

**Corporate Loan Strategies By Public Sector And Private Sector Banks In India**

**Dr. Raj Kumar Gautam and Dr Jyoti Arora**

**Abstract**

The paper aims at to study the market segments and target market strategies for corporate loans adopted by the Public Sector and Private Sector banks in India. The study has been conducted in banks operating in the states of Punjab, Haryana and Union Territory of Chandigarh. Total 10 leading banks considered for the purpose of study out of which 5 are from public sector and 5 from private sector. Out of total sample of 500 bank officials, 250 comprised from each sector bank. The data was collected from respondents who are presently handling banking services through structured questionnaire. Weighted Average method is used to determine the relative significance of one variable over the others as perceived by the respondents. The findings of study reveal that maximum disbursement of Manufacturing Loan, A gri-based Business loan, Fixed Assets loan, Working Capital loan and Business Administration Loan is made in favour of Large Corporate Sector, followed by Small and Medium Enterprises and the least disbursement is made in favour of Govt. Institutions. For Start-up Business loan, maximum disbursement is made in favour of Small and Medium Businesses, followed by Large Corporate Sector and the minimum disbursement is made to the Govt. Institutions. The results of study may be useful for bank officials, corporate sector, financial consultants and researcher working in the area of banking and financial sector.

*Key Words : Target market, Market Segmentation, Corporate Loans, Public and Private Banks*

## Introduction

The role of marketing in the banking sector is evolving persistently. The marketing techniques of the banks in India have changed from public relations to all the components of marketing concepts including segmentation of the market and identification of target market for organisation's product or services. A fundamental concern of any business in defining marketing strategies is deciding about the target market and market segmentation strategies.

The customers in the banking industry range from an individual customer with small amount of credit requirement to the large corporate requiring substantial funds for their business. The ramification of the marketing mix for every one of these portions will be entirely distinctive. The real concern of the banking sector is to outline and actualize the suitable marketing strategies for their target segment. The need of every group of customer is not the same as the others. It is therefore necessary to identify different groups of customers, figure out their particular needs, design products and services to suit their needs and convey them in the most ideal way.

The present study aims to know the market segments and target market of the Public Sector and Private Sector banks in India for Corporate Loans and Individual Loans.

## Review of Literature

Several research studies have been accomplished over the period by applying various tools and techniques which highlight the importance of identifying target market and formulating market segmentation strategies in marketing.

McCarthy (1978) defined marketing strategies to be consisting of two distinct but interrelated parts a target market whom firm wishes to address and a marketing mix, the controllable variables which the firm combines to satisfy said target group." **Day and Winsley (1988)** stated that performance of business in a better manner requires a business to gain an edge over competitors. They recognized two methodologies that can help the management to know the areas that distinguish their business from that of competitors' business. The first starts with the market and is customer centered and second is mainly competitor centered. Customer centered approach work backwards from customer to company and begins with point by point examination of customer advantages within end-use

segments. Competitor's focused assessments are based on direct comparison of management with a couple of target competitors. Another research suggested that instead of targeting the whole market, firms should follow a skimming strategy and focus their endeavours on the clients who seek the highest quality product and are also willing to pay for it. He recommended that the disparities in branch expansion and credit deployment should be reduced **Jain (1993)**. **Rossi, et al. (1996)** observed that in marketing it has been accepted that it is highly essential to customize marketing activities. The firms would gain a competitive edge by moving from mass marketing to a more targeted market. There exist diverse segments of homogeneous customers who can be identified by the accessible demographic information. Targeting the consumers of different segments for differential promotional schemes is an important aspect of marketing practice. **Christopher, et al. (2002)** stated that customer retention has become a measure of marketing success. **Mohan and Ray (2004)** expressed that following the reforms in 1992, the competition in the Indian banking sector has increased and product targeting dovetailed to specific segments also has contributed towards the significant development of the Indian financial sector. **Owomoyela, et al. (2013)** found that implementing marketing mix elements in the target market have a significant effect on consumer loyalty. **Lakhani (2016)** pointed out that Bank marketing is a managerial process by which services are matched with the needs of customers in the target market.

### **Objectives of Study**

1. To know the market segments and target market of the Public Sector and Private Sector banks in India for Corporate Loans.

