

Article 2: Banking Sector, a clear case of Lack of Marketing Culture (Ravan Element)

Note: This article proposes a new idea to the Banking Sector to address their NPA issues. This idea also highlights the need of the Banks to increase their Business while also caring for the marketing needs of their customers in Small Scale. This idea can also create a strong Differentiator for the Banks. Based on this idea, I can create many feasible proposals for Banks (for small scale sector).

We all have heard about increasing NPA's (Non-Performing Assets) of Banks. We have also heard how a few leading Corporate Houses have made a mockery of the whole Banking system. The promoters are leading a lavish lifestyle while the Businesses they are running (Financed on Bank Loans) are deeply into losses. In certain cases, their employees were also not paid the salaries for many months. There is a need to make a differentiation here. There are two types of Banks. The ones who are mainly focused on granting huge loans to corporate sector, and the others who mainly focused on granting relatively smaller loans to retail customers (Personal Loans, Auto Loans etc.), and also to small scale Businesses. The ones who had granted huge loans to corporate sector were the ones who were in biggest stress. Retail oriented Banks like HDFC Bank were least affected from NPA menace. RBI (Reserve Bank of India) took a tough note of this increasing NPA menace and instructed the Banks to declare all their NPA's in clear terms in a stipulated time. It was a move worth appreciation and did have a cleansing effect on the Banking system. But one clear impact of this move was the reluctance (enhanced scrutiny) by Banks to grant fresh corporate Loans.

Many Banks got the right message from the above and started granting more loans to retail customers. The larger marketing message was that they can lend more safely to the small Businesses as the Principal amount is

largely secured through the appropriate Collateral (In the form of Property in most of the small Businesses). If they lend more to small Businesses, they can lend safely as compared to the huge Corporate Loans. But this is where the Banks depicted Marketing Myopia (the term has been explained in Case Study 3). Demonetisation clearly uprooted many in small scale sector. Small Scale sector contributes about 40% to India's GDP. However, this is the sector where the malpractice of Tax evasion was most rampant before Demonetisation. Many Business models were purely based on Tax evasion. Demonetisation indicated the logical shift of a decent chunk of Business from small scale to medium and large scale. Many small scale Businesses readjusted themselves, orienting more towards the White economy. The implication of this on Banks is that Small Scale Sector is in need of fresh Loans. Banks are performing their Marketing Dharma by granting speedy loans to them against the appropriate collateral, but I have an objection to this Marketing Dharma. Banks traditionally have been performing the Marketing Dharma to provide finance to small Businesses in need of money. And on what basis do they provide these Loans? They provide loans by first ascertaining their own safety needs (well in tune with the message from Lord Shiva) and then after judging the viability of the project. I have a strong objection against the second part. My objection is that they are not paying due importance to the second part. Most of the Businesses in medium and large scale have the means and knowledge to afford marketing resources (the most important element of any modern day Business) while small scale sector is still in the process of taking marketing seriously. Banks are granting loans on the basis of utopian financial projections submitted along with the loan application without checking the market feasibility. These financial projections in most of the cases are not in tune with the marketing reality. The proof is the increasing cases of failures in small scale start-ups. Thus, while granting loans, Banks are largely ignoring the financial interest of their customers (who are seeking loans from them against their hard earned collateral). In the pursuit to grant speedy loans (against collateral), Banks are granting loans to projects which are extremely risky from marketing angle. By doing so, Banks are not performing Marketing Dharma (of thinking about the welfare of their customers), but are performing their Sales Dharma (achieving the Loan

targets set by their superiors without caring for the market viability of the projects) which shows their clear orientation towards Marketing Myopia. Then what should the Banks do? Should they stop granting fresh Loans? The answer is that they should spot the Business Opportunity from the above problem, should take their customer service to a new level, should think about the financial security of their customer also while granting fresh Loans, and in this process should create a strong differentiator which increases their Business manifolds, thus creating a marketing advantage over the competing Banks. Their failure to do so prompted me to use the term “Lack of Marketing Culture” in the title of this case.

The Business opportunity can be derived from the fact that Small Scale Sector is in some kind of distress as many of them were working on Business models based on Tax evasion, and the fresh Political and Economic environment has rendered such models obsolete. Banks have traditionally been granting loans against the Business proposals presented to them by the Customers. ***How about Banks presenting the Business proposals to their customers in the small scale, and in the process also performing their Marketing Dharma of disbursing Loans?*** Many will argue that this is not their Job, and that they may even be by RBI regulations against doing so. The main Job of any Business is customer service, and no one can question a Business which redefines its Job responsibilities to help their customers.

