costs more.

2. **Better customer mix** – As certain products are unprofitable so are certain customers. For example some customers will cost a lot to retain in terms of service and time.

3. **More sales calls** – In very basic terms the more sales calls you perform the potential to make more sales increases.

4. **Better sales calls** – Targeted sales calls have a better probability of working out rather than merely increasing the number of sales calls. Do your homework before visiting your customers – this increases your chances of success exponentially.

5. **Charge for deliveries** – Improve the delivery and increase the number of delivery channels that can be used to distribute. Offer a faster means of delivery to entice the client.

The ***Ansoff matrix*** or Product-market matrix has been used successfully by many businesses over a number of decades.

The Ansoff matrix emphasizes four methods of increasing sales:

1. **Market penetration** – This is selling more of existing products to existing customer – perhaps by following techniques mentioned above.

2. **Market development** – This is the selling of existing products to new markets. This can be achieved by increasing the geographic scope of distribution. It can also be achieved by changes in mindset, for example in the marketing of baby shampoo – targeting adults by promoting the mild nature of baby shampoo.

3. **Product development** – This is the selling of new products to existing customers. Example is the development of the 'Walkman', which was a completely new product but first sold to existing music enthusiasts.

4. **Diversification** – Selling new products to new customers.

SEGMENTATION

Segmentation is defined as dividing a market into distinct groups with distinct needs, characteristics, or behavior who might require separate products or marketing mixes. The company identifies different ways to segment the market and develops profiles of the resulting market segments. There is no single way to segment a market. A marketer has to try different segmentation variables, alone and in combination, to find the best way view the market structure. The major variables of segmentation are geographic, demographic, psychographic and behavioral.

TARGETING

Targeting is defined as the process of evaluating each market segment's attractiveness and selecting one or more segments to enter. A target market consists of a set of buyers who share common needs or characteristics that the company decides to serve. The firm has to evaluate the various segments and decide how many and which ones to target. For example, a segment is less attractive if it already contains many strong and aggressive competitors.

POSITIONING

Positioning is defined as the way the product is defined by consumers on important attributes, the place the product occupies in consumers minds relative to competing products. Positioning involves implanting the brands unique benefits and differentiation in customer's minds. The positioning task consists of three steps: identifying a set of possible competitive advantages upon which to build a position, choosing the right competitive advantages, and selecting an overall positioning strategy.

1. Identify bases for segmenting the market.

2. Develop segment profiles.

→

3. Develop measure of segment attractiveness.

4. Select target segments.

→

5. Develop positioning for target segments.

6. Develop a marketing mix for each segment.

Consumer Behaviour

<u>Introduction</u>:

"Consumer Behaviour is defined as the decision process & physical activity individuals engage in when evaluating, acquiring, using or disposing of goods and services".

<u>Customer</u> – Refers to someone who regularly purchases from a particular company or store.

<u>Consumer</u> – More generic term; does not refer to any firm; anyone who is engaged in any activity mentioned in the definition of consumer behaviour.

Consumers are potential purchasers of products or services that are offered for sale; Not restricted to economic activities alone; potential adopters of free services, ideas or philosophies are also included.

Types of Consumers

- Personal consumer/ ultimate consumer
- Industrial/ Organizational consumer

Consumer Decision Making:

- **Extensive problem solving -** When consumers have no established criteria for evaluating a product category.

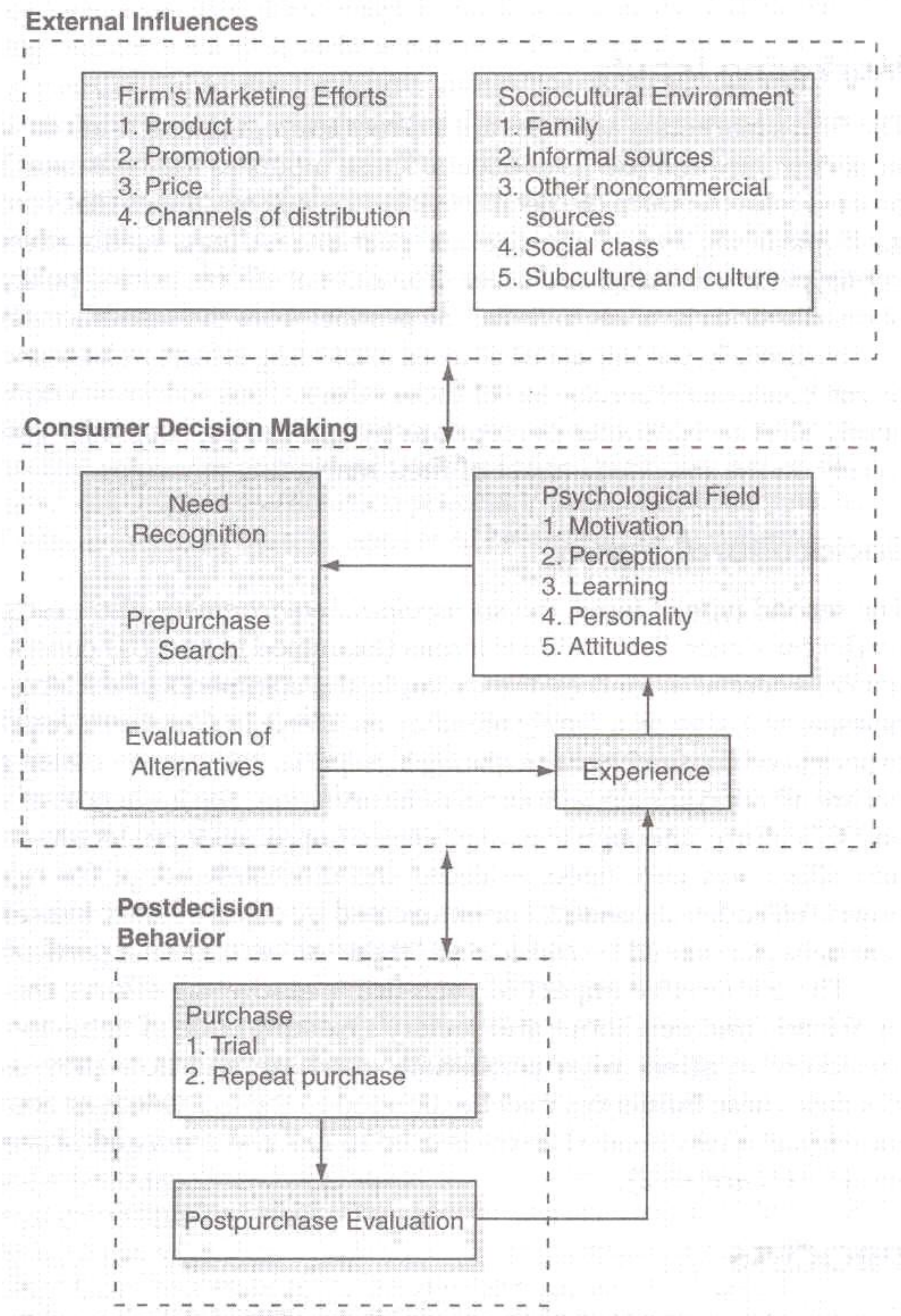
- **Limited problem solving -** When consumers have established some basic criteria for evaluating a product category

- **Routinised response behaviour**.

Models of Consumer Views:

- Economic View.
- Passive View
- Cognitive view
- Emotional view

Consumer Decision Making Model:



About - HDFC Bank Limited, India

The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in-principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalization of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995.

Promoter

HDFC is India's premier housing finance company and enjoys an impeccable track record in India as well as in international markets. Since its inception in 1977, the Corporation has maintained a consistent and healthy growth in its operations to remain a market leader in mortgages. Its outstanding loan portfolio covers well over a million dwelling units. HDFC has developed significant expertise in retail mortgage loans to different market segments and also has a large corporate client base for its housing related credit facilities. With its experience in the financial markets, a strong market reputation, large shareholder base and unique consumer franchise, HDFC was ideally positioned to promote a bank in the Indian environment.

Business Focus

HDFC Bank's mission is to be a World-Class Indian Bank. The Bank's aim is to build sound customer franchises across distinct businesses so as to be the preferred provider of banking services in the segments that the bank operates in and to achieve healthy growth in profitability, consistent with the bank's risk appetite. The bank is committed to maintain the highest level of ethical standards, professional integrity and regulatory compliance. HDFC Bank's business philosophy is based on four core values: Operational Excellence, Customer Focus, Product Leadership and People.

Capital Structure

The authorised capital of HDFC Bank is Rs.450 crore (Rs.45 billion). The paid-up capital is Rs.282 crore (Rs.28.2 billion). The HDFC Group holds 24.2% of the bank's equity while about 13.1% of the equity is held by the depository in respect of the bank's issue of American Depository Shares (ADS/ADR Issue). The Indian Private Equity Fund, Mauritius (IPEF) and Indocean Financial Holdings Ltd., Mauritius (IFHL) (both funds advised by J P Morgan Partners, formerly Chase Capital Partners) together hold about 5.5% of the bank's equity. Roughly 27.5% of the equity is held by FIIs, NRIs/OCBs while the balance is widely held by about 214,000 shareholders. The shares are listed on The Stock Exchange, Mumbai and the National Stock Exchange. The bank's American Depository Shares are listed on the New York Stock Exchange (NYSE) under the symbol "HDB".

Times Bank Amalgamation

In a milestone transaction in the Indian banking industry, Times Bank Limited (another new private sector bank promoted by Bennett, Coleman & Co./Times Group) was merged with HDFC Bank Ltd., effective February 26, 2000. As per the scheme of amalgamation approved by the shareholders of both banks and the Reserve Bank of India, shareholders of Times Bank received 1 share of HDFC Bank for every 5.75 shares of Times Bank. The amalgamation added significant value to HDFC Bank in terms of increased branch network, expanded geographic reach, enhanced customer base, skilled manpower and the opportunity to cross-sell and leverage alternative delivery channels.

Distribution Network

HDFC Bank is headquartered in Mumbai. The Bank at present has an enviable network of over 495 branches spread over 218 cities across the country. All branches are linked on an online real-time basis. Customers in 90 locations are also serviced through Phone Banking. The Bank's expansion plans take into account the need to have a presence in all major industrial and commercial centers where its corporate customers are located as well as the need to build a strong retail customer base for both deposits and loan products. Being a clearing/settlement bank to various leading stock exchanges, the Bank has branches in the centers where the NSE/BSE have a strong and active member base.

The Bank also has a network of over 1054-networked ATMs across these cities. Moreover, all domestic and international Visa/MasterCard, Visa

Electron/Maestro, Plus/Cirrus and American Express Credit/Charge cardholders can access HDFC BANK's ATM network.

Technology

HDFC Bank operates in a highly automated environment in terms of information technology and communication systems. All the bank's branches have connectivity, which enables the bank to offer speedy funds transfer facilities to its customers. Multi-branch access is also provided to retail customers through the branch network and Automated Teller Machines (ATMs).

The Bank has made substantial efforts and investments in acquiring the best technology available internationally to build the infrastructure for a world-class bank. In terms of software, the Corporate Banking business is supported by Flexcube, while the Retail Banking business by Finware, both from i-flex Solutions Ltd. The systems are open, scaleable and web-enabled.

The Bank has prioritised its engagement in technology and the Internet as one of its key goals and has already made significant progress in web-enabling its core businesses. In each of its businesses, the Bank has succeeded in leveraging its market position, expertise and technology to create a competitive advantage and build market share.

Management

Mr. Jagdish Kapoor took over as the bank's Chairman in July 2001. Prior to this, Mr. Kapoor was a Deputy Governor of the Reserve Bank of India.

The Managing Director, Mr. Aditya Puri, has been a professional banker for over 25 years, and before joining HDFC Bank in 1994 was heading Citibank's operations in Malaysia.

The Bank's Board of Directors is composed of eminent individuals with a wealth of experience in public policy, administration, industry and commercial banking. Senior executives representing HDFC are also on the Board.

Senior banking professionals with substantial experience in India and abroad head various businesses and functions and report to the Managing Director. Given the professional expertise of the management team and the overall focus on recruiting and retaining the best talent in the industry, the bank believes that its people are a significant competitive strength.

Rating

HDFC Bank has its deposit programmes rated by two rating agencies - Credit Analysis & Research Limited (CARE) and Fitch Ratings India Pvt. Ltd. The Bank's Fixed Deposit programme has been rated 'CARE AAA (FD)' [Triple A] by CARE, which represents instruments considered to be "of the best quality, carrying negligible investment risk". CARE has also rated the Bank's Certificate of Deposit (CD) programme "PR 1+" which represents "superior capacity for repayment of short term promissory obligations". Fitch Ratings India Pvt. Ltd. (100% subsidiary of Fitch Inc.) has assigned the "tAAA (ind)" rating to the Bank's deposit programme, with the outlook on the rating as "stable". This rating indicates "highest credit quality" where "protection factors are very high". HDFC Bank also has its long-term unsecured, subordinated (Tier-II) Bonds rated by CARE and Fitch Ratings India Pvt. Ltd. CARE has assigned the rating of "CARE AAA" for the Tier-II Bonds while Fitch Ratings India Pvt. Ltd. has assigned the rating "AAA (ind)" with the outlook on the rating as "stable".

In each case referred to above, the ratings awarded were the highest assigned by the rating agency for those instruments.

Corporate Governance Rating

The bank was one of the first four companies, which subjected itself to a Corporate Governance and Value Creation (GVC) rating by the rating agency, The Credit Rating Information Services of India Limited (CRISIL). The rating provides an independent assessment of an entity's current performance and an expectation on its "balanced value creation and corporate governance practices" in future. The bank has been assigned a 'CRISIL GVC Level 1' rating which indicates that the bank's capability with respect to wealth creation for all its stakeholders while adopting sound corporate governance practices is the highest.

Product Range

Savings, Fixed Deposits, Current and Demat Accounts

Savings Account: Apart from the usual facilities, you get a free ATM Card, Inter branch banking, Net Banking, Bill Pay, Phone Banking, Debit Card and Mobile Banking, among others.