### **Research Methodology**

The universe of the study is the banks operating in the states of Punjab, Haryana and Union Territory of Chandigarh. The study include 10 leading banks out of which 5 are from public sector (SBI, PNB, OBC, UCO Bank and Corporation Bank), and 5 from private sector (ICICI Bank Ltd., HDFC Bank Ltd., AXIS Bank, The Federal Bank Ltd. and ING Vysya Bank Ltd). The officials of 10 leading banks were contacted for the purpose of the study. A sample of 500 officials were selected from the above banks. The sample scheme comprised of 250 officials from each sector bank. The data collection was collected from respondents

who are presently handling banking services through structured questionnaire. An effort was made to make the sample more representative. Weighted Average method is used to determine the relative significance of one variable over the others as perceived by the respondents.

### **Discussion and Analysis**

For the purpose of identifying market segments and target market for the loan products of the banks, the two broad categories of loans i.e. corporate loans and individual loans were studied. A questionnaire containing the questions related to maximum disbursement of corporate and individual loans was developed to know the market segment and target market of the public sector and private sector banks in India.

Market for six categories of corporate loans i.e. Manufacturing Loan, Agri-based Business Loan, Fixed Assets Loan, Working Capital Loan, Business Administration Loan and Start-up Business Loan was studied. Similarly, the target market for seven types of individual loans was also studied. The individual loans include Home Loan, Vehicle Loan, Education Loan, Agricultural Loan, Entrepreneurial Loan, Cash Credit Facility and Personal Loan.

### **Identifying market segments and target market strategies of public sector and private sector banks for marketing of corporate loans**

A question containing six types of corporate loans was framed and the respondents were asked to rank among three market segments i.e. Government Institutions, Large Corporate Sector and Small and Medium Business Sector according to the disbursement of loan. The respondents were asked to show their preference by assigning 1 to the type of institutions taking maximum loan and 3 to the type of institution taking minimum loan. The distribution of preferences shown by the officials of public sector and private sector banks is shown as under.

**Distribution of responses shown by respondents of public sector and private sector banks for disbursement of corporate loans**

The distribution of preferences shown by the officials of public sector and private sector banks is shown under in table 1.

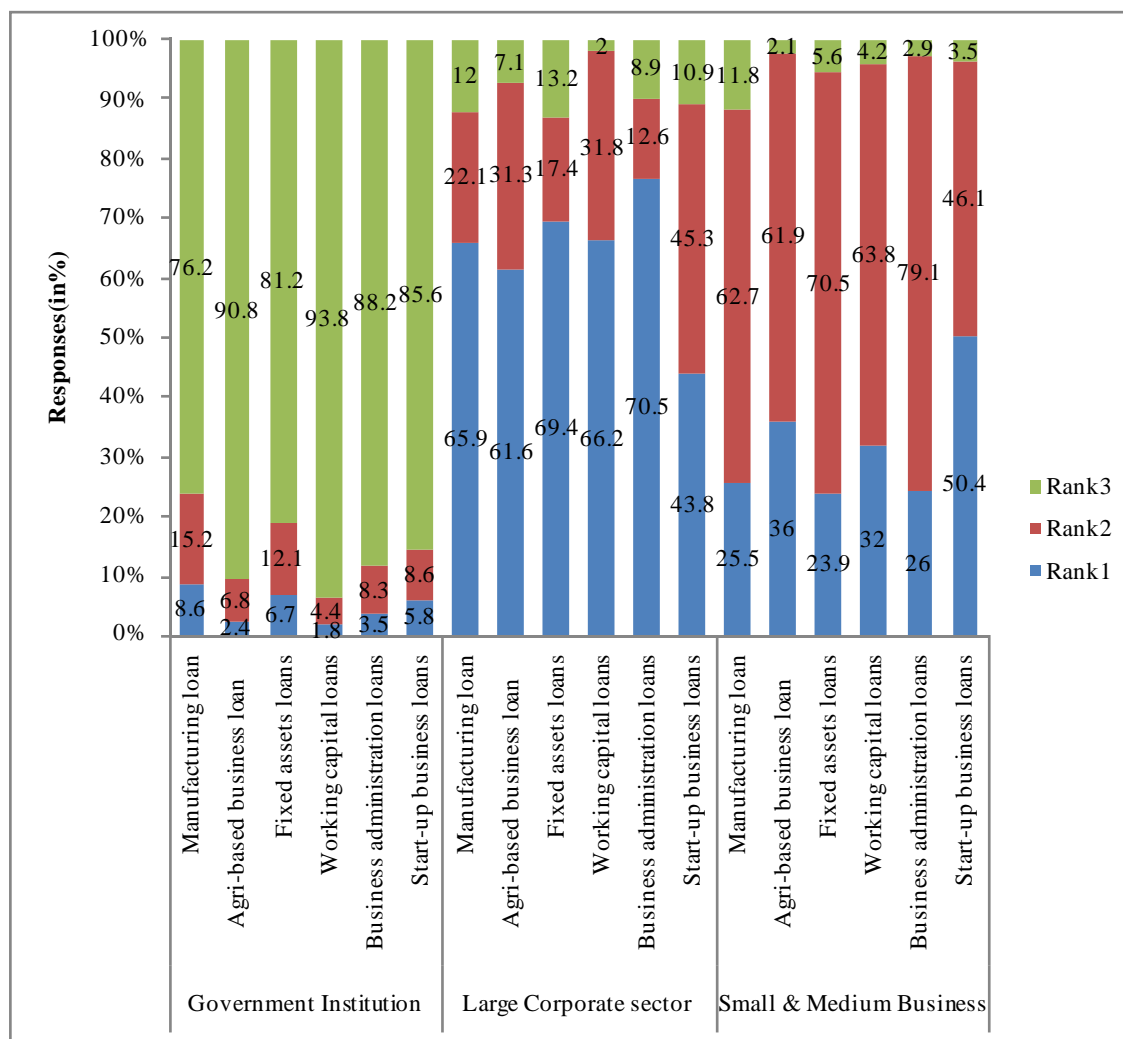
**Table 1: Distribution of preferences for target market of public sector and private sector banks for corporate loans on the basis of share of each loan disbursement**

