

A Study of
**“Product Promotion Strategy of
Commercial Banks in Nepal”**
(A Special reference of Nepal Investment Bank Ltd., Birgunj, Branch)

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RECOMMENDATION

This is to certify that the thesis submitted by

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**“Product Promotion Strategy of Commercial Banks in Nepal”
(A Special reference of Nepal Investment Bank Ltd., Birgunj, Branch)**

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DECLARATION

I hereby declare that the work reported in this thesis entitled Marketing Strategies Adopted by Commercial Banks in Nepal, A Case Study of Machhapuchhre Bank Ltd. submitted to Thakur Ram Multiple Campus Faculty of Management, TU is my original work done in the form of partial fulfillment of the requirement for Masters in Business Studies (MBS) under the supervision of Dr. Deepak Shakya, Reader Thakur Ram Campus, Tribhuvan University.

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Chapter I

INTRODUCTION

CHAPTER 1

INTRODUCTION

1.1 Background of the study:

Nepal is a predominantly agricultural landlocked country with a population of 23 million and per capita income of mere U.S. \$ 240 with positive estimated growth surrounded by China and India, the two regional superpowers. Nepal is still in the list of the least developed countries in the world. Various factors like land-locked situation, poor resource mobilization, lack of entrepreneurship, lack of institutional commitment, erratic government policy, political instability etc. are responsible for the pace of development of Nepal.

The idea of planned economic development in Nepal initiated the first plan in 1956AD. Nine economic plans have been completed so far gave mixed achievement. Presently, Nepalese economy is running with tenth plan.

In the mid of 1980, Nepal Government initiated some corrective measures to stabilize the economy with the assistance of International Monetary Fund (IMF) stand by arrangements. In FY1985 it subsequently embarked upon the structural adjustment program encompassing measures to increase domestic resource mobilization strengthen financial sectors, liberalize industrial and trade policy (World Bank1998). Since FY 1987/88 a significant step towards financial liberalization was undertaken by Nepal Government with the view to expedite the pace of economy development under structural development program. This gave the liberalization in interest rate, strengthening of banking operation and shift to indirect from direct monetary control instruments.

1.1.1. Evolution of Banking Industry

The evolution of banking industry had started a long time back, during ancient times. There was reference to the activities of money –changers in the temple of Jerusalem in the New-testament. In ancient Greece the famous temples of Delphi and Olympia served as the great depositories for peoples surplus funds are these were the centers of money lending transaction. Indeed the traces of rudimentary banking were found in the Chaldean, Egyptian and Phoenician history. The development of banking in ancient Rome roughly followed Greek pattern. Banking suffered oblivion after the fall of emperor Justinian in 565A.D and it was not until the revival of trade and commerce in the Ages that the lesson of finance were learnt a new from the beginning. Money lending in the middle Ages was however, largely confined to the Jews ,since the Christians were forbidden by the canon law to indulge in the sinful act of lending money to others on interest. However, as the hold of church loosened with the development of trade and commerce about the thirteenth century Christians also took to the lucrative business of money lending , thereby entering into keen competition with the Jews who had hitherto monopolize the business

As a public enterprise, banking made its first beginning around the middle of the twelfth century in Italy and the Bank of Venice founded in 1157 was the first the public banking institution. Following it were established the Bank of Barcelona and Bank of Genoa in 1407 respectively. The Bank of Venice and the Bank of Genoa continued to operate until the eighteenth century. With the expansion of commercial activities in Northern Europe, there sprang up a number of private banking houses in Europe and slowly it spread throughout the world. In Nepal, modern banking starts from the establishment of Nepal Bank Limited.

1.1.2. Development of Banking Industry in Nepal

In the country the development of banking is relatively recent. The record of banking system in Nepal gives detail account of mixture of slow and steady evolution in the financial and global economy of Nepalese life. Involvement of landlords, rich merchants, shop-keeper and other individual money-lenders has acted as fence to institutional credit in presence of unorganized money market.

Though establishment of banking industry was very recent, some crude bank operations were in practice even in the ancient times. In Nepalese chronicle chronicle, it was recorded that the new era known as Nepal sambat was introduced by Shakhadhar, a Sudra merchant of Kantipur in 879 or 880 AD after having paid all the outstanding debts in the country. This shows the basic of money lending practice in ancient Nepal. Towards the end of 8th century m Gunkamdev had borrowed money to rebuild the Kathmandu valley. In 11th century, during Malla regime there was an evidence of professional money – lenders and bankers. It is further believed that money lending business particularly for financing the foreign trade with Tibet became quite popular during reign of Mallas. However in the absence of any regulatory measures, the unscrupulous money – lenders were known to have charged exorbitant rates of interest and other extra dues on loans advanced.

The establishment of “Tejarath Adda” during the year 1877 AD was fully subscribed by the Government of Kathmandu valley which played a vital role in the banking system. This establishment helped the general public to provide credit facilities at the very low rate of 5%. The Tejarath Adda could be regarded as pioneer foundation of banking in Nepal. Tejarath Adda was running smoothly for few decades.

The main defect of this institution sougheed as there was no other financial institution set –up and there was no effort to expand the services. Above all

of the defects, this institution did not accept any deposits from the public. In the absence of saving mobilization the “Adda” faced financial problem making it impossible to cater to the credit and service need of the general population throughout the country. After that again for a long time several organized bankers and indigenous money lender continued to flourish as the sole provider of the credit and services to the general public.

At the same time, the government started trade with India and Tibet. And the various indigenous bankers handled even the trade, because transfer of money could be safely made only through these bankers in the absence of modern banking institutions. Hence, the need of banking institution was realized. This was even supported by the situation caused during 1934 AD's earthquake where there was a need of finance for the reconstruction of works.

Reviewing these situations the “Udyog Parishad” (Industrial Development Board) was constituted in 1936AD. One year after its formulation, it formulated the “Company Act” and ‘Nepal Bank Act’ in 1937AD.

In the year 1934AD, the establishment of Nepal Bank Ltd, with the Imperial Bank of India came into existence under “Nepal Bank Act 1937” as the first commercial bank of Nepal, inaugurated by King Tribhuvan on November 1937. Rastriya Banijya Bank, the second commercial bank was established in the year 1965. RBB being the largest commercial bank plays a major role in the economy. That is the reason why these banks still exist in spite of their bad position.

1.1.3 Modern Banking Practices

Thus we can say that modern banking practices began only before the Second World War with the establishment of the first banking institute, Nepal Bank Limited, which was an establishment as a joint venture of government and private individuals.

Earlier banks were different from modern commercial banks in many aspects. The banks, which operated in the past combined central banking functions such as issue of currency, with commercial banking operations like accepting deposits and financing.

Business, in course of time, this practice was abandoned and specialized institutions for the central banking functions were created. Now a central bank can be easily distinguished from a commercial bank due to their objectives and unique functions.

On the long run, commercial Bank Act was felt, accordingly it was established in 1974AD. According to section 2(a) of Commercial Bank Act 1974, the commercial banks are the heart of the economic system. They hold the deposits of million of persons, gold and business units. It exchanges money, accepts deposits, grants loan and operates commercial transactions. They make fund available through their lending and investing activities to borrowers, individuals, business firms and government. Thus their task to provide a collecting point for saving or relatively small average amount from large number of individual sources and invites them into a productive and needed sector of the country, so as to develop the nation. In the developing country like Nepal, there is always lack of financial resources not only because of the available resources are not fully utilized for the productive purpose, in this course the commercial banks are financial institute rather than banking institute.

In the modern times, commercial bank which are facilitated, regulated and supervised by the central bank, confined them and concentrated in their activities of fulfilling the financial needs of their customers.

With the opening of NABIL bank in 1985, the door of opening commercial banks was opened to the private sector. Then whole lot of commercial banks was opened in Nepal today all the banks except Nepal Bank Limited and Rastriya Banijya Bank are making profit. The inefficiency of these two public sector banks has lead to the success of other private banks.

As the commercial bank grew, they stopped entertaining small project. Thus a scope for opening finance companies emerged. In 2042BS Finance Company Act was passed but private sector kept stony silence till 2049 BS. The first break came in month of shrawan of that year, Nepal Housing and Development Finance Company came. The second came in the Paush of the same year, Nepal Finance and saving companies operating in Nepal.