HDFC Bank Preferred: A preferential Savings Account where you are assigned a dedicated Relationship Manager, who is your one-point contact. You also get privileges like fee waivers, enhanced ATM withdrawal limit, priority locker allotment, free Demat Account and lower interest rates on loans, to name a few.

Sweep-In Account: A fixed deposit linked to your Savings Account. So, even if your Savings Account runs a bit short, you can issue a cheque (or use your ATM Card). The money is automatically swept in from your fixed deposit into your Savings Account.

Super Saver Account: Gives you an overdraft facility up to 75% of your Fixed Deposit. In an emergency, you can access your funds while your Fixed Deposit continues to earn high interest.

HDFC Bank Plus: Apart from Regular and Premium Current accounts we also have HDFC Bank Plus, a Current Account and then some more. You can transfer up to Rs. 50 lakh per month at no extra charge, between the four metros. You can also avail of cheque clearing between the four metros, get cash delivery/pickup upto Rs. 25,000/-, home delivery of Demand Drafts, at-par cheques, outstation cheque clearance facility, etc.

Demat Account: Conduct hassle-free transactions on your shares. You can also access your Demat Account on the Internet.

Phone Banking: 24-hour automated banking services with 39 Phone Banking numbers available.

ATM 24-hour banking: Apart from routine transactions, you can also pay your utility bills and transfer funds, at any of our ATMs across the country all year round.

Inter-city/Inter-branch Banking: Access your account from any of our 495 branches in 218 cities.

Net Banking: Access your bank account from anywhere in the world, at anytime, at your own convenience. You can also view your Demat Account through Net Banking.

International Debit Card: An ATM card you can shop with all over the country and in over 140 countries with. You can spend in any currency, and pay in Rupees.

Mobile Banking: Access your account on your mobile phone screen at no airtime cost. Use SMS technology to conduct your banking transactions from your cell phone.

Bill Pay: Pay your telephone, electricity and mobile phone bills through our ATMs, Internet, phone or mobile phone. No more standing in long queues or writing cheques.

PRODUCT PROFILE:

Corporate Salary Account

When a corporate customer opens an HDFC Bank Corporate Salary Account the employees get more than just an account. They get a host of e-Age Banking facilities such as Free Net Banking, Phone Banking, Mobile Banking, International Debit Card (valid in 140 countries) and Bill Pay. All that plus free Demand Drafts and preferential interest rates on Personal Loans. All in all, employees will an account that makes banking a pleasure for them. Where the salary is credited directly to the employees accounts nation wide at one go.

The Advantages

Zero Balance Account

The employee does not have to maintain any minimum balance in the account.

Free Debit Card

The employees do not have to pay the annual fee for their Debit Cards. Additionally, the first year annual fee is also waived for one additional account holder, as in the case of a savings account holder. This plus all the other Debit Card benefits are available to the employees of their respective organization.

Cheque pick up

The employees can avail of this facility if the company has an average net take home salary of at least Rs 15,000 and minimum of 200 employees.

This facility will be offered daily. A drop box will be installed at the company premises and the cheques will be picked up at the designated time.

This service is currently available in Mumbai, Delhi, Chennai, Hyderabad, Bangalore, Pune and Ahmedabad

Overdraft facility

Employees with a salary account are eligible for this facility:

Employees with a "Net Monthly Take Home Salary" of a minimum of Rs.10,000 can avail a clean overdraft facility on the savings account @ 18%.

Discounts on loans

The employees can avail of the benefits of preferential pricing on our asset products, namely Loans against Securities, Car Loans and Personal Loans.

It's FREE

- Zero balance savings account
- Free Debit Card
- Free Inter-city/branch banking
- Free cash delivery /cheque pick up in the top 7 cities
- Free cheque pick up in 7 cities

- Temporary overdraft facility @ 18% p.a. (+interest tax if applicable)
- Free Demand Drafts up to Rs 25,000 at HDFC Bank branch locations
- Discount on loan products offered by the bank
- Personalized Cheque Book
- Free Net Banking
- Free Mobile Banking
- Free Phone Banking
- Free Bill Pay

Net banking - Online Banking / Internet Banking

Now up-to-the second access anytime anywhere!

While many banks offer online banking or Internet banking facilities, most of them do not offer up-to-the-second account information. This means that if a cheque issued by you has been debited from your account in the morning, your account status will not reflect this when you login to your account in the afternoon. That's because, the account is updated at the end of each day and not instantaneously.

HDFC Bank Online is a pioneer with regards to online banking or Internet banking services in India and has contributed immensely to changing the face of banking in India. With Net Banking, you can view your account balance but also open a Fixed Deposit, transfer funds, pay your electricity, telephone or mobile phone bills and much more. Interactive Net Banking demo to learn more about its various online banking or Internet banking features. Also you can now register for this service over the phone. These services have made banking online in India a pleasure.

And now, They have introduced for the first time in India a new, powerful feature for the Net Banking customers - **One View**. With One View you can view not only your HDFC Bank accounts but also your ICICI Bank, Citibank, HSBC, Standard Chartered Bank, Global Trust Bank accounts, Citibank credit cards and HDFC Bank Demat accounts. So you can actually view six banks at the same time on one screen! What's more the service is absolutely FREE!

Phone Banking

Now the bank account is just a phone call away. Through Phone Banking they can:

- Check your account balance.
- Check the last 5 transactions in your account.
- Enquire on the cheque status.
- Have a mini statement (last 9 transactions) faxed across to you.
- Request for a chequebook / Account statement.
- Enquire on your Fixed deposits / TDS.
- Open a Fixed deposit.
- Request for Demand Draft / Managers Cheque.
- Transfer funds amongst your linked accounts.
- Pay utility and HDFC Bank Credit Card bills.
- Do a stop cheque payment.

- Report loss of your ATM / Debit Card.
- Product information.
- Enquire on the Interest / Exchange rates.

Phone banking facility is available round the clock, everyday, in Mumbai, Delhi, Chennai, Kolkata, Bangalore, Hyderabad, Ahmedabad, Chandigarh and Pune.

Bill Pay

Bill Payments Service Now, you have the luxury of paying your telephone, electricity and mobile phone bills at your convenience. Through the Internet, ATMs, your mobile phone and telephone. LIC insurance premiums can also be paid through this facility. You can renew your VSNL Internet Account and even Register for a New VSNL Internet Account using Bill Pay, a comprehensive bill payments solution. What's more you can check the bill amount before you make any payments ensuring you always pay the right amount. Bill Pay has made all your bill payments easy. No queuing up at collection centres or writing cheques any more! Just a few clicks and your account will be debited for the exact amount you ask us to pay. It's that easy and it's secure too! It gets even better if you are a resident of Hyderabad or Secunderabad and registered for our Net Banking service. Thanks to the bank’s tie-up with eseva, a unique integrated service launched by the government of Andhra Pradesh, you can now pay your electricity bills, water bills and municipal taxes (telephones to be introduced shortly) through the Internet using the Direct Debit option. The most important aspect of this service is that the payments made are updated in the database of the utility companies on an online and real-time basis.

Forexplus Card

HDFC Bank is proud to present the Forex plus Travel Card. A pre-paid traveller's card that gives you a secured and hassle-free travel experience. So now you won't chase moneychangers or pay any transaction charges for shopping abroad. If your card is stolen, you can always block it. And just in case you want to extend your journey, you can also reload. It's one card that solves all your foreign exchange needs

You can opt for the card you are interested in: Forexplus Dollar Card or Forex plus Euro Card.

Forex plus, a pre-paid traveller's card has facilities like:

- Accepted at over 13 million Visa Merchants anywhere in the world
- 24 hour VISA ATMs anywhere in the world.
- Re-loadable anytime, anyplace
- Available in US Dollar & Euro Currencies
- Personal Accident Insurance Covers of Rs 2 lacs
- Loss of Baggage & Passport, reconstruction insurance covers.

Indian Banking History

Banking in India has its origin as early as the Vedic period. It is believed that the transition from money lending to banking must have occurred even before Manu, the great Hindu Jurist, who has devoted a section of his work to deposits and advances and laid down rules relating to rates of interest. During the Mogul period, the indigenous bankers played a very important role in lending money and financing foreign trade and commerce. During the days of the East India Company, it was the turn of the agency houses to carry on the banking business.

The General Bank of India was the first Joint Stock Bank to be established in the year 1786. The others, which followed, were the Bank of Hindustan and the Bengal Bank. The Bank of Hindustan is reported to have continued till 1906 while the other two failed in the meantime. In the first half of the 19^{th} century the East India Company established three banks; the Bank of Bengal in 1809, the Bank of Bombay in 1840 and the Bank of Madras in 1843. These three banks also known as Presidency Banks were independent units and functioned well. These three banks were amalgamated in 1920 and a new bank, the Imperial Bank of India was established on 27^{th} January 1921. With the passing of the State Bank of India Act in 1955 the undertaking of the Imperial Bank of India was taken over by the newly constituted State Bank of India. The Reserve Bank which is the Central Bank was created in 1935 by passing Reserve Bank of India Act 1934. In the wake of the Swadeshi Movement, a number of banks with Indian management were established in the country namely, Punjab National Bank Ltd, Bank of India Ltd, Canara Bank Ltd, Indian Bank Ltd, the Bank of

Baroda Ltd, the Central Bank of India Ltd. On July 19, 1969, 14 major banks of the country were nationalized and in 15th April 1980 six more commercial private sector banks were also taken over by the government.

The commercial banking structure in India consists of: Scheduled Commercial Banks and Unscheduled Banks.

Scheduled commercial Banks constitute those banks, which have been included in the Second Schedule of Reserve Bank of India (RBI) Act, 1934. RBI in turn includes only those banks in this schedule, which satisfy the criteria laid down, vide section 42 (6) (a) of the Act.

As on 30th June 1999, there were 300 scheduled banks in India having a total network of 64,918 branches. The scheduled commercial banks in India comprise of State bank of India and its associates (8), nationalized banks (19), foreign banks (45), private sector banks (32), co-operative banks and regional rural banks.

Public Sector Banks

a. State Bank of India and its associate banks called the State Bank group
b. Nationalized banks
c. Regional Rural Banks

Private Sector Banks

a. Old generation private banks
b. New generation private banks
c. Foreign banks in India
d. Co-operative Banks
e. Non-scheduled Banks

Development Banks

1. Industrial Finance Corporation of India (IFCI)
2. Industrial Development Bank of India (IDBI)
3. Small Industries Development Bank of India (SIDBI)
4. National Bank for Agriculture and Rural Development (NABARD)
5. Export Import Bank of India
6. National Housing Bank

Indian commercial banks are also operating in foreign countries. These branches are spread over a number of countries and located in major centers like London, New York, Paris, Tokyo, Singapore and Bahrain. These branches specialize in various areas of international trade including financing of foreign trade.

Private and foreign banks

The RBI has granted operating approval to a few privately owned domestic banks; of these many commenced banking business. Foreign banks operate more than 150 branches in India. The entry of foreign banks is based on reciprocity, economic and political bilateral relations.

Close monitoring by RBI

However, the RBI will carefully manage the freedom of the entry into the banking sector. The RBI will grant approvals for entry of private sector banks provided such banks offer competitive, efficient and low cost financial intermediation services, result in upgradation of technology in the banking sector, are financially viable and do not resort to unfair means like preemption and concentration of credit, monopolization of economic power, cross holding with industrial group.

Performance of Indian Banks 2003-04

The outgoing year of the NDA government was remarkable because of healthy monsoons boosting agricultural growth and spearheading the economic recovery. Cement and steel industry saw a turnaround and the manufacturing sector also witnessed good growth. All of this led to an increase in credit off takes for banks, which were awash with liquidity for the last few years. Another major development was the increase in the retail segment. Almost all banks purdued retail customers, particularly home loans and vehicle loans. This is healthy sign as the extents of NPAs are less in this segment.

There was appositive trend in deposits, advances as well as total income figures. Compared to the last fiscal year 2002-03, all the three major sub-groups, the public sector, the private sector and the foreign banks have improved.

The total income of nationalized banks increased by 7.7% compared to 2002-03. Private banks have grown by 9.81% and foreign banks by 9.41%.

Operating profit of public sector banks increased by 0.28% for 2003-04 compared to previous year. Private sector banks registered a rise of 11.55% and foreign banks registered a decrease in operating profits by 2.24%. The profit after tax for public and private sector banks grew by 30%. Foreign banks had a growth of 2.10%.

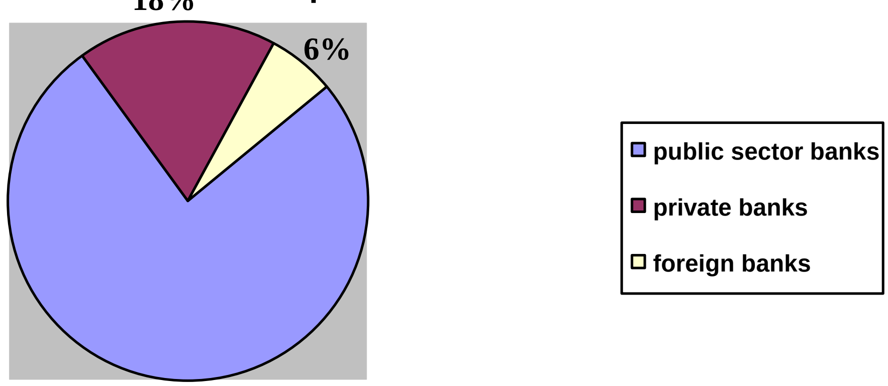
Public sector banks have registered a marginal down fall of 1.05% in their interest income. On the other hand non-interest income registered a growth of 14.05%

Private sector banks had an increase in interest income at the rate of 7.52% while non-interest income increased by 13.03%. Foreign banks saw a decline in interest income by 2.67% while a rise of 19.08% in the non-interest income.