Corporate Loans/ Sectors	Government Institutions			Large Corporate Sector			Small & Medium Business Sector		
	Rank1 n (%)	Rank2 n (%)	Rank3 n (%)	Rank1 n (%)	Rank2 n (%)	Rank3 n (%)	Rank1 n (%)	Rank2 n (%)	Rank3 n (%)
Manu facturing Loan	43 (8.6)	76 (15.2)	381 (76.2)	330 (65.9)	110 (22.1)	60 (12)	128 (25.5)	313 (62.7)	59 (11.8)
Agri-based Business Loan	12 (2.4)	34 (6.8)	454 (90.8)	308 (61.6)	157 (31.3)	35 (7.1)	180 (36)	310 (61.9)	10 (2.1)
Fixed Assets Loan	34 (6.7)	61 (12.1)	406 (81.2)	347 (69.4)	87 (17.4)	66 (13.2)	120 (23.9)	352 (70.5)	28 (5.6)
Working Capital Loan	9 (1.8)	22 (4.4)	469 (93.8)	331 (66.2)	159 (31.8)	10 (2)	160 (32)	319 (63.8)	21 (4.2)
Business Administration Loan	18 (3.5)	41 (8.3)	441 (88.2)	353 (70.5)	63 (12.6)	44 (8.9)	130 (26)	396 (79.1)	14 (2.9)
Start-up Business Loan	29 (5.8)	43 (8.6)	428 (85.6)	219 (43.8)	227 (45.3)	54 (10.9)	252 (50.4)	231 (46.1)	17 (3.5)

Table 1 presents the details of market segments and target market of public sector and private sector banks for corporate loans on the basis of share of loan disbursement. The number and the percentage of responses of public sector and private sector banks in favour of all the three types of beneficiaries for each category of corporate loan are depicted in the above table.

Distribution of responses for target market of public sector and private sector banks for corporate loans on the basis of share of each loan disbursement is shown in figure 1.

**Figure 1: Distribution of responses for target market of public sector and private sector banks for corporate loans on the basis of share of each loan disbursement**



**Ranking by the public sector and private sector banks for corporate loans on the basis of share of each loan disbursement**

Ranking by the public sector and private sector banks for corporate loans on the basis of share of each loan disbursement is shown in table 2.