No matter what name we give to banks like Business bank, Retail bank, clearing bank Joint Venture bank, Merchant bank etc, they all perform the same basic function, like other frganization, the main objective of the banking industries will be profit maximization and wealth maximization.

Altogether there are 25 commercial Banks, 58 development banks 79 financial institute and 17 co-operatives as of Jan 09. They all have got their own rules and regulations and own vision but ultimately they are serving nation to build huge financial resources and mobilizing it in the best possible way.

The banking sectors remained still for a long period time but as the time passed on many developments occurred. In the present scenario, Nepal banking system is evolving itself as a powerful instrument of planning and

economic growth of all the developed and underdeveloped sectors. The scope and scale of banking too have undergone substantial change in response to the saving and credit needs of people.

1.1.4. Nepal's Financial System

Organizations	No of Institutions (As of January 09)
1. Central Bank	1
2. Commercial Bank	25
3. Finance Companies	79
4. Development Banks	58
5. Micro – Credit Finance Institution	12
6. Co – operatives Licensed by NRB	17
7. NGOs licensed by NRB	47
8. Insurance companies (Licensed by Insurance Board)	21
9. Employee Provident Fund	1
10. Citizen Investment Trust	1

Note: The above list does not include the co – operatives licensed by co – operatives Board.

1.1.5. Commercial Banks

Commercial Bank is the major component in the financial system. They work as the intermediary between depositors and lenders and facilitate in overall development of the economy, with major thrust in Industrial development.

Commercial banks came into existence mainly with the objectives of collecting the idle funds, mobilizing them into productive sector and causing overall development. The bankers have the responsibility of safe guarding the interest of the depositors, the shareholders and the society they are serving. A sound banking system is important because of the key roles it plays in the economy, intermediation, maturity transformation, facilitating payment flows, credit allocation and maintaining financial discipline among borrowers. Banks are the gatherers of saving the allocates of resources providers of liquidity and payment services.

1.1.6. Growth of Commercial Banks in Nepal

The banking sector in Nepal started with the establishment of Nepal Bank Limited. Today we got 21 commercial banks in operation. The commercial banks in operation. The commercial banks of Nepal can be categorized into two types – public sector and private sector. Public sector banks include the two old banks NBL and RBB. Private sectors are remaining.

Nepal Bank Limited – NBL was incorporated in 1937 under the Nepal Bank Act of 1934 with an authorized capital of Rs 100 lacks. At first, the majority of share was owned by the government. Now govt. owns only 40% share with the suggestion of World Bank to transfer the ownership to the private sector for better functioning of the financial sector. But it not breeds results as expected.

Rastriya Banijya Bank – The fully government owned bank was established in 2022. RBB is the largest commercial bank and plays a major role in the economy.

Nabil (earlier known as Nepal Arab Bank Ltd.) is the first private commercial bank opened in the country. It was established in the country in 2041 (1984) with a paid – up equity of Rs 30 million. It has the largest number of branches among the private banks. In terms of the number of staff employed also it comes first in the list with 388 staffs.

Nepal Investment Bank Ltd. (earlier known as Nepal Indosuez Bank Ltd.) is one of the oldest private joint venture bank in the country that started its business around 2042 (1985) .

Standard Chartered Bank Nepal (earlier known as Nepal Grind lays Bank Ltd.) came into existence in 2043 (1987) as a joint venture between ANZ Grind lays and Nepal Bank Ltd. It started its business with Rs 30 million paid – up capital. After acquiring of the ANZ operation in the region by the standard chartered in July 2001, it has become a subsidiary of Standard Charted, London, which holds 75% of share – holding in the bank, with remaining 25% hold by the public share holders.

Himalayan Bank Ltd is a joint venture with Habib Bank of Pakistan, started its operation in 2049 (early 1993) with paid – up capital of Rs 60 million.

Nepal SBI Bank Ltd. is a joint venture between employee’s provident fund and State Bank of India, where Indian Bank hold 50% of the equity. The initial paid – up capital was Rs 119.95 million in 2050.

Nepal Bangladesh Bank was established in 2050 (1993) in technical collaboration with IFIC Bank Ltd. of Bangladesh.

Everest Bank Ltd started its operation in 2051 (October 1994). It entered into joint venture with Syam Bank of Thailand during the year 1994.

Nepal Credit and Commerce Bank Ltd (earlier known as Nepal Bank of Ceylon Ltd) is a joint venture with a leading bank of Srilanka.

Lumbini Bank Ltd was established in the year 2055 in Narayangadh .

NIC Bank Ltd. was established on the same year . It does not have any joint venture, yet it has employed a senior banker from India to heads its operation.

Machapuchre Bank Ltd. started its operation as a regional bank from Pokhara during 2000.

Kumari Bank Ltd. started its operation with the issued capital of NPR 500 million during 2007.

Laxmi Bank Ltd. has started its operation from 2002 as a regional bank with head office in Birganj. The bank has its issued and paid – up capital as NPR 500 million and NPR 275 million respectively.

Siddhartha Bank Ltd is the 17th commercial bank to start its operation from December 2002, with the issued capital of NPR 500 million.

Agricultural Bank Ltd was upgraded from development bank to commercial bank in the year 2006.

New generation's commercial banks – **Global Bank Ltd , Citizens Bank Ltd , Prime commercial Bank Ltd , Bank of Asia –Nepal Ltd and Sunrise Bank Ltd** commenced their banking operations in the year 2007 .

NEPAL INVESTMENT BANK LTD

Nepal Investment Bank Limited is the fourth commercial bank of Nepal. Nepal Investment Bank Ltd. (NIBL), previously Nepal Indosuez Bank Ltd., was established in 1986 A.D as a joint venture between Nepalese and French partners. The French partner (holding 50% of the capital of NIBL) was Credit Agricole Indosuez, a subsidiary of one the largest banking group in the world. With the decision of Credit Agricole Indosuez to divest, a group of companies comprising of bankers, professionals, industrialists and businessmen, has acquired on April 2002, the 50% shareholding of Credit Agricole Indosuez in Nepal Indosuez Bank Ltd.

The name of the bank has been changed to Nepal Investment Bank Ltd. in April 2002 upon approval of bank`s Annual General Meeting, Nepal Rastra Bank and Company Registrar`s office.

The bank has introduced the debit card first time in Nepal in domestic as well as foreign currencies. The bank has been doing well since its establishment. The bank has been awarded “Bank of the Year 2003”, “Bank of the Year 2005” as well as “Bank of the Year 2008” by the London based Financial Times group`s The Banker – making it the first All-Nepali managed bank ever to receive the award three times in six years. Nepal Investment Bank was selected for the honor from among the list of Nepali banks meeting the benchmark criteria set by The Banker. The Award is based on growth and performance in terms of capital, assets, and return on equity, management quality and use of technology.

Banking Technology and Services –

At this present era, the role of commercial banks is intensifying very rapidly. It has become a major part of the modern society. The service that commercial banks provide today is more efficient and convenient as compared to services that it used to provide last decades. Commercial

banks at this new world of globalization have come up with the wide services like, ATM, Credit Card and Internet banking etc.

Investment Bank is well equipped with modern computerized system. Having its own computerized accounting system. The bank has tried to follow the modern banking technology to facilitate its customer much faster. In the same respect the bank has implemented A B B S. The Acronym of Any Branch Banking System, where banking transaction can be done anywhere in the branch by having an account in any of the branches. Every bank has its own kind of services; similarly Investment bank is a commercial bank. It has its own services which are as follows ----

-) Deposits
-) Loans and Advances
-) Clearing / Collection
-) Bills purchase
-) Trade Finance
-) Export Credit
-) Foreign Exchange
-) Bank Guarantees
-) Fund Transfer
-) 365 days banking
-) Ezee saving Scheme
-) Locker Facilities

-) Any branch banking
-) Tele banking services
-) Remittance
-) Debit card
-) ATM

There are many other services that NIBL provides to its customers like cheques collection, endorsement of Cheques as “Good For Payment”, Issue of demand drafts, issue of cashier order, cheques discounting etc.

Nepal Investment Bank is the first Bank to introduce Visa Electron Debit Card in Nepal and the first non –government bank to launch “Loan against

Gold and Silver”. The Bank has issued over 35,000 cards making it the leader in the industry within a span of over three and half years. The Bank has deployed the highest number, 800, of point of Sales machines in the market. Nepal Investment Bank recently launched the “Aphnai Bachat Khata”, “Keta Keti Bachat Khata” that cater to its high net worth clients and renders consultancy services in taxation, legal, insurance and travel and tours. The Bank plans to strengthen its position in products such as remittance and plastic money.