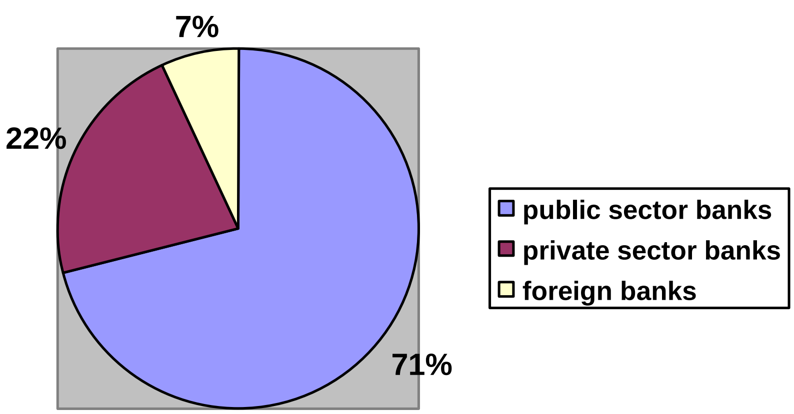
Deposits of the public sector banks increased by 14.05%, while the private banks improved their deposit base by 33.07%. Foreign banks too saw an increase in their deposits by 16.63%. The share of public sector banks in the deposit pie declined from 78% to 76% while that of private banks increased from 16% to 18%.

The advances of public sector banks have increased by 17.62% compared to the previous year. Foreign banks had a growth of 17.95%. Private sector banks had the highest growth of 25.63% in advances. In terms of the percentage share of the pie, public sector banks remained steady at 71%. The share of private sector banks increased from 22% to 21%.

Deposits 2003-04



Advances 2003-04



Data Source:CMIE

The minimum Capital Adequacy Ratio as per RBI norms is 9% at present. The average CAR in public sector banks was at 12.94%, private sector 13.74% and foreign banks 36.63%.

The prescribed NPA level of 1% is the tolerable international standard. The average NPAs in the public sector banks is 2.54%, the private sector is 4.36% and a foreign bank is 7.34%. Some of the old private banks have high NPAs.

The total investment to total assets indicates the extent of deployment of funds. The average ratio is 42% in public sector banks, 37.78% in private banks and 33.37% in foreign banks. This shows that private sector banks are pursuing aggressive strategies in disbursal of advances.

The public sector banks had an average ratio of 53.19% of advances to deposits. The advance to deposit ratio of private sector banks is higher at 54.72% and is the highest in foreign banks with 76.29%.

The average profit per employee was Rs.2.65 lakh in public sector banks and the average business per employee was Rs. 254 lakh. The average profit per employee was Rs.4.99 lakh and average business per employee was Rs. 453 lakh in private sector banks. The average profit per employee is Rs.10.64 lakh and the average business per employee is Rs. 868 lakh in case of foreign banks.

The average ratio of operating profit as a percentage of average working funds for public sector banks was 3.18% and had an average spread of 3.13%. Private sector banks had an average ratio of operating profits to average working finds of 2.75% and the average spread for private banks was 2.59%. The average ratio of or operating profits to average working funds was higher at 4.04% and the spread was 2.97%.

The ratio of liquid assets to demand deposits was 107% in case of public sector banks. The ratio was 188.88% in private sector banks, indicating more liquidity and the highest n foreign banks at 229%.

The policy changes that were initiated in FY03, helped reform the sector in more ways than one. Due to the securitisation and asset reconstruction act that was passed by the parliament in FY03, the lenders were in a better position to effect recoveries. Higher recoveries were seen in FY04 in addition to a higher number of cases being filed on the strength of this new law. However the year also saw delay in the implementation of crucial policy decisions like lifting the ceiling (10%) on voting rights and further liberalisation of the FDI limit in the banking sector.

During FY04, the RBI helped increase the liquidity in the markets by reducing the CRR (Cash Reserve Ratio) to 4.5% from 4.75%, while the bank rate was lowered to 6%. Softer interest rate bias as well as increased liquidity helped grow the banks' credit by 14.6%. What was disturbing however, is the fact that food credit showed a de-growth, compared to the same period last year.

Like FY03, public sector banks saw windfall gains in their G-Sec portfolio in FY04. This helped them record strong growth in their bottomlines. They have consequently been able to provide aggressively for NPAs. Similarly like FY04, banks saw a fair amount of aggressiveness in the retail segment.

FY04 was also a significant year for the banking sector due to the fact that banks were in a better position to negotiate with defaulters to recover bad debts. This was essentially due to the strength provided by the new Securitisation act that gives significant amount of power to the lenders to go after defaulting borrowers. However there are still gray areas, which need to be sorted out in order to increase the potency of the new law

Growing Competition

The opening of the banking sector to private as well as foreign banks has been a major milestone in the history of the industry in the country; as a result of new generation private sector banks have entered the scene. This along with the permission to foreign banks to expand their operation in the country through subsidiaries has galvanized the domestic banking sector, dominated so far by the hitherto slow and lethargic public sector banks. Increased competitive pressure is forcing public sector banks to wake up from their deep slumber and adapt to the changing business environment so as to remain competitive. On the positive side, PSBs have begun responding to the challenge well; although many of them are yet to gear up to meet the challenges of the deregulatory era.

The entry of new generation private sector and foreign banks is rewriting the rules of banking in the country. Today, there is a greater emphasis on customer convenience, which key to success. Technology has emerged as a key enabler to achieve greater market penetration without having a brick-and – mortar structure, which is time consuming and expensive. The proliferation of ATMs of both private and foreign banks in the towns and cities of India prove that. A majority of these banks are now widening and running their operations almost branches, using technology platforms like

ATMs internet banking, etc. also, technology is helping banks in which is allowing them to stay competitive even as competitive even as competition is heating up.

Consolidation- The Inevitable

As the competition increase, it will make consolidation in the sector inevitable with the highly fragmented nature of the sector; it is not unlikely that many banks especially PSBs will find some of their branches unproductive and unsustainable. The greater cost competitiveness of private banks will also force PSBs with inefficient operations and high costs to either close those branches or merge with other banks to bring down the costs. Signs of consolidation have already begun to emerge. The high – profile merger of times bank with HDFC Bank five years ago marked the arrival of mergers and acquisitions (M&A) in the banking sector in the country. A couple of recent mergers clearly send a signal that consolidation is inevitable. The merger between ICICI Bank and Bank of Madura, Nedungadi Bank's merger with Punjab National the beleaguered Global Trust Bank with government owned Oriental Bank of commerce vindicate the argument. Industry experts opine that they're many more mergers on the cards.

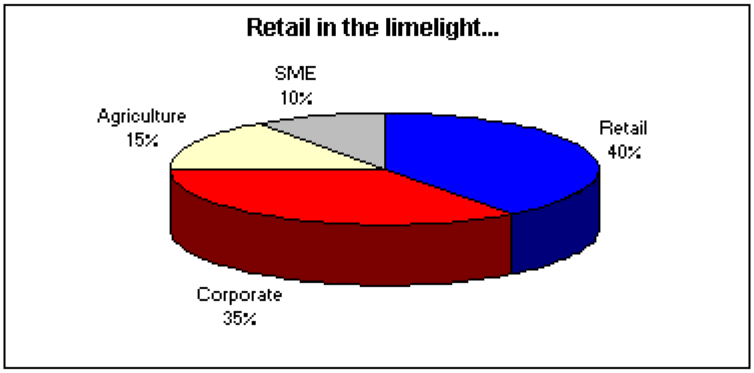
The Union f Financial Minister has also merged between banks, especially government owned ones. He was recently quoted saying, " consolidation alone will give banks the muscle, size and scale to act local and seek markets, new classes of borrowers". This gives enough indication as to what lies in store for as consolidation is concerned. Further as banks presence out

side the country and have a global reach they will be competing with global bank, etc. in terms of strong balance sheet, and economies of scale, size.
To acquire these capabilities Indian banks will have to look beyond organic growth. State owned banks like State Bank of India and Bank of Baroda, and private sector players like ICICI Bank have already made their intentions of going Global clear.

With the economic growth picking up pace and the investment cycle on the way to recovery, the banking sector has witnessed a transformation in its vital role of intermediating between the demand and supply of funds. The revived credit off take (both from the food and non food segments) and structural reforms have paved the way for a change in the dynamics of the sector itself. Besides gearing up for the compliance with Basel accord, the sector is also looking forward to consolidation and investments on the FDI front.

Public sector banks have been very proactive in their restructuring initiatives be it in technology implementation or pruning their loss assets. Windfall treasury gains made in the falling interest rate regime were used for writing off the doubtful and loss assets. Incremental provisioning made for asset slippages have safeguarded the banks from witnessing a sudden impact on their bottomlines.

Retail lending (especially mortgage financing) formed a significant portion of the portfolio for most banks and the entities customized their products to cater to the diverse demands. With better penetration in the semi urban and rural areas the banks garnered a higher proportion of low cost deposits thereby economizing on the cost of funds.



Apart from streamlining their processes through technology initiatives such as ATMs, telephone banking, online banking and web based products, banks also resorted to cross selling of financial products such as credit cards, mutual funds and insurance policies to augment their fee based income.

Basel II challenges

As the process of integration of the Indian economy with the global economy gains momentum it will pose significant challenges to the banking sector in India as a whole. A major challenge it faces is the implementation of Basel II norms. The Basel II norms relate to the new comprehensive framework for global capital standards laid down by the basal committee on banking supervision. RBI has asked Indian banks to gear up to migrate to the new guidelines by the end of December 2004. In its annual policy statement in may 2004, RBI announced that Banks in India should examine the options available under Basel II and draw a road map by the end of 2004 so, that they are ready for the migration to Basel II, and review the progress made there of at quarterly intervals. The Basel II norms will be implemented from 2006. However, Banks are concerned that unless some loopholes are plugged it will be difficult to the implement the norms in their entirety. According to survey finding by Federation of Indian chamber of commerce and Industry (FICCI), the low level of computerization, the absence of robust internal credit rating mechanism and a strong management information system. (MIS) and lack of training and education among employees are the prime reasons while Indian banks of reluctant to ship to the Basel II norms by 2006. a total 87% respondents felt that the provision for the capital changes to address operational risks will put pressure on capital adequacy requirements and also adversely affect the credit flow to the industry, as Banks will become more averse to risk . However overall, as the survey findings prevail, banks feel that internal rating based Basel II norms will make Indian Banks more resilient to risk and help them face competition better.

Future of Indian Banking

Liberalization and de-regulation process started in 1991-92 has made a sea change in the banking system. From a totally regulated environment, we have gradually moved into a market driven competitive system. Our move towards global benchmarks has been, by and large, calibrated and regulator driven. The pace of changes gained momentum in the last few years. Globalization would gain greater speed in the coming years particularly on account of expected opening up of financial services under WTO.

Four trends change the banking industry world over, viz.

1) Consolidation of players through mergers and acquisitions,
2) Globalization of operations,
3) Development of new technology and
4) Universalisation of banking.

With technology acting as a catalyst, we expect to see great changes in the banking scene in the coming years. There is an emergence of an integrated and diversified financial system. The move towards universal banking has already begun. This will gather further momentum bringing non-banking financial institutions also, into an integrated financial system.

The traditional banking functions would give way to a system geared to meet all the financial needs of the customer. We could see emergence of highly varied financial products, which are tailored to meet specific needs of the customers in the retail as well as corporate segments. The advent of new technologies could see the emergence of new financial players doing financial intermediation. For example, we could see utility service providers offering say, bill payment services or supermarkets or retailers doing basic lending operations. The conventional definition of banking might undergo changes.

The competitive environment in the banking sector is likely to result in individual players working out differentiated strategies based on their strengths and market niches. For example, some players might emerge as specialists in mortgage products, credit cards etc. whereas some could choose to concentrate on particular segments of business system, while outsourcing all other functions. Some other banks may concentrate on SME segments or high net worth individuals by providing specially tailored services beyond traditional banking offerings to satisfy the needs of customers they understand better than a more generalist competitor.

International trade is an area where India's presence is expected to show appreciable increase. Presently, Indian share in the global trade is just about 0.8%. The long term a projection for growth in international trade is placed at an average of 6% per annum. With the growth in IT sector and other IT Enabled Services, there is tremendous potential for business opportunities. Indian exports can be expected to grow at a sustainable rate of 15% per annum in the period ending with 2010. This again will offer enormous scope to Banks in India to increase their forex business and international presence. Globalization would provide opportunities for Indian corporate entities to expand their business in other countries. Banks in India wanting to increase their international presence could naturally be expected to follow these corporates and other trade flows in and out of India

Retail lending will receive greater focus. Banks would compete with one another to provide full range of financial services to this segment. Banks would use multiple delivery channels to suit the requirements and tastes of customers. While some customers might value relationship banking (conventional branch banking), others might prefer convenience banking (e-banking).

One of the concerns is quality of bank lending. Most significant challenge before banks is the maintenance of rigorous credit standards, especially in an environment of increased competition for new and existing clients. Compensation through trading gains is not going to support the banks forever. Large-scale efforts are needed to upgrade skills in credit risk measuring; controlling and monitoring as also revamp operating procedures. Credit evaluation may have to shift from cash flow based analysis to "borrower account behavior", so that the state of readiness of Indian banks for Basle II regime improves. Corporate lending is already undergoing changes. The emphasis in future would be towards more of fee based services rather than lending operations. Banks will compete with each other to provide value added services to their customers.

Structure and ownership pattern would undergo changes. There would be greater presence of international players in the Indian financial system. Similarly, some of the Indian banks would become global players. Government is taking steps to reduce its holdings in Public sector banks to 33%. However the indications are that their PSB character may still be retained.

Mergers and acquisitions would gather momentum, as managements will strive to meet the expectations of stakeholders. This could see the emergence of 4-5 world class Indian Banks. As Banks seek niche areas, we could see emergence of some national banks of global scale and a number of regional players.

Corporate governance in banks and financial institutions would assume greater importance in the coming years and this will be reflected in the composition of the Boards of Banks.