**Table 2: Ranking by the public sector and private sector banks for corporate loans on the basis of share of each loan disbursement**

Sector/ Loan	Manufacturing Loan		Agri-based Business Loan		Fixed Assets Loan		Working Capital Loan		Business Administration Loan		Start-up Business Loan	
	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Govt. Institutions	1.32	R3	1.12	R3	1.26	R3	1.08	R3	1.15	R3	1.20	R3
Large Corporate Sector	2.54	R1	2.55	R1	2.56	R1	2.64	R1	2.46	R1	2.33	R2
Small and Medium Business sector	2.138	R2	2.34	R2	2.18	R2	2.28	R2	2.39	R2	2.47	R1

Table 2 shows the ranking by public sector and private sector banks for corporate loans on the basis of share of each loan disbursement. Maximum amount of Manufacturing Loan, Agri-based Business Loan, Fixed Assets Loan, Working Capital Loan and Business Administration Loan is disbursed to the Large Corporate Sector and maximum amount of Start-up Business Loan is disbursed to the Small and Medium Business Sector. Minimum amount of loan is disbursed by these banks to the Govt. Institutions for each category of corporate loans.

**Distribution of Responses Shown by Respondents of Public Sector Banks for Disbursement of Corporate Loans**

The respondents of public sector banks were asked to rank among Government Institutions, Large Corporate Sector and Small and Medium Business Sector according to the disbursement of loan. The respondents were asked to show their preference by assigning 1 to the type of institutions taking maximum loan and 3 to the type of institution taking minimum loan. The distribution of preferences for target market of public sector banks for corporate loans on the basis of share of each loan disbursement is shown in table 3.

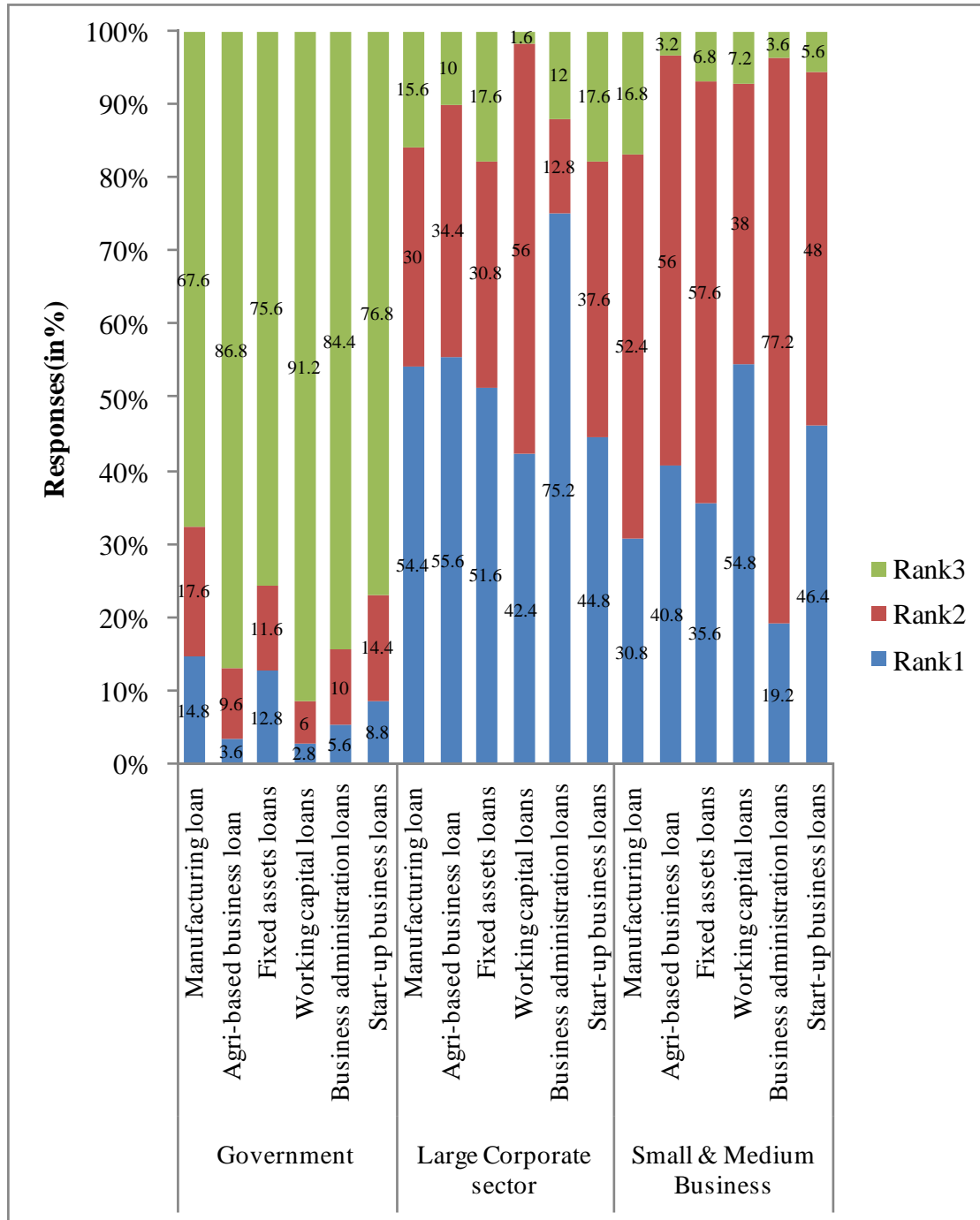
**Table 3: Distribution of preferences for target market of public sector banks for corporate loans on the basis of share of each loan disbursement**