Customer satisfaction is the paramount driver at Nepal Investment Bank. The Bank constantly interacts with existing and potential customers to get feedback and suggestions that in turn help to design products and services to suit the requirements and expectations of customers. The Bank has started a concept of “15 Minute Banking” for the convenience of all its valued customers. Customers entering any of its twenty –two branches can carry their entire banking transaction within 15 minutes. A survey shows 8 to 10 minutes as the average transaction time per customer to carry their transaction and leave the bank.

The Bank is committed to continue striving to improve on all fronts to ensure it can respond to today’s challenges in meeting the demands of its customers. NIBL understands that to be successful, it needs to know its customers. It is this commitment to understanding customer’s particular needs and applying expertise accordingly that’s led NIBL to being recognized as Nepal’s Bank of the Year 2008.

BIRGUNJ BRANCH OF NIBL

Among the branches of Nepal Investment Bank Ltd., Birganj Branch is privileged to be the oldest and the biggest branch, in terms of profit making. Birgunj Branch was established in May 1994. The branch is in the

prime location amidst many other commercial banks, business enterprises and the Nepal Rastra Bank (NRB).

After the new management took over the management of Nepal Indosuez Bank, the branch has been able to increase its lending and deposit by two folds within a span of four years time.

This is a full-fledged branch where almost every banking activity is performed. This branch, being among the oldest (among NIBL branches and also among other private banks established in Birgunj), has relatively very low back debts provision. Also, within four years' time the bank has been able to get rid of about seven bad debt/doubtful clients from its account. Good quality lending is the main motto of this branch. The branch has been reducing its bad debt outstanding every year and is hopeful that if the trend continues, there will be no bad debt account by the end of FY2007/08.

2. Basic concept of Banking Product in the sense of marketing

In simple word Marketing is – “let's the customer know about your product and motivate them towards it. “

Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user. In other words it includes all the activities involved in the flow of goods and rendered services from production to consumption.

Marketing is the process of planning and executing the conception, pricing, promotion and distribution of goods, services and ideas to create exchanges with target groups that satisfy customer and organizational objectives.

Marketing consists four P's (1) **Product** (2) **Price** (3) **Place** and (4) **Promotion**

One of the four major variables with which the marketing manager works, is communicating information between seller and buyer with a view to changing attitude and behavior.

Promotion is the ingredient used to inform and persuade the market regarding a company's product. **(a) Advertising (b) Personal Selling (c) Publicity (d) Sales Promotion and (e) Personal selling** are the major promotional activities.

Personal selling involves direct face to face relationships between sellers and potential customers. Mass selling is designed to communicate with numbers of customers at the same time. Advertising is the main form of Mass – Selling but it also involves publicity. Sales promotion refers to specific activities that complement personal and mass selling such as point of purchase display booklets, leaflets and direct mailings. Posters, Banners, Print media, Electronic media etc.

For the promotion of banking products banks apply **Marketing Strategy**. Marketing Strategy is both unique and common place. That might sound like a contradiction of term but it is not. The term `strategy` is widely used to describe a seemingly endless numbers of marketing activities. Today, everything in marketing seems to be strategic.

3. Promotional Strategy

Promotional Strategy is also one of the most important marketing strategies. These includes advertising, personal selling, sales promotion and various miscellaneous efforts. When management has a message to pass to target customer's promotion is the proper vehicle like other marketing tools both business and non business organization use promotion.

A company needs to make marketing decisions only in the areas of segmentation, product offering, pricing and distribution but also in the area of promotion. “Promotion is any marketing effort whose function is to inform or persuade actual or potential customer about the merit of product or service for the purpose of including a customer either to continue or to start the relation with the firm.

4. Statement of the Problems

A well functioning banking system is an essential element in economic growth. A good banking system is supposed to mobilize savings from household and business and utilize it in productive sector.

As a coassignee of the economic liberalization policy of Nepal Government joint venture commercial bank mushroomed in a short time span. They are mainly concentrated in the capital city and in the major urban areas. But due to agricultural predominance the banking services are highly required in the rural areas , commercial banks especially the joint ventures one are reluctant to expand their operation in those areas where they are really needed . The branches of the commercial banks opened in the rural area of Nepal do not seem to have activated their role effectively.

Modern Marketing is based on customer oriented approach. But in Nepal 91% population till live in rural areas. Due to lack of education, they are unable to utilize all the facilities of banking product. The Product Promotion Strategy is till not very effective to make known about.

Very recent product like – LC (Letter of Credit), Remittance facility, SWIFT and ATM; are not even much known to the people live in urban areas. Generally it is well known to all that Banks collect funds from different types of deposits and provides to loans and advances to different sector. Today this is very limited views of the functions of Banks. On

present competitive era, banks have to produce different banking products to service the customers as well as to society and to service, compete and growth of the business. It is not possible to produce different banking product till it not promoted and to promote (promotion strategy) is an essential function of modern marketing.

But either Banks or customers are not seen more interested in developing banking products or formulating promotional strategies. So it is the question of study that whether there is any relationship of banking products with its promotion strategies. So the major problems that have been identified for the purpose of this study.

5. Objectives of the Study

The basic objective of this study is to analyze the relationship between banking product with the product promotion strategy of Commercial banks with reference to Nepal Investment Bank, Birgunj branch. Besides this the study also focused on the following objectives.

1. To study the bank's product promotion strategy in urban as well as rural areas.
2. To examine its efforts to attract its customer. What type of facility is giving to its customer regarding interest rate?
3. To evaluate its performance in the field of promotion of its product to its potential customer.
4. To analyze its performance in the sense of marketing like advertisement in radio and television, posters and pamphlet etc.
5. To highlight its product promotion strategy.
6. To make conclusion and suggestion regarding the study to make effective the `Product Promotion Strategy`.

6. Significance of the Study

Significance of the study is to make aware about the product to general public so as to use the facilities provided by the Investment Bank, Birganj branch.

The headquarter of Parsa district is Birganj which is called financial capital of Nepal. It has total population 112855 with 60950 male and 51528 female. The total literacy rate is 69.29%. The population growth rate is 4.89%. The urbanization rate of this city is 11% with migration from rural area and India due to various reasons. Due to which there is a change in socio – cultural structure. There is difference in income level, standard of living, taste and habit of people.

For the promotion of its product, advertisement is the medium. But only advertisement will not be effective in this throat – cut competition. It will need some more effort by the banker because customers are not alike. For the variety of customer, there must be variety of tools.

The study will help banker to improve their policy for the sake of making customer well informed about its product and policy.

Similarly, this study will try to find out the customer's behavior and their thought regarding its facilities.

The study will also find out that how much percent of its customer is known about its new products like ATM, Debit Card and other facilities. Thus, this study will be helpful to some extent for the bank, customer and society as a whole.

7. **Limitation of the Study**

Every study has not far from limitations so this study has been some limitation that is presented below.

1. This study is conducted to fulfill the requirement of master degree in Business Study (MBS). So, this study can not cover all the dimensions of the subject matter.
2. Due to lack of the time, this study is based on only banking product produces of commercial bank.
3. The study is based mainly on the secondary data.
4. Not availability of the required data, this study may reduce the scope of the study.
5. To analyze the relationship between banking products and its promotion strategies limited tools and technique are used.
6. Out of various commercial banks this study is concerned with only one commercial bank i.e. Nepal Investment Bank.
7. All through there are various aspects of product management in marketing. These studies mainly concerned with the promotion strategies aspect of the sample bank

8. **Organization of the Study**

This study has been organized into five different segments or chapter to make the study more systematic. The chapters one to five convey the following titles:

- (1) **Introduction:** This chapter contains the introduction part of the study. It describes the background of the study; it also deals with statement of the problem, objectives of the study, significance of the study, limitation of the study and organization of the study.