Concept of social lending would undergo a change. Rather than being seen as directed lending such lending would be business driven. With SME sector expected to play a greater role in the economy, Banks will give greater overall focus in this area. Changes could be expected in the delivery channels used for lending to small borrowers and agriculturalists and unorganized sectors (micro credit). Use of intermediaries or franchise agents could emerge as means to reduce transaction costs.

Technology as an enabler is separately discussed in the report. It would not be out of place, however, to state that most of the changes in the landscape of financial sector discussed above would be technology driven. In the ultimate analysis, successful institutions will be those which continue to leverage the advancements in technology in re-engineering processes and delivery modes and offering state-of-the-art products and services providing complete financial solutions for different types of customers.

Human Resources Development would be another key factor defining the characteristics of a successful banking institution. Employing and retaining skilled workers and specialists, re-training the existing workforce and promoting a culture of continuous learning would be a challenge for the banking institution

Risk Management:

With increasing place of globalization and easy flow of money across the globe banks in the country will be exposed to several new kinds of risk, prominently country risk, besides the traditional risks like credit risk, market risk, and operational risk. In this backdrop, banks will be required to the strengthen their risks management and surveillance system and improve their credit assessment and risk management skills.

Prospects

RBI's soft interest rate policy has helped increase the liquidity in the market, however credit offtake has not exactly been robust. Going forward, the scenario is set to change in favour of higher credit offtake due to expected improvement in agricultural output on the back of good monsoons as well as revival in the Indian industry. However the same cannot be said for the interest rate regime. Higher inflation and the prospect of the US raising interest rates may necessitate a hike in interest rates in the domestic markets also. This may in turn curb the growth of the credit in the economy. Hence while the growth in credit may still be robust, a higher interest rate scenario may however limit the potential.

While the new law regarding securitisation and foreclosure of assets may take a while to bear any large benefits, currently the benefits of increased power in the hands of the lender are making the borrowers to come to the negotiating table. FY04 saw a scenario where the borrowers were forced to negotiate with the lenders, which consequently led to the borrowers returning some of the dues to the lenders. Going forward the new law will bring about greater accountability within the system and ensure that borrowers do not take undue advantage of the system. Already an asset reconstruction company has been set up by SBI in partnership with other institutions like ICICI Bank and IDBI. If properly implemented, this new law may lead to significant benefits for the banking sector as a whole.

Currently the banking sector in the country is strongly fragmented and hence with further policy changes taking place in the sector, consolidation is likely to take place at a faster rate. However this is subject to the removal of the ceiling on voting rights will ensure that private sector and foreign banks will be in a much better position to carry out acquisitions in the banking sector. A hike in FDI capital limits in the sector would further go a long way in the process of consolidation.

In terms of credit growth, going forward. India's core sector is witnessing a revival of sorts. The manufacturing sector especially led by steel and cement industries has shown significant improvement in FY04. We expect the trend to continue. Hence as corporate growth picks up lending too is likely to see an uptick. Retail credit off-take is expected to remain strong going forward with the housing finance industry, the main contributor to credit off-take from this segment, expected to grow between 20%-25% in the next 3-4 years.

International best practices:

If the banks in the country have to compete with international banks, they will have to gear up to embrace international best practices and standards in terms of operating, reporting and disclosure norms.

Corporate governance:

With growing emphasis on the part of listed companies world wide on creating share holder wealth: domestic banks, which are seeing a dilution in government ownership, will come under intense pressure to be more transparent in their operations, and improve the disclosure and reporting practices. Hence, these banks will have gear up to meet the stock market demands, and improve their corporate governance practices.

"COMPARATIVE ANALYSIS OF CORPORATE SALARY ACCOUNTS PROVIDED BY DIFFERENT BANKS IN BANGALORE"

Statement of the Problem

Banking sector in India is facing severe competition in the form of catering up with the corporate clients. Every organized bank, private & public offers something other than just products & services to Indian customers. If one bank comes up with a new strategy providing augmented service, in just a few weeks it becomes old, as other banks would be proactive to imitate or bring in new & better strategies for service & great customer benefit. Infact we can simply call this as "Banking Wars".

Corporate Salary Account (CSA) is the first step in building a lasting customer relationship. In this domain every bank is trying very hard to establish a good rapport with its corporate clients with amazing benefits in terms of services.

> "Who is doing what in providing benefit to CSA holder" has become the hallmark for success to work on new ways of doing business.

HDFC Bank which provides various service benefits to its CSA holders has been able to sell new products to its existing client base.

Due to the "Service Wars" in the banking sector HDFC Bank is intimidated to conduct a research to find out the strategies adopted by other leading banks with a special emphasis on CSA, and questions like, do the corporates get a huge benefit to have a tie up with a bank.

Hence, “A Comparative analysis of Corporate Salary Account of various sectors, with a focus on HDFC bank and other leading banks”, has been chosen as the title of the project.

Objectives

- To find the level of penetration by different banks in the IT sector.
- To convert the existing non – HDFC CSA accounts into HDFC CSA accounts during the course of this period.
- To find the benefits in terms of Services to IT – CSA customers.
- To identify specifically different benefits offered to various levels of IT – CSA customers.
- To find the level of satisfaction of IT – CSA customers with their respective banks.
- To suggest the best emergent strategies for HDFC Bank, if required.

Hypothesis

(1) HDFC Bank is offering the best benefit to CSA customers in comparison with other banks.

HDFC Bank is not offering the best benefit to CSA customers in comparison with other banks.

(2) HDFC Bank can enter the new segment & capture at least % of the market.

HDFC Bank cannot enter the new segment & capture at least % of the market.

Scope of Study

The study is targeted at CSA customers of various sectors in Bangalore for a period of 1 ½ months (May 2nd 05 to June 15th 05)

Methodology

Research Methodology is the most important aspect of any survey. Without this tool the researcher will not be able to obtain facts & figures from the target customers.

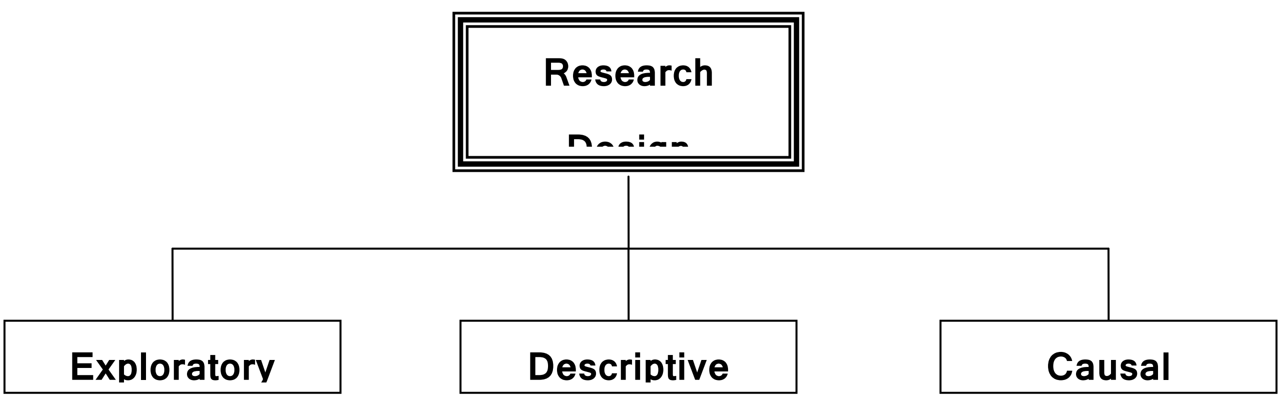
One – on – One interaction has been effectively used to make the study, which has its source from a pre – determined questions check – list.

Primary data is being collected through a structured Questionnaire (provided by HDFC Bank).

Sampling is based on “Stratification” of various sectors of industries.

Research Design

A master plan for the conduct of investigation. It is a specified set of procedures for collecting & analyzing the information required, for the solving of some specific problem. It can be classified based on the objectives of the research.



Research Design Adopted for the study

A Exploratory research design is being adopted.

Outcomes of the Study

- A through understanding about the formulation of "Need Based Services".
- Performance measurement in terms of services provided by various banks in Bangalore.
- As a personal benefit received, my communication & networking skills will definitely stand improved.

Research Method

Primary Data has been collected mainly through in depth Surveys & Personal Interviews.

Personal Interviews are being taken based on a structured Questionnaire, provided by HDFC Bank.

Research Instrument

A standard Questionnaire is being used, consisting of mainly closed ended questions, which extract the precise data required for the research.

Sources of Data & Data Collection

Primary data is being collected through pre – determined sampling units, sampling size & sampling procedure. It is also being collected through Surveys, P.I & Telephonic Interviews.

Secondary data has very less importance in this research.

Sampling Design

Sampling Unit: Consists of companies which have an active relationship with banks in the form of CSA.

Sampling Size: Is focused on companies which have the required parameters which make them eligible for CSA.

Sampling Procedure: Stratified samples of key decision makers in an organization.

Field Work

The modus operandi adopted on the field is to introduce ourselves as an MBA student on a survey work to find out the customer satisfaction of corporates regarding their bankers. Based on this introduction, questions are posed to the opposite party to gather the required information.

Limitations of the study

- The survey has been limited to Bangalore city only.

- Scheduling appointments with key decision makers of companies.
- Some companies are not head quartered in Bangalore, hence their respective decision makers could not be contacted.
- It is assumed that the respondents’ data is accurate.
- Respondents’ data may vary due to circumstances.
- Company policies required certain essential data to be kept a secret.

For the purpose of mapping Bangalore city has been divided into 4 Zones. Each zone consists of adjacent areas.

Zone 1

Areas covered under the zone

R.T.Nagar	*M.S.R.Nagar*
Hebbal	*Sadashivnagar*
Yelahanka	*Cox Town*
Malleshwaram	*Frazer Town*

Sample Size: 42 – Companies

Table No: 1

Table showing classification of respondents on the basis of total number of employees having Corporate Salary Account

Total No of Employees having CSA in this Zone	7040
ICICI	2095
CITIBANK	512
SBI	2325
UTI	680
ING VYSYA	250
CORPORATION BANK	665
ABN AMRO	250
OTHERS	263

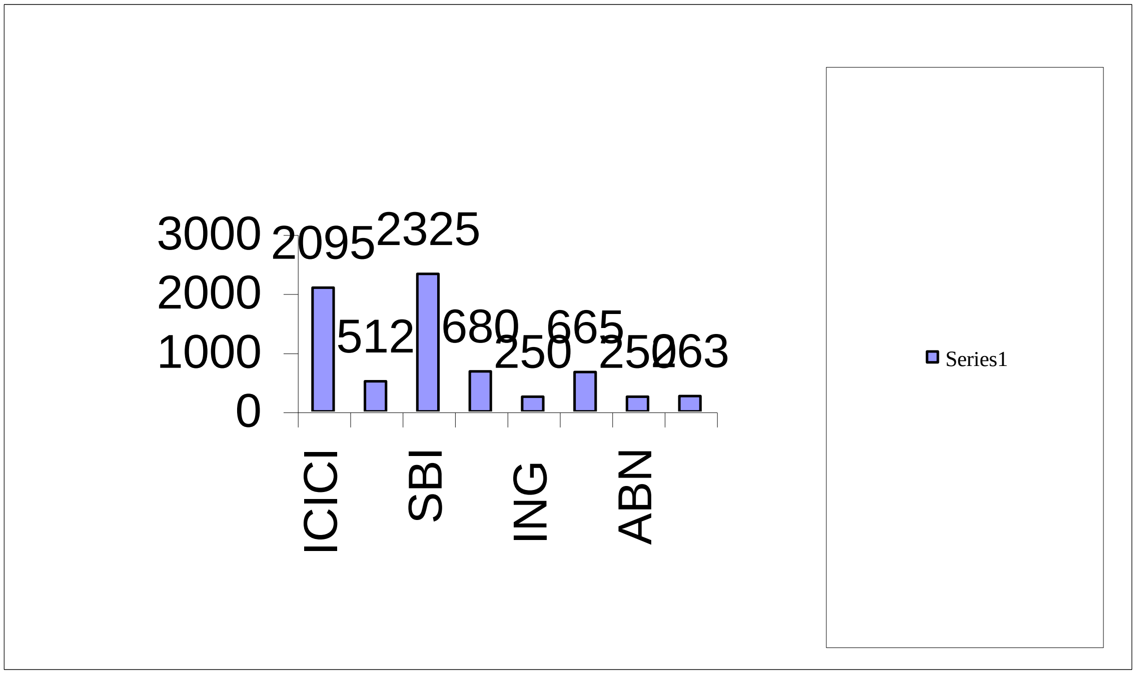
Concept:

The test is designed to find out the number of Corporate Salary Accounts which have been captured by various banks in this Zone.

Analysis:

Table 1 reveals that SBI has majority of the Corporate Salary Accounts in this Zone.

Chart showing classification of **the number of Corporate Salary Accounts which have been captured by various banks in this Zone.**



Inference:

There is a good opportunity for HDFC Bank to capture the minor percentage (38%) in this zone, while competing with the two dominant players (SBI-32%;ICICI-30%).