Corporate Loans/ Sectors	Government Institution			Large Corporate Sector			Small & Medium Business Sector		
	Rank1 n (%)	Rank2 n (%)	Rank3 n (%)	Rank1 n (%)	Rank2 n (%)	Rank3 n (%)	Rank1 n (%)	Rank2 n (%)	Rank3 n (%)
Manufacturing Loan	37 (14.8)	44 (17.6)	169 (67.6)	136 (54.4)	75 (30)	39 (15.6)	77 (30.8)	131 (52.4)	42 (16.8)
Agri-based Business Loan	9 (3.6)	24 (9.6)	217 (86.8)	139 (55.6)	86 (34.4)	25 (10)	102 (40.8)	140 (56)	8 (3.2)
Fixed Assets Loan	32 (12.8)	29 (11.6)	189 (75.6)	129 (51.6)	77 (30.8)	44 (17.6)	89 (35.6)	144 (57.6)	17 (6.8)
Working Capital Loan	7 (2.8)	15 (6)	228 (91.2)	106 (42.4)	140 (56)	4 (1.6)	137 (54.8)	95 (38)	18 (7.2)
Business Administration Loan	14 (5.6)	25 (10)	211 (84.4)	188 (75.2)	32 (12.8)	30 (12)	48 (19.2)	193 (77.2)	9 (3.6)
Start-up Business Loan	22 (8.8)	36 (14.4)	192 (76.8)	112 (44.8)	94 (37.6)	44 (17.6)	116 (46.4)	120 (48)	14 (5.6)

The above table presents the details of target market of public sector banks for corporate loans on the basis of share of loan disbursement. The number and the percentage of responses of public sector banks in favour of all the three types of beneficiaries for each category of corporate loan are depicted in this table.

Distribution of responses for target market of public sector banks for corporate loans on the basis of share of each loan disbursement is shown in figure 2.

Figure 2: Distribution of responses for target market of public sector banks for corporate loan on the basis of share of each loan disbursement



**Ranking by the Public Sector Banks for Corporate Loans on the Basis of Share of Each Loan Disbursement**

Ranking by the public sector banks for corporate loans on the basis of share of each loan disbursement is shown in table 4.