- (2) **Review of the literature:** The second chapter deals with the conceptual framework, review of empirical works, relevant research studies, review of major studies in Nepal and finally conclusion of the literature.
- (3) **Research Methodology:** The third chapter contains research methodology employed in the study. It explain the research methods , research design , nature and sources of data , data processing procedure , the basic tools and techniques and definitions of key terms.
- (4) **Presentation and Analysis of data:** The fourth chapter contains presentation and analysis of data. In this chapter, data is collected through different sources such as reports, questionnaire, observation, information system and required statical tools has performed analysis and interpretation of data.
- (5) **Summary, Conclusion and Recommendation:** The fifth chapter contains summary and conclusion of the study. After that all necessary recommendation are presented for the improvement of the further study and research.

Chapter II

REVIEW OF **LITERATURE**

CHAPTER II

REVIEW OF LITERATURE

2.5 Introduction

Review of literature is an essential part of all studies. It is a way to discover what other research in the area of our problem has uncovered. A critical review of literature helps the researcher to develop a thorough understanding and inside into provides research works that relates to the present today. It is also way to avoid investigating problems that have already been definitely answered.

2.6 Conceptual Framework

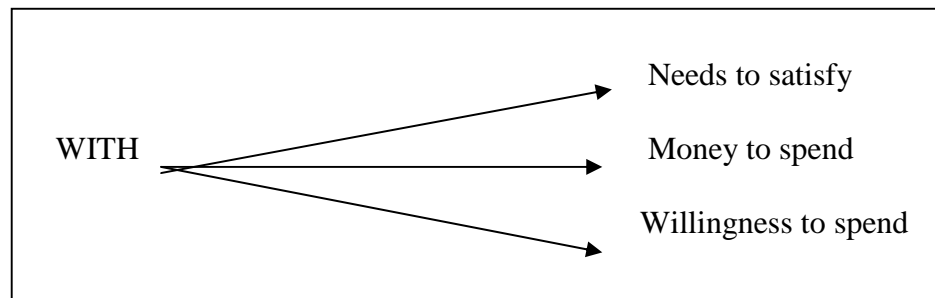
2.6.1 The Market---

There is many usage of the term in economy theory, in business in general, and in marketing in particular. A market may be defined as a place where buyer and sellers meet product or services are offered for sales and transfers of ownership occur.

The concept of market gives birth to the concept of marketing. According to American Marketing Association –“Marketing is the process of planning and executing the conception, Pricing , promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives.”

Thus market is the demand made by a certain group of potential buyers for a product or services. “Market is defined as people or organizations with wants, to satisfy, money to spend, and the willingness to spend it.” Thus, in the market demand for any given product or service, there are three factors to consider. People or organization with wants their purchasing power, and their buying behavior.

A market is people or organization:



Market is a group of individual or organizations who may the goods or services being offered for sale and who meet these three additional criteria.

2.6.2 The Marketing----

The concept of market gives birth to the concept of marketing. Marketing is the process of planning and executing the conception of pricing, promotion and distribution of goods, services and ideas to create exchanges with target groups that satisfy customer and organizational objectives.

According to Prof. Philip Kotler—“Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with other.”

According to American Marketing Association –“The process of planning and executing this conception, pricing, promotion and distribution of ideas, goods and services to create exchange that satisfy individuals and organizational objectives.” The main focus is being on consumers need satisfaction as well as marketer’s profit.

Marketing thus satisfies the objectives of the producers by making it possible to sell their products on the market in one hand and on the other

hand helps consumer to get to the maximum of satisfaction by providing goods and services for their consumption. In the modern marketing era every marketers should understand the customer's need.

Marketing plays a key role in gaining competitive advantage in the market place. The environmental forces for marketing are fast changing. The marketing success in the twenty –first century belongs to those who can avoid threats and reap benefits from opportunities of sustainable competitive environment.

The new millennium signifies new opportunities as well as new threats to marketing. New marketers are opening. Growing globalization and liberalization is bringing competitors everywhere. Technological advances are creating opportunities. Advance information technology is making customers more powerful. Marketing needs to create and deliver superior value to attract and retain customers.

Nepalese marketers will need to adapt to the changing environmental forces. Above all they will need marketing management. The management of Marketing is vastly different today from what it was even short ten or twenty years ago. The marketing manager who co-ordinates all company marketing function is infect filling a new co-operate position.

2.6.3 Reasons to Embrace Marketing concept.

Banks tend to be reluctant to adopt the marketing concept. However, the following reasons drive them to adopt the marketing concept.

- (i) Increasing Competition—Bank / Organizations may be forced to adopt the marketing concept to meet the challenges of increasing competition.

- (ii) Changing customers wants—Many organizations operate in markets where customer wants are continually changing. This forces them to adopt the marketing concept to satisfy changing customer wants and to retain customer.
- (iii) Changing Technology—Technology is fast changing. This may force organization to adopt marketing concept to reduce the risk of obsolescence.
- (iv) Declining Sales –Declining sales may force organization to adopt the marketing concept for determining and satisfying customer needs .
- (v) Slow growth—slow growth in sales may force organization to adopt the marketing concept for exploring new market opportunities to satisfy customer needs.
- (vi) Increasing Market Expenditures – Organizations adopt the marketing concept to make effective utilization of the increasing market opportunities.

2.2.4. Marketing Mix

Organizations must create and manage an effective blend of marketing mix that satisfies customer needs and wants in a target market. According to Philip Kotler – “Marketing Mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market.” The tools of marketing mix are known as 4 p’s.

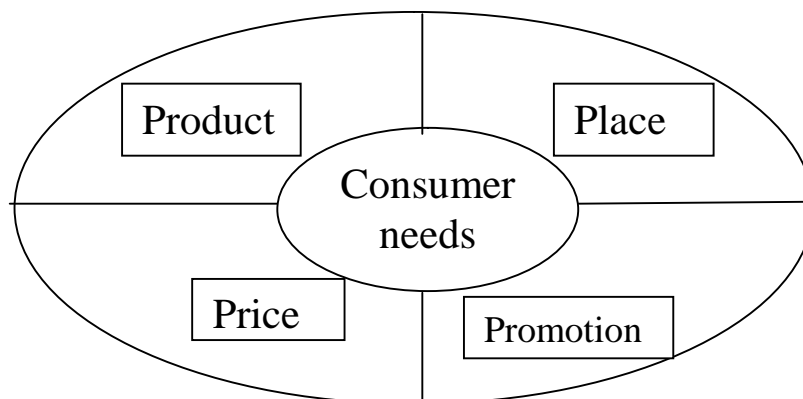
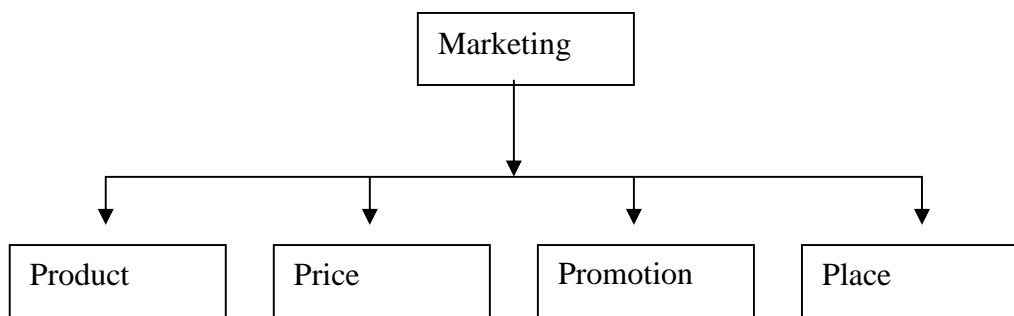


Fig: The elements of Marketing Mix

The marketing mix is the set of marketing tools which the organization blends to achieve the marketing goal in a defined target market. The marketing mix consists of everything the organization can do to influence the demand for its products /services / ideas in the target market. Implementation of the marketing concept requires a careful planning of the marketing mix—the unique blend of product offerings, pricing, and promotion and distribution system designed to reach a particular group of customers. Customer satisfaction, the key goal of the marketing concept can be achieved only by designing the marketing mix suitably for the customer groups or market segments. Marketing mix planning requires all possible tools of analysis, such as segment analysis, market research and competitor’s analysis.

Fig. No. 2.3



Product Variety	List Price	Sales Promotion	Channels
Quality	Discount	Advertising	Coverage
Design	Allowances	Sales Force	Assortments
Features	Payment Period	Public Relation	Locations
Brand Name	Credit Terms	Direct Marketing	Inventory
Packaging			Transport
Sizes			
Services			
Warranties			
Returns			

2.3. PRODUCT

A product is anything that is capable of satisfying human needs and wants. According to Philip Kotler – “As anything that can be offered to a market for attention acquisition, use or consumption and that might satisfy a want or need.”