Table No: 2

Table showing classification of respondents on the basis of sector wise break – up of companies

Sectors Wise Break - Up of Companies	42
IT	7
ITES	6
Engg / Mfg	9
Education	8
Others	6

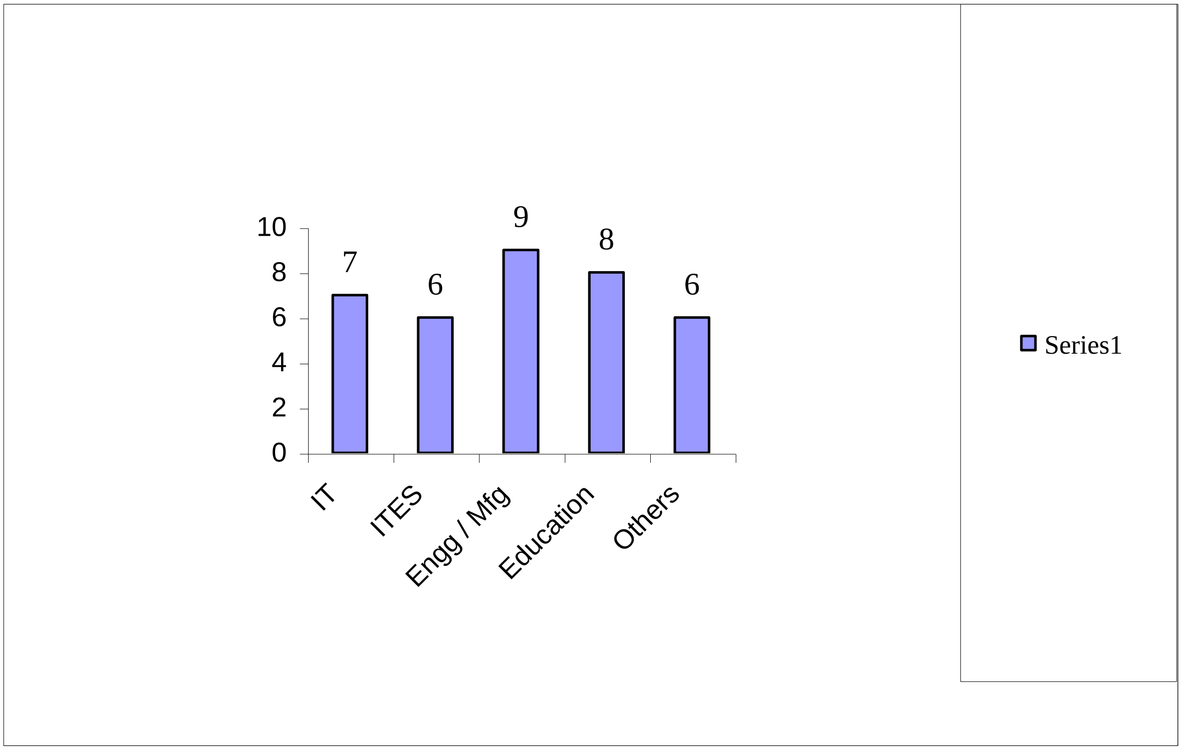
Concept:

The test is designed to find out the sector wise break up of companies in this Zone.

Analysis:

Table 2 reveals that Engineering/Manufacturing has majority of companies in this Zone.

Chart showing classification of **the sector wise break up of companies in this Zone.**



Inference:

There is a good opportunity for HDFC Bank to penetrate in the Engg/Mfg and Education sector in this zone.

Table No: 3

Table showing classification of respondents on the basis of Banks penetration

Banks Penetration	
ICICI	11
CITIBANK	6
SBI	7
UTI	6
ING VYSYA	1
CORPORATION BANK	4
ABN AMRO	1
OTHERS	6

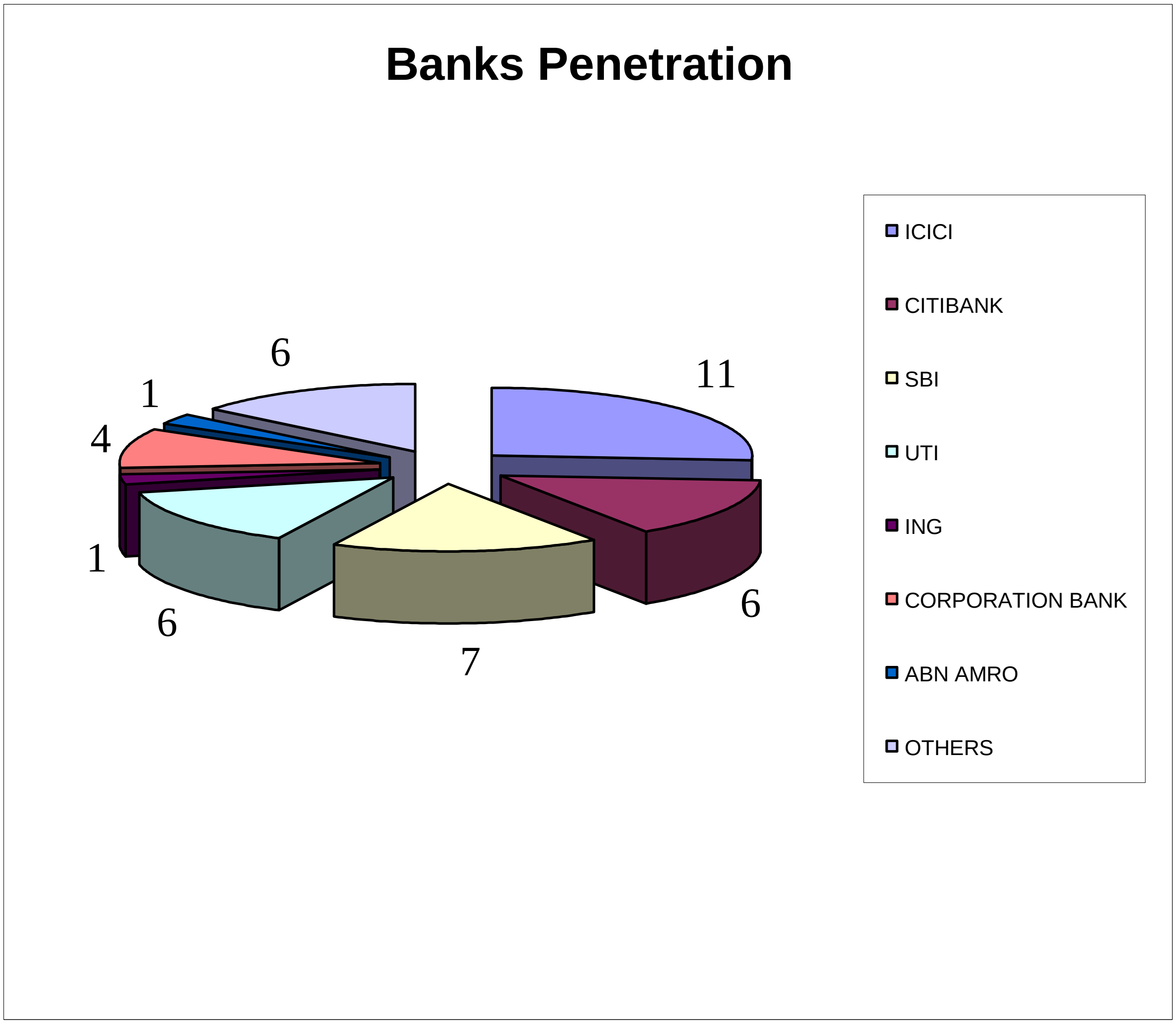
Concept:

The test is designed to find out the level of penetration of different banks in this zone.

Analysis:

Table 3 reveals that ICICI bank has penetrated the most number of companies in this zone.

Chart showing classification of the level of penetration of different banks in this zone.



Inference:

Though there is a tough competition for HDFC Bank in this zone, however there exists a good opportunity to penetrate more in this zone.

Table No: 4

Table showing classification of respondents on the basis of Customer satisfaction

Customer Satisfaction	
ICICI	6
CITIBANK	5
SBI	8
UTI	5
ING VYSYA	3
CORP BANK	7
ABN AMRO	2
OTHERS	7

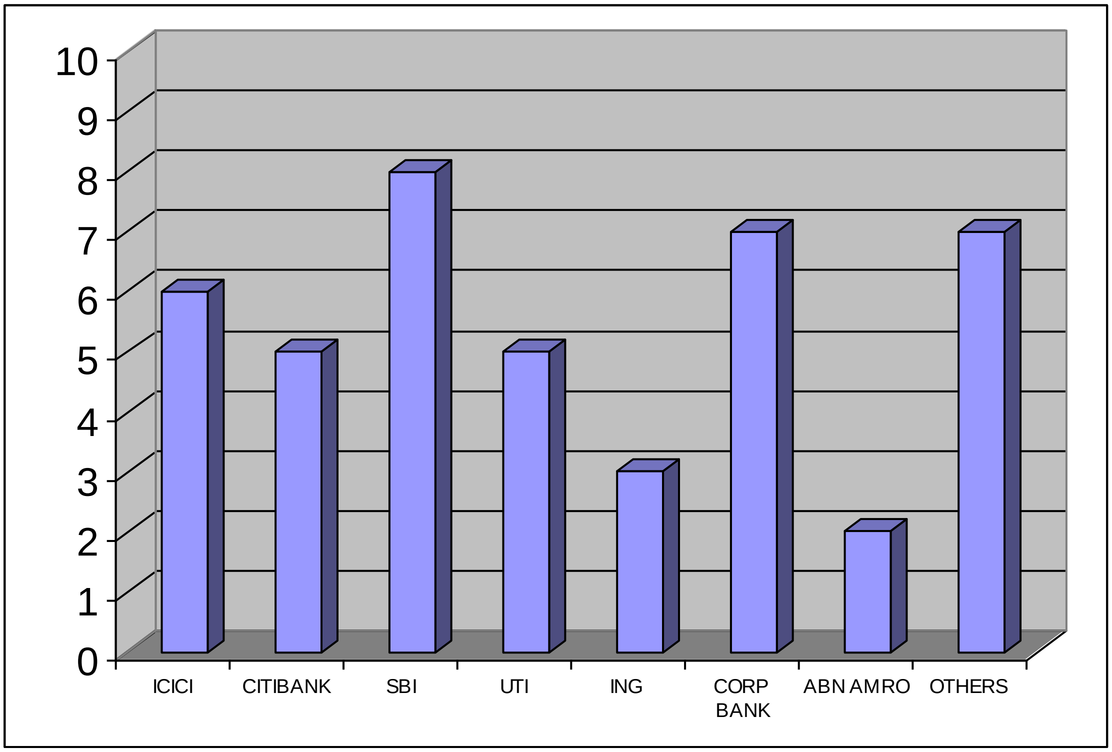
Concept:

The test is designed to understand the level of customer satisfaction regarding their present banks.

Analysis:

Table 3 reveals that ICICI bank has penetrated the most number of companies in this zone.

Chart showing the level of customer satisfaction of CSA holders regarding their present banks.



{ RATING SCALE: 1 = Excellent ; 10 = Worst }

Inference:

The closest competitions to HDFC Bank are currently suffering a very moderate rating. This is a clear opportunity for HDFC Bank to proceed with market capture by providing specialized services.

Zone 2

Areas covered under the zone

Gandhi Bazaar	*LalbaghRoad*
Basavanagudi	*K.H.Road*
Jayanagar	*Bannerghatta Road*
J.P.Nagar	

Sample Size: 85 – Companies

Table No: 5

Table showing classification of respondents on the basis of Total number of employees in the zone

Total No of Employees in the Zone	11984
ICICI	3512
CITIBANK	1878
SBI	660
UTI	1765
CANARA BANK	512
CORPORATION BANK	150
OTHERS	707

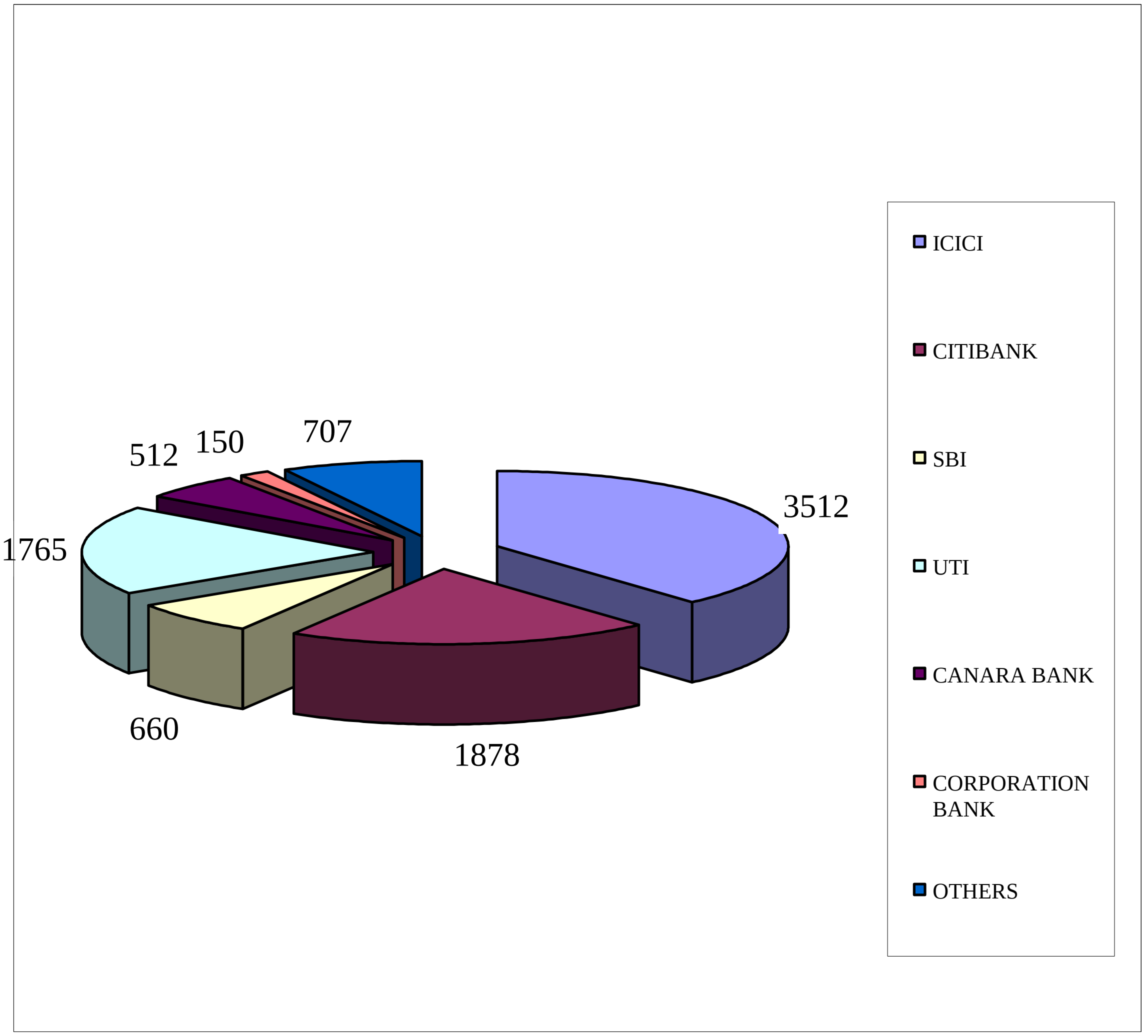
Concept:

The test is designed to find out the number of Corporate Salary Accounts which have been captured by various banks in this Zone.