**Table 4: Ranking by the public sector banks for corporate loans on the basis of share of each loan disbursement**

Sector/ Loan	Manufacturing Loan		Agri-based Business Loan		Fixed Assets Loan		Working Capital Loan		Business Administration Loan		Start-up Business Loan	
	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Govt. Institutions	0.74	R3	0.58	R3	0.69	R3	0.56	R3	0.61	R3	0.66	R3
Large Corporate Sector	1.19	R1	1.23	R1	1.17	R1	1.20	R2	1.32	R1	1.14	R2
Small and Medium Business Sector	1.07	R2	1.19	R2	1.14	R2	1.24	R1	1.08	R2	1.20	R1

Table 4 shows the ranking by public sector banks for corporate loans on the basis of share of each loan disbursement. It was clear from the above table that maximum amount of Manufacturing Loan, Agri-based Business Loan, Fixed Assets Loan, and Business Administration Loan is disbursed to Large Corporate Sector. In case of Working Capital Loan and Start-up Business Loan, Small and Medium Business Sector fetch the largest share of disbursement. However, the least disbursement of all types of corporate loans is made to the Govt. Institutions.

**Distribution of responses shown by respondents of private sector banks for disbursement of corporate loans**

The respondents of private sector banks were asked to rank among Government Institutions, Large Corporate Sector and Small and Medium Business Sector according to the disbursement of loan. The respondents were asked to show their preference by assigning 1 to the type of institutions taking maximum loan and 3 to the type of institution taking minimum

loan. The distribution of preferences for target market of public sector banks for corporate loans on the basis of share of each loan disbursement is shown in table 5.

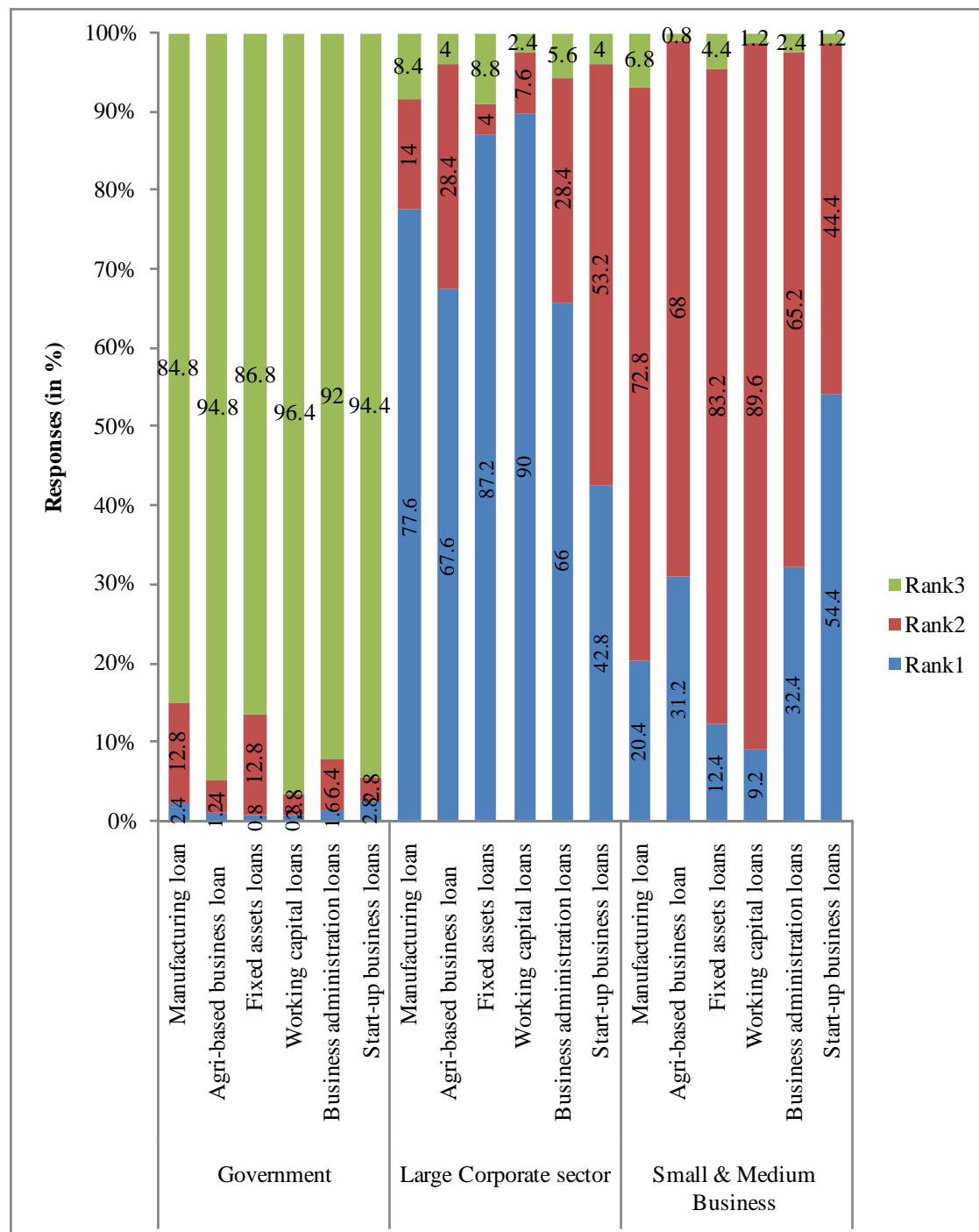
**Table 5: Distribution of preferences for target market of private sector banks for corporate loans on the basis of share of each loan disbursement**