Product is one of the most important parts of the marketing mix. The product area is concerned with developing the right product for the target market. This product may involve a physical product and / or some combination of services. The crux of the matter in the product area is to develop something which will satisfy the customer's need. Most of the text will be concerned with tangible product, but the principles in most cases also apply to services. It is important to keep this in mind, since the service side of our economy is growing, it is also important to overly occupy with producing and selling tangible product as well as developing the service facilities.

2.4. Bank And banking product

2.4.1. Conceptual Explanation of Banking Terminology ---

The term banking refers to the institution that provides services and facilities regarding monetary functions, the functions in that a general bank performs the receiving, collecting, transferring, paying lending, investing, dealing, exchanging and other services regarding money in both domestic and international level.

In general it is known that bank is such an organization where the money is deposited, withdrawn or borrowed from a particular account. In short it is first a warehouse for money storage. Bank deals with Debit and credit monetary matters which means bank accepts money from its customer in the form of deposit under different accounts and invests the same money in the capital market or to customer. The main investment areas where the

bank invests money in industries, trade, agriculture, hydro—electricity, infrastructure regarding development real estate etc.

A bank is a lawfully incorporated form of organization, which deals in monetary matters. Bank is a business enterprise. It is a business institution, which takes deposits in different terms from the public and private institution on the one hand and grants loans on the other for different terms to different individuals and organizations. In other words, bank accepts deposit from the public and provides loan and advance to the business enterprises. Accepting deposit from the public means that bank take loans from the public. So the bank is the dealer in credit . Bank receives deposits made by different persons and institutions for the security of their money. It pays interest for the money deposited, gives the money back when demanded, gives the loan and takes interest on the loan. In this way banking transactions are mainly concerned with the monetary movement.

A bank is an institution which trades in money, an establishment for the deposit, custody and issue of money as also for making loans, discount and facilitating the transmission of remittance from one place to another.

A bank means a commercial institution government or non government which financially functioned as collecting/accepting deposit of money by allowing interest repaying it on demand or lending, transacting in give and take of cash, gold, silver and other valuables etc.

In conclusion we can say that “A bank is an organization whose principle operation is concerned with the accumulation of temporarily idle money of the general public for the purpose of advancing in different heads.

2.4.2. Types of Banks in Nepal

Today is the age of specialization; bank differs according to their nature. A bank cannot perform all sorts of functions. So today's banks are opened differently according to their nature, which are briefly explained in the paragraphs:

1. Central bank

Central bank is the supreme bank of a country that controls all the monetary system and banking structure, issues coins and notes, controls the credit of money, performs agency and banking services to the government and manages the foreign currency reserve of the whole country. In the case of Nepal, Nepal Rastra Bank is the central bank, which was established in 2013(1957), under the Nepal Rastra Bank Act. It can accept the credit of Nepal Government, Commercial banks, the financial institutions, government's offices and provides loan to the Nepal Government, Commercial banks, and the financial institutions.

2. Commercial Bank

The banks which perform all kinds of banking business are called commercial banks. In Nepal, there are many commercial banks, which are mentioned above the Nepal Bank Limited, the Rastriya Banijya Bank, the Nabil Bank Limited, the Nepal Investment Bank Limited, and the Bank of Kathmandu etc. Now there are all together 25 commercial bank operating in the country. Generally, commercial banks deal with finance, trade and commerce. These banks normally advance short term loans to the business persons and traders.

3. Development Bank

A development bank is the bank established to promote the development of a particular sector of economy. Generally, it is established by the

governmental sector. In context of Nepal, Nepal Industrial Development Bank Corporation is the first development bank of the country, which was established in 2018 B.S. In 2048 B.S., Agricultural Development Bank was established as second development bank of the country.

4. Exchange Bank

No exchange bank separately is opened in Nepal. Exchange banks deals in foreign exchange of currency. They are specialized in financing foreign trade. They are also known as Export and Import Bank. They facilitate international payment.

5. Saving Bank

The main purpose of saving banks is to mobilize the small savings and to promote saving habits among the public in a country. In Nepal, Hulak Bachat Bank (postal saving bank) was set up in 2019 B.S. to encourage saving habit of the poor people. Now it is operating under Postal Service Department of Nepal Government. However, there are other banks in Nepal, which work in the place of such banks.

6. Co-operative Bank

The bank established under Co-operative Act is known as co-operative bank. They collect small deposits, mobilize small savings and provide short term and medium term loans to their members. In Nepal, Co-operative Act was introduced in Nepal in 2048 B.S. Under this Act, Navajeevan Co-operative Society Limited was the first such co-operative of Nepal. Since then many co-operative bank have been established in Nepal. Co-operative bank have been established in Nepal. Co-operatives provide limited banking services to the customers.

7. Industrial Bank

Industrial banks are those banks, which provide short, medium and long-term loans for the establishment of industries in the country. Nepal Industrial Development Corporation was established in 2016 under the Nepal Industrial Development Corporation Act 2016.

8. Indigenous Bank

Indigenous bankers are the traditional form of the modern bank, which practices banking services privately without banking law, rules and regulations. Generally, indigenous bankers charge higher interest rate in loan. In context of Nepal, indigenous bankers are still playing a dominant role in the economy whatever it is urban or rural area.

9. Merchant Bank

Any person who is engaged in the business of issue management either by making arrangement regarding selling, buying or subscribing to securities as manager, consultant, advisor or rendering corporate advisory service in relation to such issue management. Merchant banks also accept time deposits and finance in trade and industry. Nepal Sri Lanka Merchant Bank is an example of merchant bank of Nepal.

10. Pension Funds

They accept legitimate deposits from employees of different organization while they provide loans to different financial institutions and sometimes participate in the financing in trade and industry. Employees Provident Fund is a good example of pension fund in Nepal.

11. Housing Bank

Housing banks are those banks who collect deposits in the form of time deposits and selling securities in the capital markets where as they finance

in the developments of houses in the country. Nepal Housing Development Finance Company Limited is the example of housing bank in Nepal.

2.4.3. Definition Outflow of Commercial Banking:

Traditionally, the phrase 'Commercial Banking' has been used several times but has not yet been defined clearly. Commercial banking is an institution, practice for lending and accepting cash and other transactional goods that may be gold, silver etc.

The term commercial banking refers to commercial loan theory of banking where the bank outflow its cash in terms of commercial loans. This commercial loan can be short term loans to business for financing the production and transaction of goods can be short term loans to business for financing the production and transaction of goods and also holding inventories. In today's practice, banks are targeted towards financing long term business loans. Thus in short we can say that "The Commercial Banks are those banks that pool together the saving of the community and arrange for their productive use."

The business of Commercial banks mainly consists of pulling resources through acceptance of deposit and arranging for productive use of these resources. They mainly finance the trade of a country in terms of short terms credit loans. Commercial banks receive and hold deposit, pay money, offer investment, advice, exchange foreign currencies and so on . Commercial banks make a profit from the differences between the interest rates they pay to lenders or depositors and those they charge to borrowers. Bank also creates often by way of a bank transfer or a cheque rather than the use of a note or a coin from where it can be lent to other borrowers and so on. When lending money bankers have to find a balance between yield and risk, and between liquidity and different maturities. In short we can conclude that apart from financing commercial bank also render service like collection of bills and cheques, safe keeping of valuables, financing, advising etc. to their customer.

In conclusion we can say that “A bank is an organization whose principle operations are concerned with the accumulation of temporarily idle money of the general public for the purpose of advancing in different heads.”

2.4.4. Banking Products:

Product of any bank is its ‘service’. Bank came into existence mainly with the objectives of collecting the idle funds mobilizing them into productive sector and causing an overall economic development. The bankers have the responsibility of safeguarding the interest of the depositors, the shareholders and the society they are serving.

Commercial bank plays an important role in the modern economy. The major function of any commercial bank is to accept the deposits and provides loan to the needy people and institutions. Besides these, there are many other products. As all the commercial banks of Nepal act under the Commercial Bank Act 2031 BS, their main products are illustrated as follows.

(I) Accepting deposits: Commercial banks attract the idle saving of the society in the form of deposit. It accepts deposits mainly in three forms. They are:

- a) Demand deposits/current account:** These deposits are repayable on demand with prior notice and there is no restriction on the number of withdrawals and amount withdrawn. The bank usually does not pay any interest on such deposits but charges commission for service rendered by it.