I shall explain the idea in detail with the help of an example (a sample Business Proposal offered by Banks to their customers). A bank does the Market feasibility analysis and concludes that a six month top up course for fresh MBA graduates (after completion of their degree) can enhance the market value of such fresher's manifolds. With the mushrooming Institutes and Private Universities offering various management courses, the number of MBA's graduating every year has increased manifolds. It is good if they get a Job from their campus. A large majority don't get the Job from the campus and often have to face unemployment or underemployment. If a credible institution can offer a credible value added course to them which gets instant recognition from the Industry (recognition by UGC/ AICTE may not be required as the students would already be holding a recognised

degree), and then organises Job interviews with leading organisations for them, it will be a great help to such fresh MBA graduates. This is a viable Business idea also as the number of unemployed/ underemployed MBA's is increasing every year. To increase Market Potential of this Business idea, MBA's with a year or two of experience, but who are *underemployed*, may also be offered a top-up course.

Following can be the Business Model:

Bank (The facilitator and Financier through extending Loans)



A bigger Entrepreneur who puts the Basic Infrastructure in to Place
(A Potential Customer of the Bank by availing Loan against Collateral)



Local City Based Franchisee (Three to Five in Each state of India)
(Also potential customers of the Bank through Loan against Collateral)



Fresh MBA Graduates without Job/ Underemployed MBA's
(Also Potential customers of the Bank through Education Loans/ Personal Loans to them, or their Parents)

Bank approaches one of its customer (may be in the small scale as huge funds are not required) to take overall title of this project and to put in the basic minimal infrastructure (through a Loan against collateral extended by that Bank). This relatively Bigger Entrepreneur also becomes the Joint custodian of the Brand (along with the Bank). Franchise applications are then invited through the various Bank Branches (Banks have an intensive reach), and customers are invited to take loans to invest in this Project. This will result in 125 to 150 Franchisees throughout India. These Franchisees put in the city level infrastructure in place and Invite Students to take admission. These students also become Bank's customers through

educational loans or through personal loans to their parents for financing this course.

Marketing Safety of the Project? Banks have decent corporate links. They also enjoy the power over many corporate Houses (because they are the Financiers of their Business), and in many cases enjoy a seat on their Board. With their links, they can easily arrange adequate corporate interviews after the completion of this training course. Officials of the Bank can also directly monitor the training modules/ methods & quality of teaching. The above will be enough to attract fresh MBA graduates for this value added course. Information about these courses can be spread through the huge databank available in-house with the Banks. Those who take franchise of this Business will virtually be ensured of decent Business. Thus, Bank can generate fresh Business by ensuring the safety of its own money as well as ensuring the safety of money of its Customers.

Many such ideas can be put into practice. Banks can even charge premium lending rates against such safe marketing Projects. I am not sure about RBI guidelines for or against the above practice, but even if there are legal hassles, a legal way can easily be found since the financial involvement of the Banks is only through extending Loans. Rest of the allied services (as described above) can be termed as Customer Service. The above process passes the test of Lord Shiva (through Mahamrityunjaya Mantra, explained earlier in this Book), and also promotes Shree Ram element of “Marketing Culture”. This also helps in eradicating social problems like unemployment and underemployment.

Government should also take a clue from the above and introduce “Marketing Culture” while disbursing grants/ loans through its various schemes. This is how they can enhance the viability of the Projects financed through their schemes. Skill India is a very important programme by Government of India. In the same spirit as discussed above, Government can create certain Umbrella Brands (as a facilitator in association with Corporate Houses), train the individuals in various skills required for particular Businesses, and then can finance such individuals to start

Businesses under those Umbrella Brand. Creation of Umbrella Brands will increase the viability of such small Businesses manifolds.

Both Banks and Government need to redefine their horizon from financiers of small scale Businesses to Financiers of viable Business Projects (By playing active role in facilitating the viability of such small scale Projects). This will be a huge step towards Ram Rajya in India.

Note: This is a new idea and if Banks/ Government agencies require any further inputs/clarifications from me, they can contact me at kujnishvashisht@gmail.com