Corporate Loans/ Sectors	Government Institutions			Large Corporate Sector			Small & Medium Business Sector		
	Rank1 n(%)	Rank2 n(%)	Rank3 n(%)	Rank1 n(%)	Rank2 n(%)	Rank3 n(%)	Rank1 n(%)	Rank2 n(%)	Rank3 n(%)
Manufacturing Loan	6 (2.4)	32 (12.8)	212 (84.8)	194 (77.6)	35 (14)	21 (8.4)	51 (20.4)	182 (72.8)	17 (6.8)
Agri-based Business Loan	3 (1.2)	10 (4)	237 (94.8)	169 (67.6)	71 (28.4)	10 (4)	78 (31.2)	170 (68)	2 (0.8)
Fixed Assets Loan	2 (0.8)	32 (12.8)	217 (86.8)	218 (87.2)	10 (4)	22 (8.8)	31 (12.4)	208 (83.2)	11 (4.4)
Working Capital Loan	2 (0.8)	7 (2.8)	241 (96.4)	225 (90)	19 (7.6)	6 (2.4)	23 (9.2)	224 (89.6)	3 (1.2)
Business Administration Loan	4 (1.6)	16 (6.4)	230 (92)	165 (66)	71 (28.4)	14 (5.6)	81 (32.4)	163 (65.2)	6 (2.4)
Start-up Business Loan	7 (2.8)	7 (2.8)	236 (94.4)	107 (42.8)	133 (53.2)	10 (4)	136 (54.4)	111 (44.4)	3 (1.2)

Table 5 presents the details of target market of private sector banks for corporate loans on the basis of share of each loan disbursement. It was found that maximum amount of Manufacturing Loan, Agri-based Business Loan, Fixed Assets Loan, Working Capital Loan and Business Administration Loan is disbursed to Large Corporate Sector. In case of Start-up Business Loan, Small and Medium Business Sector fetch the largest share of disbursement. However, the least disbursement of all types of corporate loans is made to the Govt. Institutions.

Distribution of responses for target market of private sector banks for corporate loans on the basis of share of each loan disbursement is shown in figure 3.

**Figure 3: Distribution of responses for target market of private sector banks for corporate loans on the basis of share of each loan disbursement**



**Ranking by the private sector banks for corporate loans on the basis of share of each loan disbursement**

Ranking by the public sector banks for corporate loans on the basis of share of each loan disbursement is shown in table 6.

**Table 6: Ranking by the private sector banks for corporate loans on the basis of share of each loan disbursement**

Sector/ Loan	Manu facturing Loan		Agri-based Business Loan		Fixed Assets Loan		Working Capital Loan		Business Administration Loan		Start-up Business Loan	
	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Govt. Institutions	0.59	R3	0.53	R3	0.57	R3	0.52	R3	0.55	R3	0.54	R3
Large Corporate Sector	1.35	R1	1.32	R1	1.39	R1	1.44	R1	1.30	R1	1.19	R2
Small and Medium Business Sector	1.07	R2	1.15	R2	1.04	R2	1.04	R2	1.15	R2	1.27	R1

Table 6 shows the ranking by private sector banks for corporate loans on the basis of share of each loan disbursement. Maximum amount of Manufacturing Loan, Agri-based Business Loan, Fixed Assets Loan, Working Capital Loan and Business Administration Loan is disbursed to the Large Corporate Sector and maximum amount of Start-up Business Loan is disbursed to the Small and Medium Business Sector. However, the minimum amount of loan is disbursed to the Govt. Institutions for each category of corporate loans.