- b) Fixed deposit/Time deposit:** In this kind of deposit, the customer is required to keep fixed amount with the bank for fixed time. This deposit can be withdrawn only after the

maturity of the period for which deposit are made but the customers are allowed to borrow money by keeping this deposit as security. Higher rate of interest is paid in this type of deposit.

- c) **Saving deposit:** In such deposit, the deposit can withdraw up to certain amount; prior notice has to be given to the bank. These deposit stand midway between current account and fixed account and thus small interest rate is paid to the depositors.

(II) Advancing of Loans: After receiving the money in the form of various deposits, commercial bank advances loan. Loans are granted in the forms of:

- a) **By allowing an overdraft:** Such arrangement through which a customer can draw more than what he has deposited but interest has to be paid on the extra amount has been drawn.
- b) **Cash credit/By creating deposit:** Loan is provided to the customer against tangible security or personal security of the borrower. The amount of loan is credited to the borrower's **current** account and is given cheque book to draw money and has to pay interest on the whole amount of loan even if only a part of the loan is withdrawn.
- c) **Direct loans:** Such loans are given against moveable and immovable assets. The loan is repayable in lump sum on the due date and interest is charged for the loan from the date the loan is sanctioned till the date of repayment.

- d) **Discounting bills of exchange:** The bank pays cash immediately to the holders of bills of exchange after deducting the discount (internal) and wait for the bill to mature when it gets back full value of bill. Therefore, commercial bank advances loans through discounting bills also.

- e) **Agency function:** Commercial bank undertakes to buy and sell securities on behalf of its customers through bank draft, cheques and transfer. Commercial bank also render various services to their customers like payment of subscription rent, insurance premium and also collects cheque, bills, salaries, dividend, interest etc. on behalf of their customer after charging commission for these services rendered. They also act a trustee to their customers.

(III) Credit Creation: Credit creation is one of the most important functions of commercial bank. Bank do not keep cent percent reserve against deposits in order to meet the demand of the deposits but they advance the deposits received in the form of loans after keeping certain percentages of cash reserve. Therefore by advancing loans on cash credit basis or overdraft arrangement and by purchasing securities and paying for them with their own cheques, bank creates credit.

(IV) General utility services: In addition to the agency services bank also renders other general utility services such as:

- a) **Safe keeping of valuable:** Commercial bank dies the safe keeping of the valuable documents, ornament's securities etc. on the payment of a small sum per year by the customer.

b) Assist in foreign trade: Bank issues letter of credit, guarantees, and traveler's cheques for its customers and thus help in foreign trade. Bank also discount bills of exchange to enable the exporter receive money in the home currency.

c) Making venture capital loans: Banks finances the start up of new companies and project which it thinks is profitable.

d) Provides financial advice: Banks extend financial advice to their customers regarding use to credit investment, opportunities and savings.

e) Offers security brokerage services: To fulfill the financial needs of its customer's, commercial banks also deal in selling of stocks, bonds and others.

f) Investment banking and merchant banking services: Bank renders services regarding identifying possible merger targets, financial acquisition of other companies, dealing in securities and underwriting of shares. Bank also offers hedging. A service against interest rate and exchange rate fluctuates.

2.5. BANKING PRODUCT MARKETING

2.5.3 PROMOTION

The term 'Promotion' refers to the range of methods used by an organization in order to communicate with its customers, both actual and potential and includes Advertising, Publicity, Personal selling and sales promotion. Promotion is probably the most visible element of the marketing mix to most people and is often seen as one of the most

glamorous marketing function. Promotional activities can and do have significant impact on demand for a particular product or service.

Promotion also covers the various methods that an organization uses to communicate with employees and other interest groups. Since effective marketing is crucially dependent on the establishment of a marketing orientation throughout the organization as a whole. Without understanding its importance, however, promotion is only one element of the overall marketing mix and its impact on demand will only be short term if the product is not of the necessary quality available in the designed service and facilities.

People must be made familiar with the product's benefits. Some form of promotion is necessary to make customers and other public with which a bank/ organization interacts, aware of the existence of a service/ product. Although, promotion and advertising in particular, is often singled out as a part of the marketing mix that society could well do without a moment's reflection shows that this criticism is unwarranted. The job of marketing is to identify consumer needs and to try to satisfy those needs by developing appropriate service/ product, convenient, reliable, properly distributed, available etc. The role of promotion in the marketing function is to convey news, to tell consumers about the benefits of the service/ product.

Recall that promotion is communication used by marketers to inform, remind or persuade potential buyers. Personal selling, advertising, publicity and public relation and sales promotion are promotional methods that may be used to communicate a message. Features of Promotion are following:

Promotion informs - Even critics of advertising might feel more comfortable with the job promotion performs in society once they realize that the essence of promotion is communication. Only the service launched by the bank/organization will not benefit anyone unless promotion

communicates to customers. Promotion's main job is to inform actual and potential customers about the services and facilities. Without knowing about the product, anybody can't enjoy any facility. So promotion is the activity by which an organization lets the customers know about the product/ service/ ideas. Thus, the broad goal of promotion is to inform the customer.

Promotion persuades - Marketing managers exist in a competitive environment and as competitors, they want customers in a large number, so that their goals can be achieved. Thus persuasion that encourages or attitude change is a primary goal of promotion.

Promotion reminds – The most loyal customers must be reminded that a product has served them well overtime and of the features that make the product has served them well overtime and of the features that make the product/service attractive. This is specially so in a society where customers are free to tempt loyal customers with their own informative and persuasive messages.

The major goal of their promotion is to sustain their customer's preference for their products. Attracting new customers is a secondary promotional goal. Recall that promotion is communication used by marketers to inform reminds, or persuade potential buyers. Personal selling advertising, publicity and public relations and sales promotion are promotional methods that may be used to communicate a message that may be used to communicate a message.

2.5.4 The element of promotion

Personal selling, advertising, publicity and public relations, and sales promotion are the four main subset of promotion. These promotional efforts are two general types. They involve either direct communication

usually on a face to face basis or on the telephone or indirect communication via some medium like television. It is up to the marketing department which approach is best for each situation. The nature of the message and the context in which it is to be delivered provide powerful clue about which method to choose.

PERSONAL SELLING - Personal selling is a person to person dialogue between buyers and sellers. The purpose of the interaction whether faces to face or over the phone is to persuade the buyer to accept a point of view, to convince the buyer to take a specific course of action or to develop a customer relationship. In many instances the one –to-one nature of this communication technique means that it is quite expensive to employ but compensated by the fact that personal selling is the most flexible means of delivering a promotional message.

Personal selling can be a very intense means of promotion. Personal selling consists of person-to –person communication between sales person and their prospects. It involves personal interaction between the source and the destination. Personal selling refers to oral presentation to one or more customers in a face- to – face situation for stimulating demand for products and services of enhancing company image.

ADVERTISING – Unlike Personal selling and public relation techniques, Advertising is an impersonal promotion to groups that is paid for by an identified sponsor. I t focuses upon group of person, rather than individuals.

Advertising can be described as any paid from of non-personal communication by a sponsor. I t includes any informative or persuasive message carried by a non personal medium and paid for by a sponsor whose product in some way identified in the message. Traditional mass media such as television and magazine are most commonly used. However, the direct mailing of catalogues, electronic media advertisements featuring

computerized ordering and other direct response vehicles are becoming increasingly popular.

In any case, the most widely accredited definition put forward by the American Marketing Association describes it as –“Advertising is any paid form of non –personal presentation and promotion of ideas, goods of services by an identified sponsor.”

Advertising is a powerful communication tool directed towards specific target customers in order to carry the messages regarding a particular product , services or ideas, meaningfully and persuasively with a view to achieve certain specific objectives such as, to establish brand loyalty, expansion of the existing markets increased sales volume,etc.

The advertising objective can be classified as to whether their aim is to inform, persuade or remind. For instance, informative advertising appears at the initial stages of a particular product category where the principal objective is to develop the primary demand of the customers, on the other hand, a persuasive advertising aims to build selective demand for a particular product and generally is applicable at the competitive stage. Thus, the aim of advertising is popularization of the product/offerings among the customers.