Analysis:

Table 1 reveals that ICICI Bank has a majority of the Corporate Salary Accounts in this Zone.

Chart showing classification of **the number of Corporate Salary Accounts which have been captured by various banks in this Zone.**



Inference:

There is a good opportunity for HDFC Bank to capture the minor percentage (23%) in this zone, while competing with the two dominant players (Citibank-20%;ICICI-38%).

Table No: 6

Table showing classification of respondents on the basis of sector wise break – up of companies

Sector wise break – up of companies	
ENGG/MFG	17
EDUCATION	3
EXIM	2
FINANCE	5
HEALTHCARE	3
IT	27
ITES	11
SERVICE	7

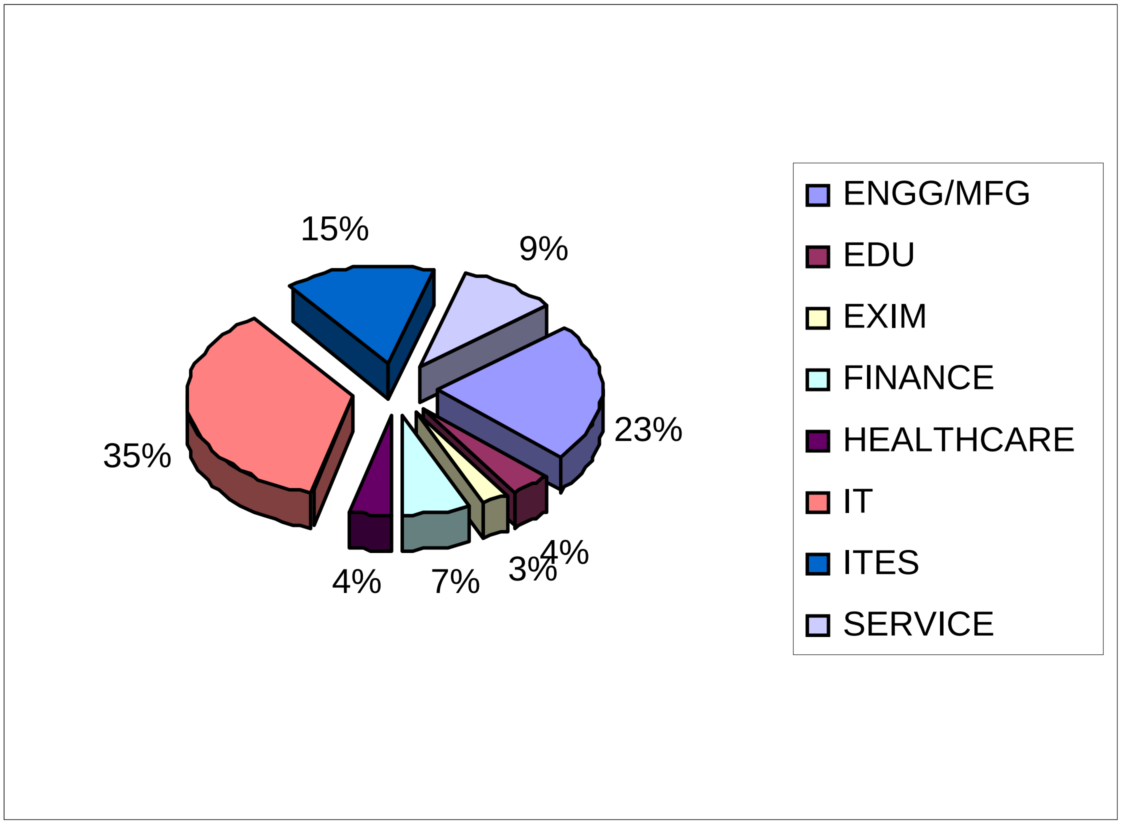
Concept:

The test is designed to find out the sector wise break up of companies in this Zone.

Analysis:

Table 2 reveals that Engineering/Manufacturing has majority of companies in this Zone.

Chart showing classification of **the sector wise break up of companies in this Zone.**



Inference:

There is a good opportunity for HDFC Bank to penetrate in the IT and Service sector in this zone.

Table No: 7

Table showing classification of respondents on the basis of Banks penetration

Banks Penetration	85
ICICI	25
CITIBANK	17
SBI	3
UTI	8
STAN CHART	2
OTHERS	30

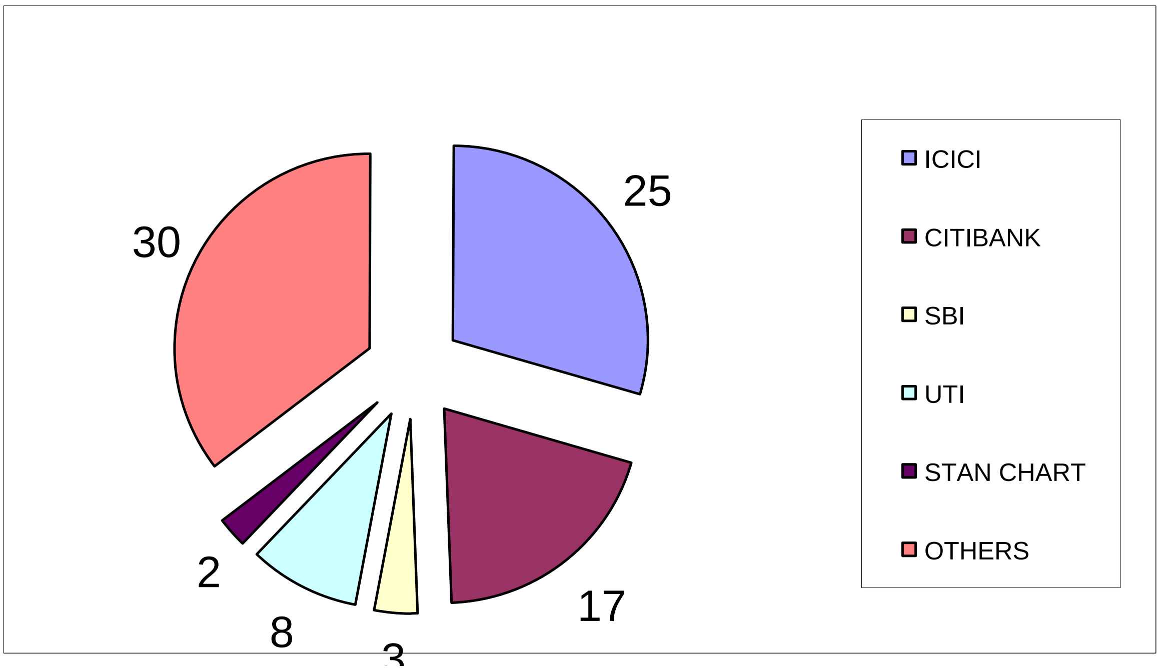
Concept:

The test is designed to find out the level of penetration of different banks in this zone.

Analysis:

Table 3 reveals that ICICI Bank individually has penetrated the most number of companies in this zone.

Chart showing classification of the level of penetration of different banks in this zone.



Inference:

Though there is a tough competition for HDFC Bank in this zone, however there exists a good opportunity to penetrate more in this zone.

Table No: 8

Table showing classification of respondents on the basis of customer satisfaction

Customer Satisfaction	
ICICI	6.5
CITIBANK	5
SBI	3
UTI	6
CANARA BANK	5
CORP BANK	8
OTHERS	7

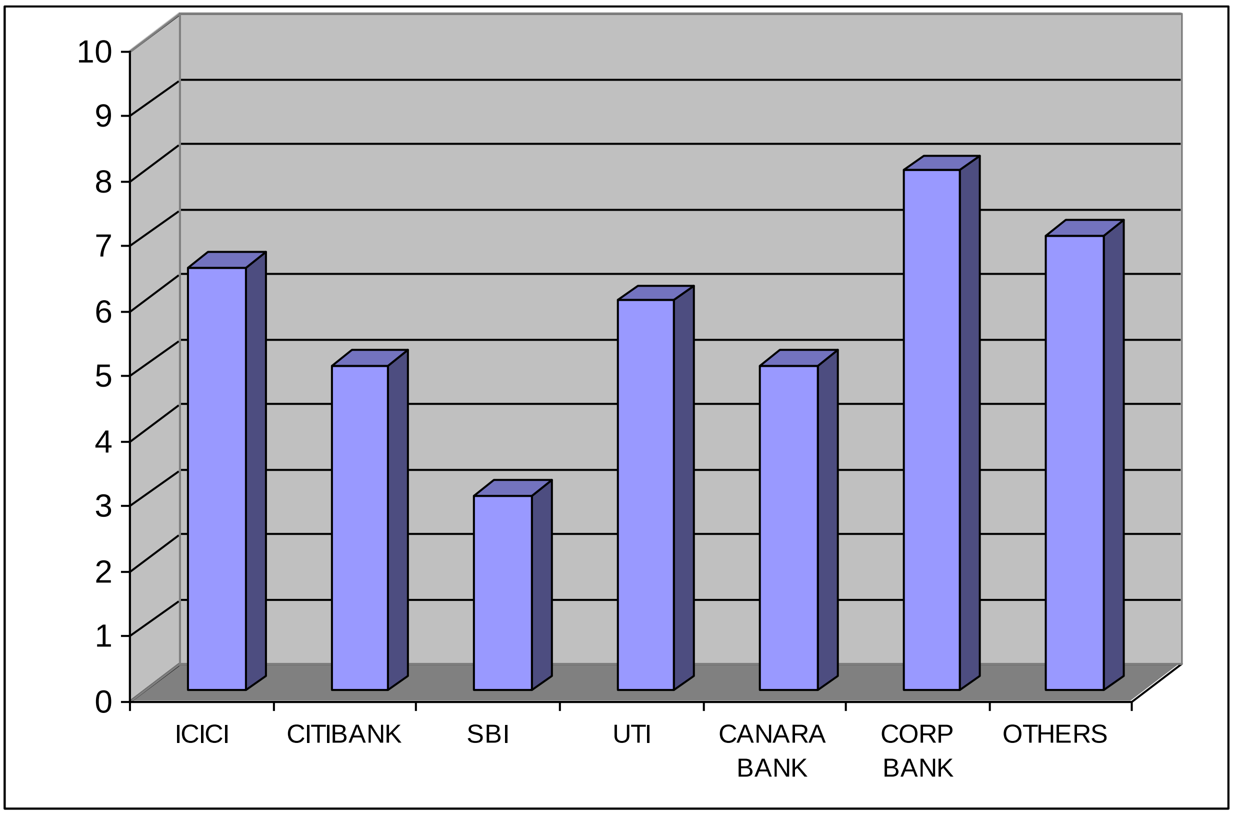
Concept:

The test is designed to understand the level of customer satisfaction regarding their present banks.

Analysis:

SBI currently has been successful in gaining its customer satisfaction in a very positive manner.

Chart showing the level of customer satisfaction of CSA holders regarding their present banks.



{ RATING SCALE: 1 = Excellent ; 10 = Worst }

<u>Inference:</u>

The closest competitions to HDFC Bank are currently suffering a very moderate rating. This is a clear opportunity for HDFC Bank to proceed with market capture by providing specialized services.

Zone 3

Areas covered under the zone

Cunningham Road
Lavelle Road
Infantry Road

M.G.Road
Richmond Road

Sample Size: 53– Companies

Table No: 9

Table showing classification of respondents on the basis of total no. of employees in the zone

No of employees	2976
ICICI	1243
Citibank	894
ABN AMRO	75
UTI	60
Canara Bank	66
Others	638

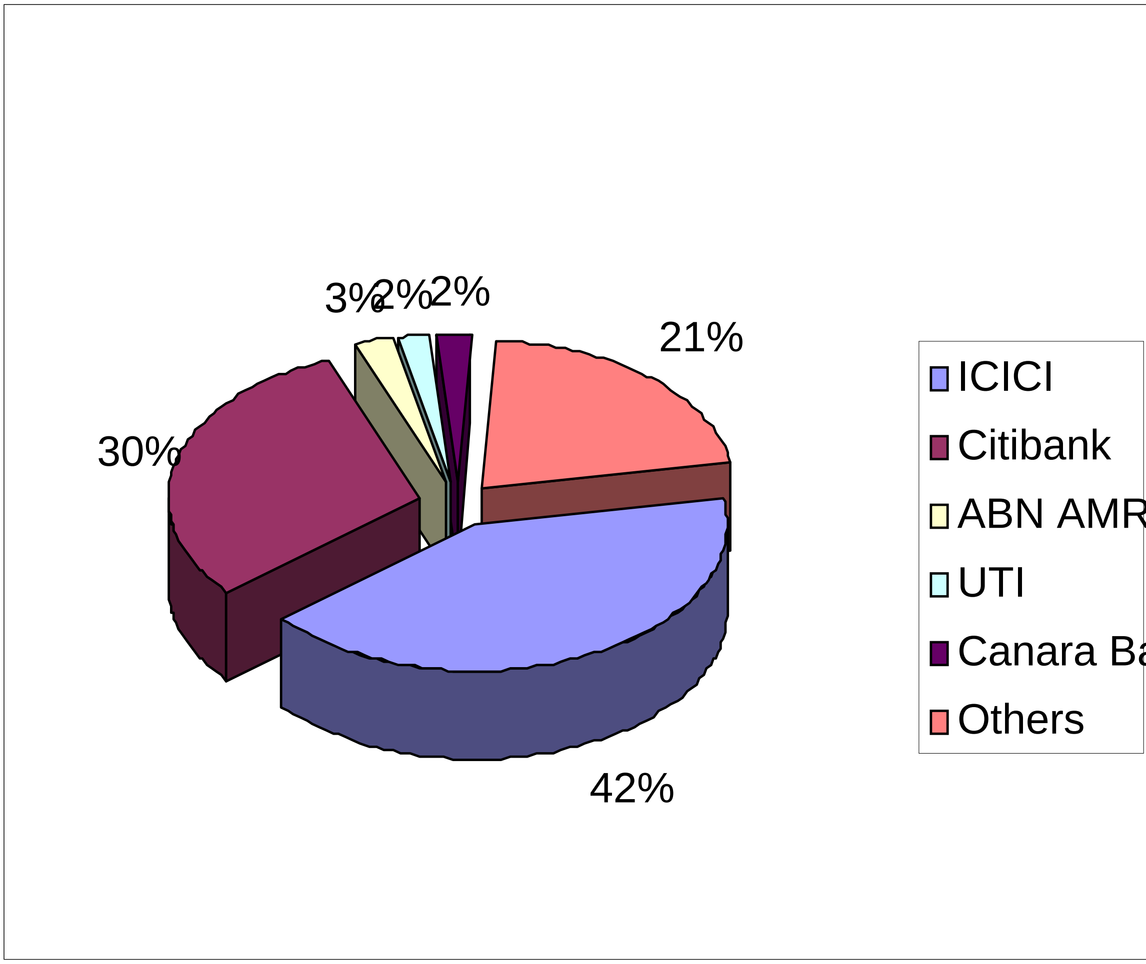
Concept:

The test is designed to find out the number of Corporate Salary Accounts which have been captured by various banks in this Zone.