**Conclusion**

The banking sector is backbone of any economy of the world. From the combined weighted mean of public sector and private sector banks, it can be concluded that maximum disbursement of Manufacturing Loan, Agri-based Business loan, Fixed Assets loan, Working Capital loan and Business Administration Loan is made in favour of Large Corporate Sector, followed by Small and Medium Enterprises and the least disbursement is made in favour of Govt. Institutions. For Start-up Business loan, maximum disbursement is made in favour of

Small and Medium Businesses, followed by Large Corporate Sector and the minimum disbursement is made to the Govt. Institutions.

While calculating individual weighted mean for public sector and private sector banks, it was clear that for all the loans except working capital loan, both these sectors disburse maximum loan to the Large Corporate Sector, followed by the Small and Medium Enterprises and the least disbursement is made in favour of Govt. Institutions. However, there exist a clear difference between ranking of both these sectors with respect to one item i.e. working capital loan. The maximum disbursement of working capital loan by public sector banks is made in favour of Small and Medium Businesses whereas the public sector banks disburse maximum amount of working capital loan to Large Corporate Sector whereas in both the cases, minimum disbursement is made to the Govt. Sector.

**References:**

- Christopher, M ., Payne, A., & Ballantyne, D. (2002). *Relationship Marketing: Creating Shareholder Value*. Oxford, UK: Butterworth-Heinemann .
- Day, G. S., & Wensley, R. (1988). Assessing advantage: a framework for diagnosing competitive superiority. *The Journal of Marketing*, 52(2), (Apr., 1988), 1-20.
- Jain, A. K. (1993). *Marketing Challenges for Commercial Banks of India- A Managerial Approach*. Ph. D. Thesis, University of Rajasthan, Jaipur.
- Lakhani, U. (2016). *Marketing Approach of Selected Private Sector Bank - A Case Study of ICICI Bank*. *Abhinav*, 5(1), 1-7.
- McCarthy, E.J. (1978). *Basic Marketing, a Managerial Approach*. Sixth Edition, Homewood, III: Richard D. Irwin, Inc..
- Mohan, T. R. & Ray, S. C. (2004). Comparing performance of public and private sector banks: a revenue maximisation efficiency approach. *Economic and Political Weekly*, 1271-1276.
- Owomoyela, S. K., Oyeniyi K. O., & Ola, O. S. (2013). Investigating the impact of marketing mix elements on consumer loyalty: An empirical study on Nigerian Breweries Plc.. *Interdisciplinary Journal of Contemporary Research in Business*, 4(11), 485 –496.

Rossi, P. E., McCulloch, R. E., & Allenby, G. M. (1996). The value of purchase history data in target marketing. *Marketing Science*, 15(4), 321-340.

**Web-sites**

[www.banknetindia.com](http://www.banknetindia.com)

[www.businesstoday.in](http://www.businesstoday.in)

[www.google.co.in](http://www.google.co.in)

**Authors Profile**

1. **Dr Raj Kumar Gautam** is working as an Assistant Professor (Management) with Punjabi University Patiala and currently posted at Punjabi University Regional Center for IT & Management, Mohali, India, since July,2005. He is teaching to students of Masters of Business Administration (MBA) in the area of Marketing, Service Marketing and Export Marketing.

**Official Address**

Dr Raj Kumar Gautam

Punjabi University Regional Center for IT & Mangement ,Phase 7, Mohali, Punjab ,India.

Email: [raj5310@gmail.com](mailto:raj5310@gmail.com), mob no :91-9888605310

2. **Dr. Jyoti Arora** is Assistant Professor (Commerce) and currently teaching in GGSD College, Kheri Gurna, Punjab. Presently teaching to students of B.Com, BBA and M.COM in the area of commerce, finance and banking. She has more than 8 years of experience in the area. Contact

**Official Address** : Dr. (CS) Jyoti Arora Assistant Professor (Commerce),GGSD College, Kheri Guma, Punjab, India

Email: [csjyotidhillon@gmail.com](mailto:csjyotidhillon@gmail.com) Mobile no +91-9216311662