PUBLICITY AND PUBLIC RELATION – Publicity is similar to advertising because it may use the same mass media. Publicity is a vital part in the organization’s promotion mix. According to William J Stanton – “Publicity is any communication about an organization, its product, or policies through the media that is not paid for by the organization.”

Publicity is communication about the organization or its products. The publicity material is communicated to the general public through the mass media. Publicity does not involve open cost. Publicity is a means of promoting to the mass market. I t is similar to advertising except that it is free, is found in the editorial portion of news media and pertains to

newsworthy events. The most common type of publicity are news release (also called press released), photographs and feature stories.

Publicity is used to promote various brands, products, persons, places, ideas, activities, organizations etc. Publicity is commonly used in the launching of new product and brands as well as in efforts to rekindle interest in mature brand.

Organization suffering from low visibility have resorted to publicity to create more awareness, while organization with poor public image have attempted to publicity to create more awareness improve their image by engaging in and publishing positive action.

Since publicity is a part of public relation, those skilled in publicity are usually found not in the company's marketing department but in its public relation in order to develop a favorable image of their organization and products in the eyes of the public, they direct this activity to parties other than target customers. These 'others' include the public at large union, the press, and environmentalist groups. Public relation activities include sponsoring floats in parades, lobbying and using promotion messages to persuade members of the public to take a desired position.

SALES PROMOTIONS - Sales promotion includes those promotional activities other than personal selling, advertising and public relation that are intended to induce buyer purchases or to stimulate effectiveness in a specific time period.

According to the American Marketing Association,-“Those marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness, such as displays, shows and expositions, demonstrations, and various no recurrent selling efforts not in the ordinary routine.” Sales promotion activities are impersonal and usually nonrecurring, and are directed to ultimate consumers, industrial consumers and middlemen, these activities tend to supplement the advertising and personal selling efforts. Examples of sales

promotion are free product samples, trading stamps, store displays, premiums, coupons and trade shows.

The main purpose of sales promotion is to achieve short – term objectives. It helps in promoting the sales of the concern effectively. More and promotional activities are required to induce the customers to purchase more and more products and thus produced the demand.

2.5.3. Factors affecting determination of promotion mix.

The design and selection of the promotion are critical issues in marketing. Creation of the right promotion blend is highly essential for successful marketing. The following factors need to be considered in the selection of the promotion mix:

I. Promotion objective and buyer readiness stage: The promotion objective of the organization determines the design of the promotion mix. If the objective of to build awareness level among the buyers, the promotion mix is dominated by advertising and publicity. If buyers are already aware of the product but do not exhibit liking preference and conviction for the brand, the marketer needs to put more emphasis on personal selling which is more persuasion than advertising. If buyers have favorable attitude towards the product, but do not show clear purchase intentions , sales promotions may provide incentives to undertake immediate action . Buyers can be better reminded by display advertisement.

II. Size of the Promotion Budget: The size of promotion mix determines the selection of the Promotion mix. Advertising requires heavy expenses as it has to be launched for a longer time- period. Similarly, maintaining large sales for aggressive personal selling campaign is suitable for financially strong firms. Firms with small promotion budget prefer to use a combination of dealer promotion on the spot- displays, pamphlets etc.

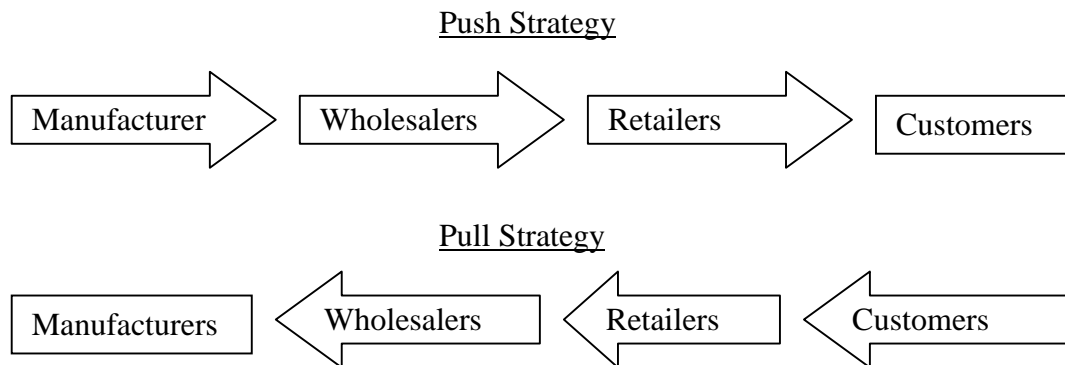
III. Nature of the Market: The structure of the market, particularly its geographical coverage affects the design of the promotion mix. In a small market, personal selling, customer promotions and local level advertising is a good promotional blend. In large markets, a blend of advertising, company's promotions and customer promotions are more effective. In industrial and institutional market, advertising is less important than Personal Selling.

IV. Nature of the Product: Convenience products are generally mass merchandised and supported with heavy advertising by the offerer. Shopping products require more emphasis on personal selling than on advertising. Especially goods and services are mostly sold through public relation. Level of social risk involves in the purchaser and ownership of the product also affects the promotion blend.

V. Product life-cycle: Promotion blend changes as the product moves from one to another stage of the product life cycle. In the introduction stage, personal selling and advertising go together. During the growth stage, personal selling has little use while advertising is continued with a change in its focus from awareness creation to building conviction among buyers. In the maturity stage, sales promotion plays the dominant role and advertising is used only to support the sales promotion campaigns. During decline stage, all forms of promotion become irrelevant.

VI. Push vs. Pull Strategy: The promotion mix is also affected by whether the organization adopts a push strategy or a pull strategy. Under push strategy, the promotion is directed at the marketing intermediaries. The manufacturer persuades whole sellers to carry the product, while whole sellers convince the retailers to sell the product to customers. Push – strategy needs a heavy dose of personal and dealer promotions. Under Pull strategy, the offered builds customer's awareness and conviction through

mass advertising. Pull Strategy, during the maturity stage of the product life cycle, is implemented through customer promotion.



2.5.4. Promotion Strategy

Promotional Strategy is also one of the most important marketing tools. There are various types of promotion. These include advertising, personal selling's, sales promotion and various miscellaneous efforts. When management has a message to pass on to target consumers, promotion is the proper vehicle. Like other marketing tools, both business and non business organization, use promotion tools. The state of Louisiana has been promoting family planning since 1965.

“Promotion can be used to improve the image work as a career”. A company needs to make marketing decision not only in the area of segmentation, product offering, pricing and distribution, but also in the area of promotion. “Promotion is any marketing efforts whose function is to inform or persuade the actual or potential customers about the merits of a given product or service for the purpose of including a consumer either to continue or to start purchasing the firm’s product or service at some given price.

“Promotion is persuasive communication. It is a highly visible element in the marketing mix. It sells the target customers about product, price and place. It is also known as marketing communication.”

2.5.5 Promotion strategies of Nepalese Banking Markets

Promotion has appeared as the dominant element of Marketing Mix in Nepal. Its role has been increasing very fast today in the massive competitive environment. In every field, whether it may be product, services or ideas, promotion is in vigorously competitive phase. Like any product other product oriented fields, banks are also not untouched. There is a huge competitive environment in banking system in Nepal in the modern time. Everyday a new bank is opening with a new Promotion strategy. The following points present the promotion scenario in Nepal.....

I. Promotion function: The promotion functions in Nepal are largely in the field of information and persuasion. The reminding and reinforcement aspects are grossly neglected. The post purchase - stage of buying process has virtually been untouched by promotional activities.

II. Promotion Mix: Promotion Mix in Nepalese Marketing overly emphasizes on advertising and sales promotion while Publicity has remained neglected. The determination of promotion mix suffers from:

-) Lack of clear-cut promotional objectives.
-) Lack of considerations in proper selection of the Promotional tools matching the nature of the products.
-) Inconsideration of the stages of product life-cycle in designing promotion mix.
-) Lack of adequate promotional budget.
-) Vague planning of promotional strategy.

III. Advertisement- is the most popular promotional tool in Nepal. It has been growing at about 15% per annum. It is widely used by business, government and social organizations as well. Banks extensively use it to

issue notices for repayment of overdue loans. Nepalese marketers use a variety of media for advertising:

***Print media-** During the past, there have been meager publications of print media although it is growing fast now a days. At present, 135, with about one million circulations, are in publication. The Gorkhapatra daily, the oldest (about 100 years old) news paper enjoying the predominant position in the country has been allocating 20% space for advertisement. Now days, private sector publications -the Kantipur daily with 60 thousand circulations are playing major role in advertisement.