Analysis:

Table 9 reveals that ICICI Bank has majority of the Corporate Salary Accounts in this Zone.

Chart showing classification of **the number of Corporate Salary Accounts which have been captured by various banks in this Zone.**



<u>Inference:</u>

Since ICICI has very strong foot hold in this zone, HDFC Bank will have very tough competition, if at all it wants to penetrate deep in this zone.

Table No: 10

Table showing classification of respondents on the basis of Banks penetration

Banks Penetration	53
ICICI	19
Citibank	10
ABN AMRO	5
UTI	4
Canara Bank	2
Others	13

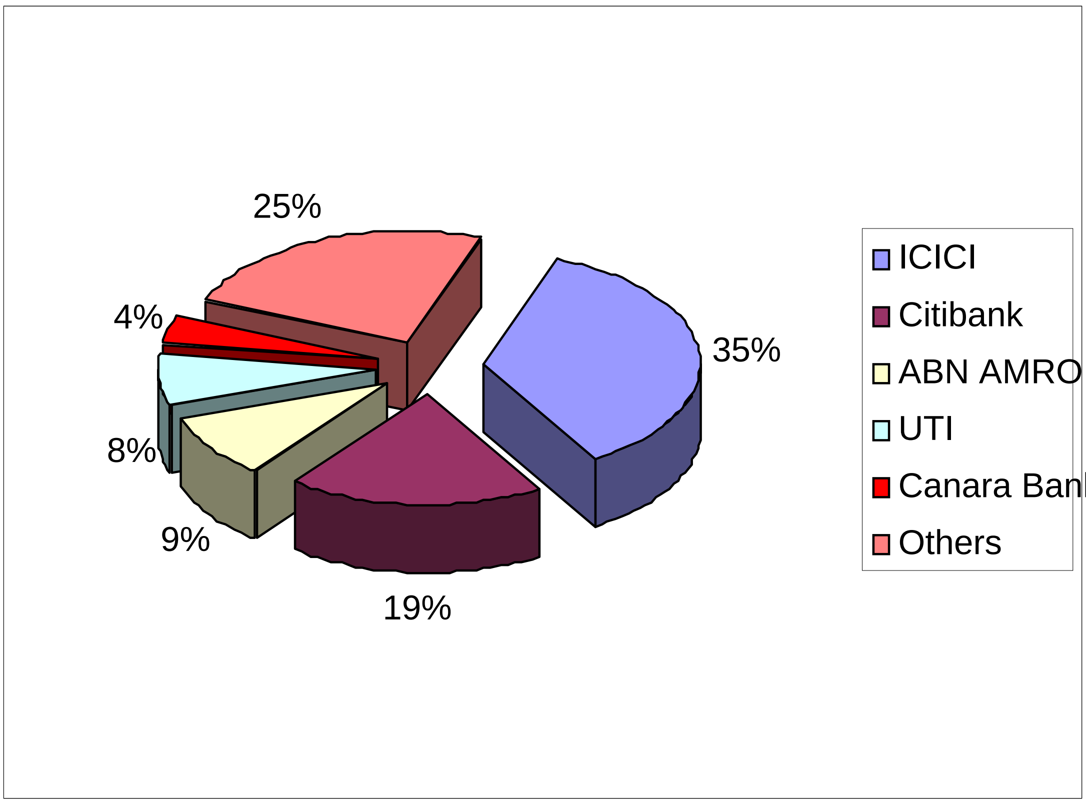
Concept:

The test is designed to find out the level of penetration of different banks in this zone.

Analysis:

Table 3 reveals that ICICI Bank individually has penetrated the most number of companies in this zone.

Chart showing classification of the level of penetration of different banks in this zone.



Inference:

Though there is a tough competition for HDFC Bank in this zone, however there exists a good opportunity to penetrate more in this zone.

Table No: 11

Table showing classification of respondents on the basis of sector wise break – up of companies

Sector-wise Break up	**53**
IT	15
Engg	11
Real Estate	6
Consultancy	5
Media	4
Telecom	3
Others	9

Concept:

The test is designed to find out the sector wise break up of companies in this Zone.

Analysis:

Table 2 reveals that IT has majority of companies in this zone.

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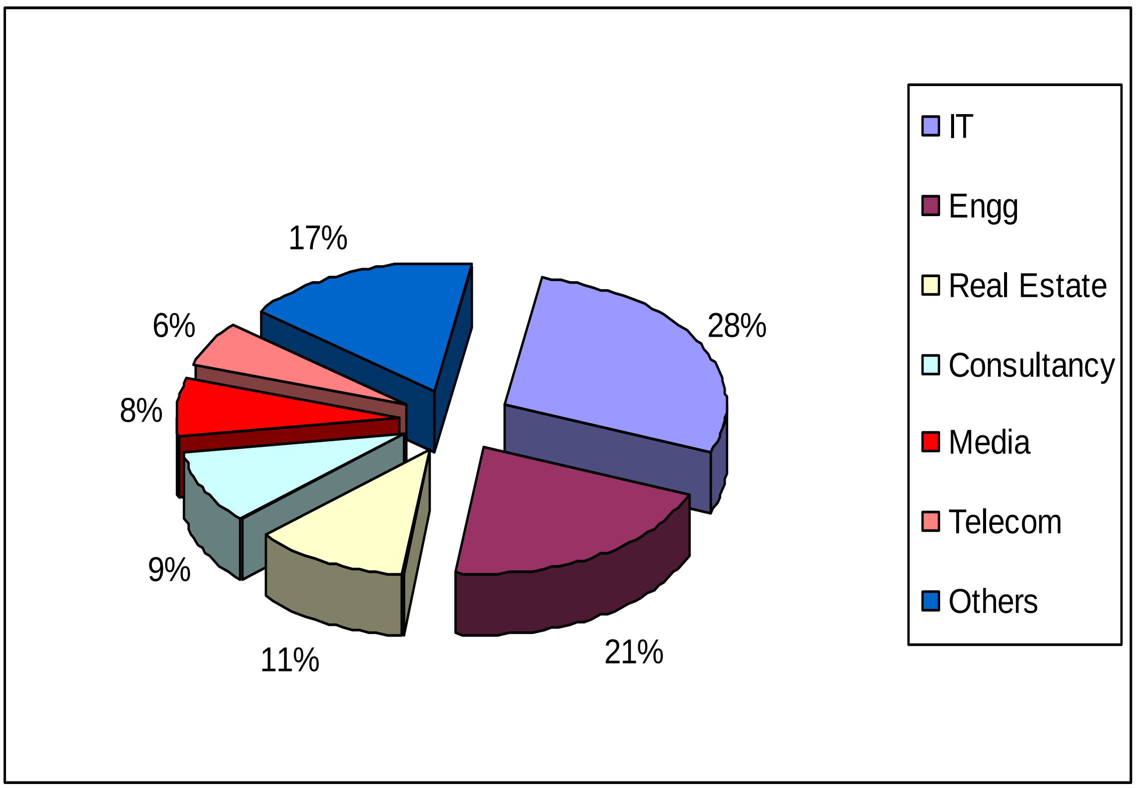
Chart showing classification of **the sector wise break up of companies in this Zone.**



<u>Inference:</u>

There is a good opportunity for HDFC Bank to penetrate in the IT sector in this zone.

Table No: 12

Table showing classification of respondents on the basis of Customer satisfaction

Customer Satisfaction	
ICICI	4
Citibank	5
ABN AMRO	3
UTI	2
Canara Bank	3
Others	3

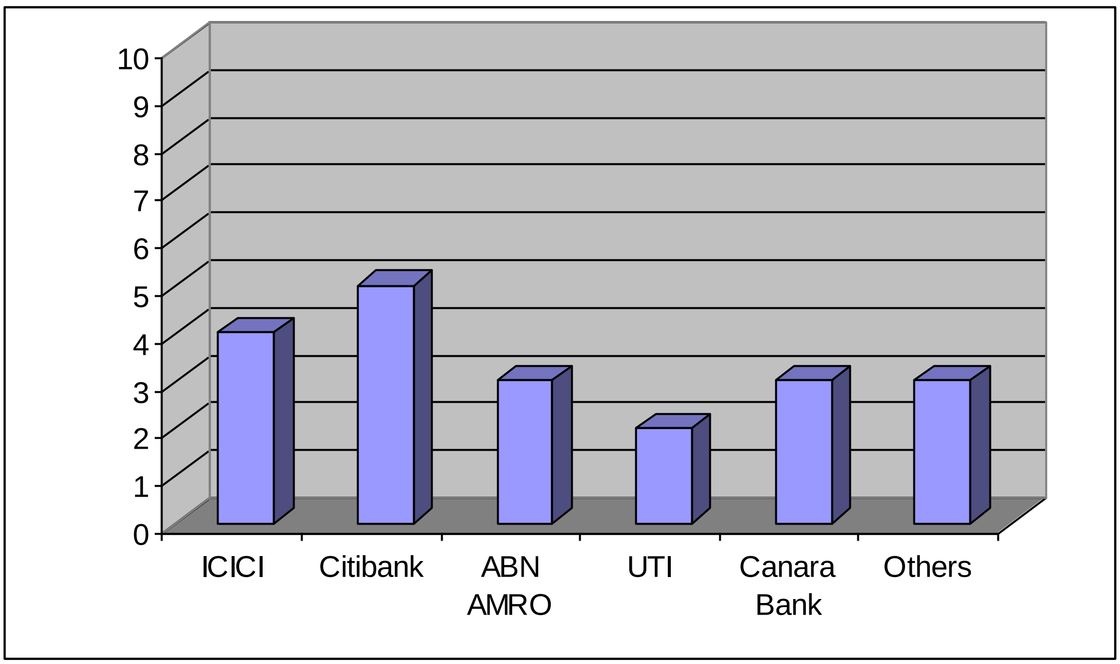
Concept:

The test is designed to understand the level of customer satisfaction regarding their present banks.

Analysis:

UTI currently has been successful in gaining its customer satisfaction in a very positive manner.

Chart showing the level of customer satisfaction of CSA holders regarding their present banks.



{ RATING SCALE: 1 = Excellent ; 10 = Worst }

Inference:

The closest competitions to HDFC Bank are currently suffering a very moderate rating. This is a clear opportunity for HDFC Bank to proceed with market capture by providing specialized services.

Zone 4

Areas covered under the zone

Sarjapur Road
Airport Road
HSR Layout
Koramangala
BTM Layout

Adugodi
Indiranagar
Hosur Road
Electronic City

Sample Size: 39 – Companies

Table No: 13

Table showing classification of respondents on the basis of total no. of employees in the zone

Total No of Employees in the Zone	5593
ICICI	1597
CITIBANK	2021
SBI	910
STAN CHART	855
CANARA BANK	80
HSBC	130

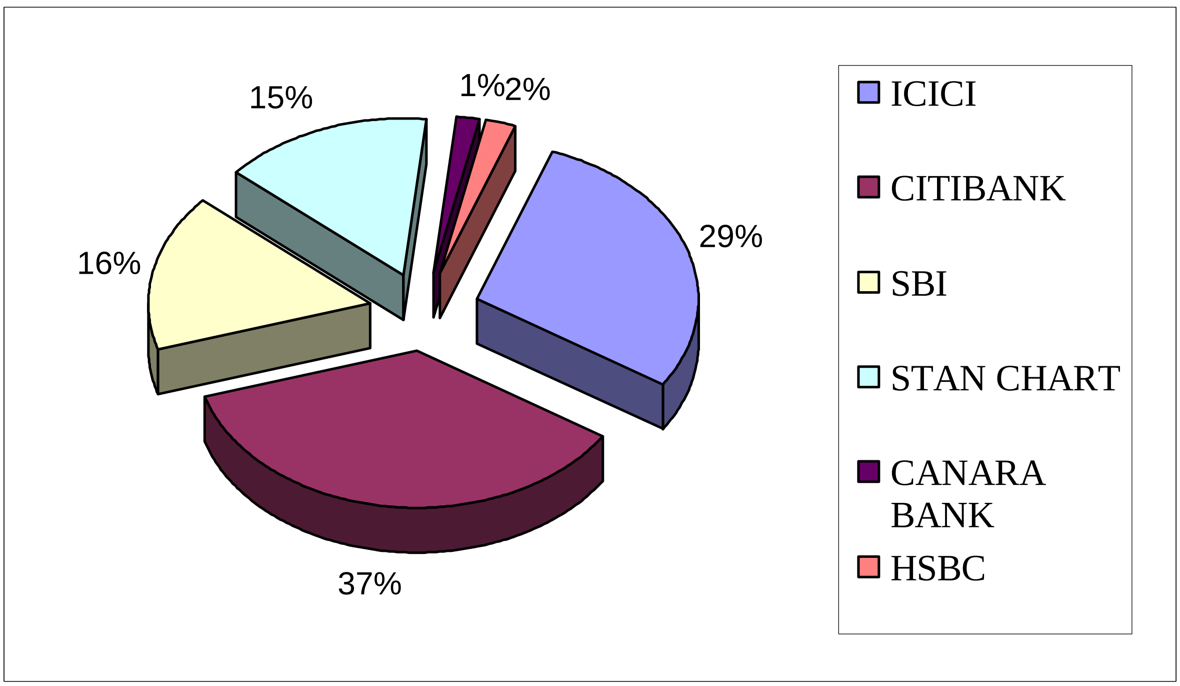
Concept:

The test is designed to find out the number of Corporate Salary Accounts, which have been captured by various banks in this Zone.

Analysis:

Table 1 reveals that CITIBANK has majority of the Corporate Salary Accounts in this Zone.

Chart showing classification of **the number of Corporate Salary Accounts, which have been captured by various banks in this Zone.**



<u>Inference:</u>

There is a good opportunity for HDFC Bank to capture the minor percentage (34%) in this zone, while competing with the two dominant players (CITIBANK-37%;ICICI-29%).

Table No: 14

Table showing classification of respondents on the basis of sector wise break – up of companies

Sectors Wise Break - Up of Companies	
IT	17
Certification	6
Engg / Mfg	6
Garments	5
Telecom	3
Bio - Tech	2

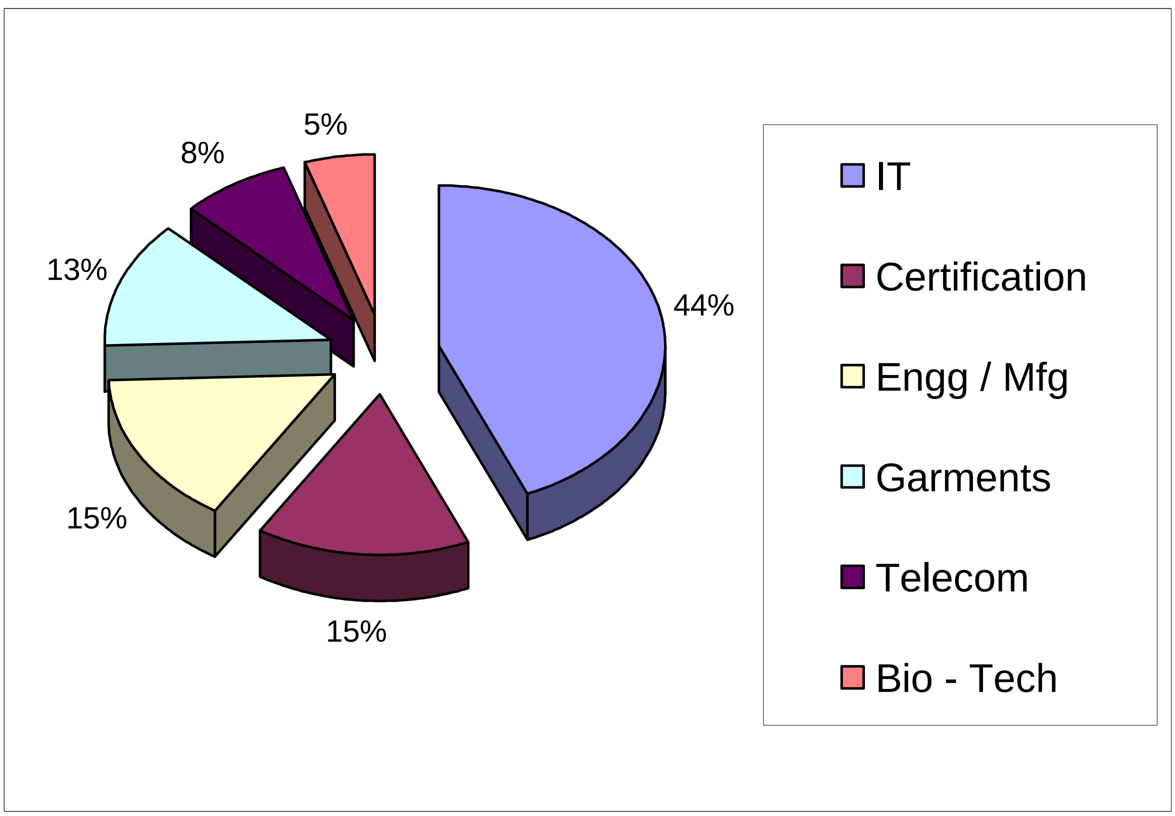
<u>Concept</u>:

The test is designed to find out the sector wise break up of companies in this Zone.

Analysis:

Table 14 reveals that IT has majority of companies in this Zone.

Chart showing classification of **the sector wise break up of companies in this Zone.**



Inference:

There is a good opportunity for HDFC Bank to penetrate in the IT sector in this zone.

Table No: 15

Table showing classification of respondents on the basis of Banks penetration

Banks Penetration	39
ICICI	11
CITIBANK	18
SBI	3
STAN CHART	3
CANARA BANK	2
HSBC	2

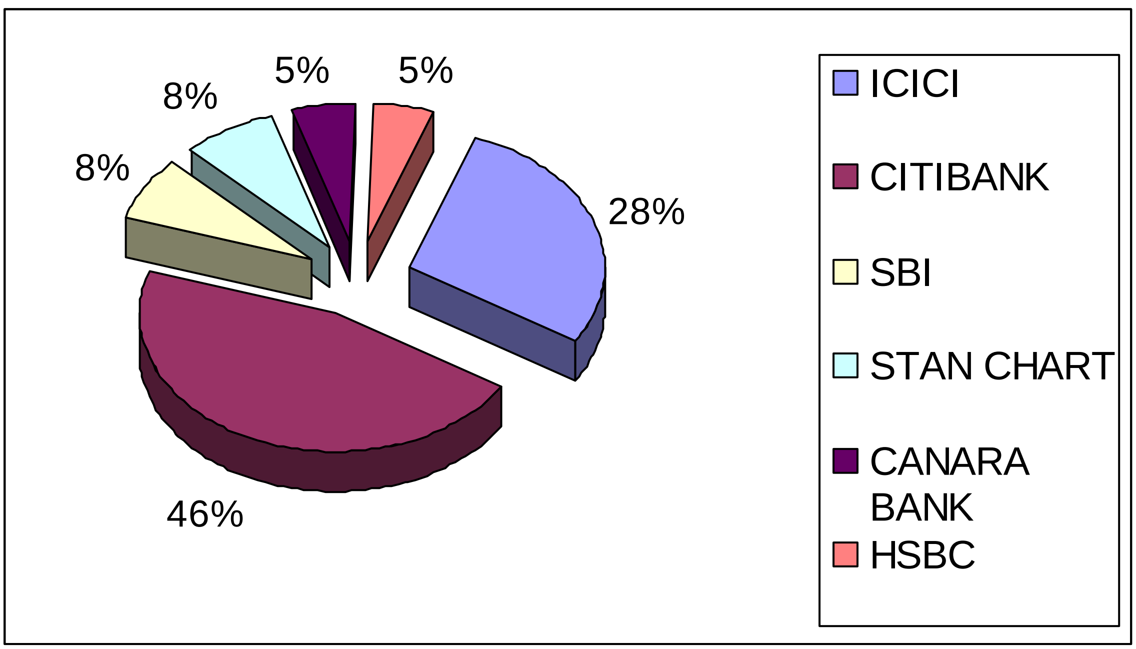
Concept:

The test is designed to find out the level of penetration of different banks in this zone.

Analysis:

Table 15 reveals that CITIBANK has penetrated the most number of companies in this zone.

Chart showing classification of the level of penetration of different banks in this zone.



Inference:

Though there is a tough competition for HDFC Bank in this zone, however there exists a good opportunity to penetrate more in this zone.

Table No: 16

Table showing classification of respondents on the basis of Customer satisfaction

Customer Satisfaction	
ICICI	2.5
CITIBANK	5
ABN AMRO	3
CENTURION	6
OBC	7
HSBC	2

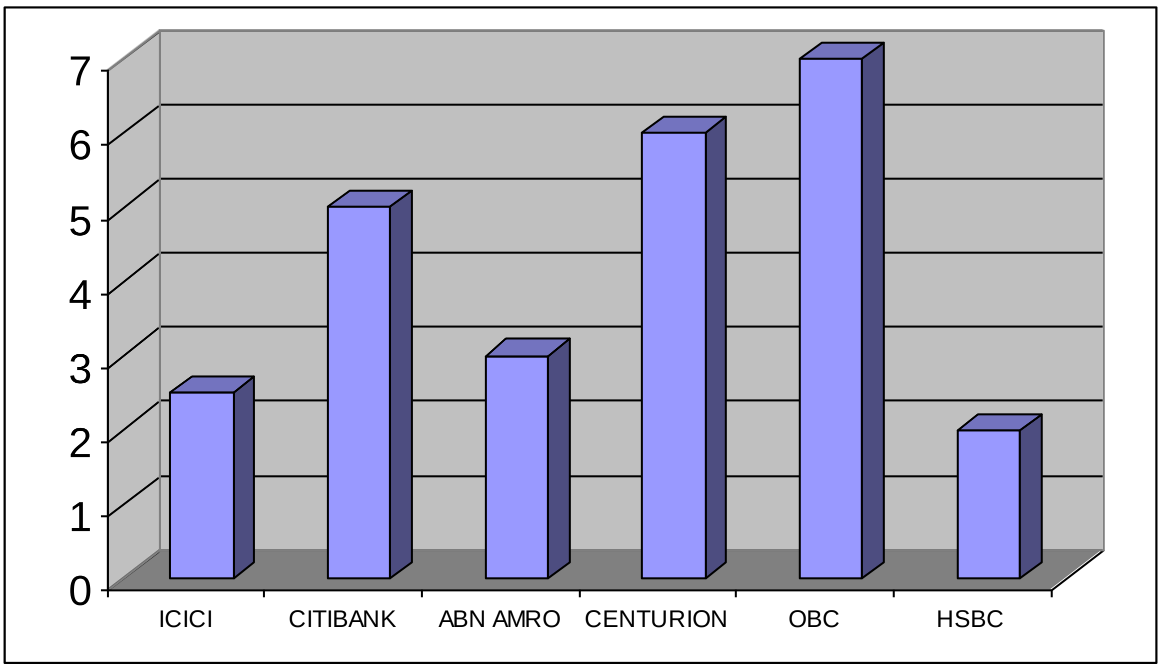
Concept:

The test is designed to understand the level of customer satisfaction regarding their present banks.

Analysis:

Table 16 reveals that OBC bank has penetrated the most number of companies in this zone.

Chart showing the level of customer satisfaction of CSA holders regarding their present banks.



{ RATING SCALE: 1 = Excellent ; 10 = Worst }

Inference:

The closest competitions to HDFC Bank are currently suffering a very moderate rating. This is a clear opportunity for HDFC Bank to proceed with market capture by providing specialized services.

Findings & Conclusions

From the above analysis of the questionnaire administered to respondents has disclosed certain important finding. Based on the findings, conclusion has been made.

- Currently ICICI bank & Citibank are dominant players in the market for Corporate Salary Accounts.

- Some of the companies are not happy with their existing bankers, which is an opportunity for HDFC Bank.

- Companies are aware of the high levels of service provided by HDFC Bank.

- Late entry is the biggest disadvantage for HDFC bank, since other banks have already carved out a sizeable portion of the market share.

- The existing HDFC Bank customers gave a very positive feedback about the services provided to them.

- Convincing those companies who were already banking with other banks, to shift to HDFC Bank proved to be one of our biggest challenges.

- It was also found that companies do prefer to have their Current a/c & Corporate Salary Accounts at the same bank.

- Brand recall of ICICI & Citibank was generally higher than HDFC Bank.

- SBI & ICICI have the most number of ATM’s in the city than any other bank.

- HDFC Bank is very particular in choosing their clientele. This has contributed to their slow market share growth to some extent.

- It was found that there was a lack of promotional efforts on part of HDFC Bank to make companies aware about the services being offered to them.

- HDFC Bank is following sub – segmentation of its services for different categories of companies.

- Existing customers are demanding for an extensive ATM network inside the city.

- The services provided by various banks are more or less the same. Therefore there is a very tough competition among all the players in this market.

Recommendations or Suggestions

The bank as such has various products and services with very high service levels. We found during the course of the internship that there is a high brand recall for the bank but the product awareness for corporate salary account is low. This can be overcome by aggressive advertising in business magazines, journals etc,. Electronic media can be a very good proposition in reaching the target market.

Customer Relationship Management does go a long way in building a rapport with clients. Hence a system of meeting clients once every month to sort out any issues is being faced by them can be a good option. As we noticed during the study, this is currently being done by some of the banks in this segment, which set up help desks at the client premises where in any issue pertaining to CSA would be solved.

HDFC Bank has a better opportunity to increase its market share, by learning from the mistakes of other banks & also by targeting the small sectors that is dominated by small banks.

Real time information regarding new ventures / companies that setup businesses in the city has to be obtained on a daily basis. This can be achieved by monitoring the incoming applications at the Registrar of Companies.

Key contacts within the real – estate sector, will help gain exclusive information about new companies that may be starting up in a locality. This helps the bank to pursue new accounts before the competition does.

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