In spite of, difficult topography and high percentage of illiteracy in the country the print media are significantly read by 12% of the Nepalese people. Being conventional and the cheapest, these daily publications are widely and popularly used for the advertisement purpose.

***Visual media-** Hoarding boards, posters, electronic displays etc. are getting, now a days, popularity in Kathmandu and other major town and cities in the country. Advertisement of consumer goods by modeling displays is also getting fast popularity in Nepal too. Dabur Nepal and Chaudhary group of Nepal are playing lead roles in such advertising techniques. The use of visual media by marketers is still in the baby stage.

***Audio media-** Radio broadcast having the widest coverage is the chief audio media of Nepal. While in the past, government owned Radio Nepal was the only broadcasting station, after democracy, there has been a series of broadcasting networks in the countries over 60 radio broadcasting stations are working in the country. Quite safely it can be presumed that the radio broadcast reaches 90% of the gross national population.

***Audio-Visual media-** TV channels, cinema-shows and Internet networks are the major audio-visual aids of mass communication. These media could

easily, efficiently and effectively be utilized to reach the market and hence to mass purchaser through advertisement of product and services. These media welcome advertisements for their ardent need of financial support too.

a) TV media- The pioneer establishment of Nepal TV by the Nepal Government in 2042 was soon followed by numerous channels in the private sectors. At present 7 private channels are working and few more channels are also in the pipe line. These private TV channels are more conducive to private marketers. TV channels also cover the large markets of neighboring countries along the borders.

b) There are about 3 hundred **cinema halls** in the country, which also show advertisement-slides in the beginning and during intermissions of the film shows. They are very cheap, popular and effective media for advertisement.

c) Internet services- Recently Internet system has become the most powerful electronic media of mass communication within and beyond nation. It has now, led the fast growth of electronic marketing system. It has linked the seller's buyers and the promoters very closely.

Internet electronic services as mass communication system have a global wave of computer networks connecting more than 250 million computers all over the world. Thus Internet services offer abundant opportunities for the bankers, marketers and customers to come to close vicinity and intimate relations.

IV SALES PROMOTION : According to the American Marketing Association, sales promotion is “ those marketing activities, other than personal selling, advertising publicity that stimulate consumer purchasing and dealer effectiveness, such as displays, shows and expositions,

demonstration, and various no recurrent selling efforts not in the ordinary routine.

Sales Promotion activities are impersonal and usually nonrecurring, and are directed to ultimate consumers, industrial consumers and middlemen. These activities tend to supplement the advertising and personal selling efforts. Examples of sale promotion are free product samples, trading stamps, store displays, premiums, coupons and trade shows.

The popularity of sales promotion has increased over the last 20 years. Most of the sales promotion in Nepal is consumer-oriented. But the objective of such promotion generally is to increase sale rather than attract new customer or launch new products. Sales force promotion has remained very much neglected. Sales Promotion programs in Nepal are not properly designed or implemented. The same traditional methods get repeated year after year, creativity is lacking. No new or revised approach has been introduced. Innovative schemes are rare and publicity has also been overlooked. Marketers seem to be shy enough to adopt professional management system so proper Promotional tools and techniques, in Nepal, have not been come into play, as yet.

REVIEW OF RELATED STUDIES

This study is about “A Study on Product Promotion Strategy of Commercial Banks” .Some similar literatures related to this field have been viewed and from these literatures their objectives, findings and methods are mentioned as follows.

1. **“Communication effect of advertising and brand preference of instant noodles”, Giri, Faculty of Management, Tribhuvan University, 1985.**

Objective of the study were:

- (i) To analyze the popular media for advertising.
- (ii) Strength and weakness of advertising.
- (iii) Advertising appeal and relation between brand preferences.
- (iv) Advertising qualities of instant noodles.

Findings of the study:

- (i) Of all advertising media available in Nepal , the radio has proved itself as a leading one to create awareness in customers about the advertised product.
- (ii) Newspaper advertisement for Rara has contributed more to sales than it has been able to Maggi.
- (iii) Advertisement qualities of instant noodles have made no changes in brand preference.

2. **Shrestha Rajendre Krishna, Faculty of Management, Tribhuvan University 1997. “Role of Advertising in Brand choice and Product Positioning.”**

Objective of the study were:

- (i) To analyze the effectiveness of advertising on brand of consumer Product.

- (ii) To evaluate the role of advertising in product positioning from the consumer perspective
- (iii) Do consumers give more importance to advertising rather than any other promotional tools while making selection decision?

Findings of the study were:

- (i) Nepal Television is the most popular media within Kathmandu valley as well as to other part of the country. And Radio Nepal holds second position along with among the youth generation. F M broad – casting is also being popular.
- (ii) Most of the respond are in favor of entertaining types of Television advertisement.
- (iii) Most of the marketers are using electronic media to advertise their products. Such as Radio, TV are supposed to be the effective media while considering the present situation of Nepalese market.
- (iv) Advertising is the main source of information about particular Brand as well as mostly sensitive subject in the country in case of promotion

3. “Radio Advertising and its impact on purchasing act in consumer goods,” Upadhaya, Faculty of Management, 1991.

The Objective of the study:

- (i) To study the impact of Radio advertising on the consumer Purchase behavior.
- (ii) To study the change in sales of firms due to radio advertising

Findings of the study:

- (i) Both consumers and advertisers recognize the need for Advertising.
- (ii) Senior personnel conduct all advertising business, and there is no separate section to deal with advertising
- (iii) The effective forms of media to reach the hearts of consumers are radio, cinema and periodicals, which ranked first, second and third respectively..

4. “Communication Effect of Advertising and Brand Preferences”. Baral, Faculty of Management, Tribhuvan University, 1996.

Objectives of the study:

- (i) To examine the effectiveness of advertising of Rara and Yum Yum noodles.
- (ii) To bring into focus the relation between brand preference and advertising.
- (ii) To examine the popular media of advertising in case of instant noodles.

Findings of the study:

- (i) There is a high degree of association between brand preference and advertisement qualities.
- (ii) No difference between Yum Yum and Rara advertisements in terms of attractiveness.
- (iii) Radio, TV, and Newspapers are the major media for instant noodles.

5. “Sales Promotion and its Effect on Sales”. Bhatta, Shree Chandra, 1998.

Objective of the Study:

- (i) To find out whether the sales promotion does impact on sales of beer.
- (ii) To find what made of sales promotion is more acceptable by the Nepalese consumer.
- (iii) To find out what made is more wisely use by the manufacturers as a sales promotion tools.
- (iv) To evaluate effectiveness of sales promotion activities in the sales of beer in Nepal.
- (v) To find out which media is suitable to advertise about the sales promotion.
- (vi) To predict the sales of coming year if every factors would be the same.

Findings of the study:

- (i) In advertising, electronic media is varying popular among the People if the expenses on sales promotion increase, the sales increase in high speed. From the regression it is clearly seen that if the expenses of the sales promotion increases the sales of the product will be increase.
- (ii) Most people, who are not so educated, are not loyal to wards and any particular brand.
- (iii) Due to this, the sales promotion is very powerful tools which can easily boost the sales.
- (iv) The people who drink beers accept electronic media most. So for sales promotions purpose, the electronic media is very suitable.

- (v) Findings proved that the sales promotion have positive impacts on the sales of the beers.
- (vi) At last, sales promotion is very important if the use would be in a proper way.

**6. “Marketing Strategy adopted by Commercial Banks in Nepal “ ,
Mohini Pradhan, Thakur Ram Multiple College, MBS Thesis**

Objective of the Study:

- (I) To focus on the marketing strategies adopted by commercial banks in Nepal.
- (II) To survey current market situation of commercial banks of Nepal.
- (III) To explore and to examine the marketing strategies
- (IV) To find out the problems and prospects of commercial banks
- (V) To supply the appropriate recommendation .

Findings of the study:

- (I) New products of the bank have been accepted by customers. Banking with new product design for the attraction of deposit and hold a position of deposit is more attractive.
- (II) Retail lending like education loans, hire purchase, and auto loan shall be given highly emphasis.
- (III) Adaptation of technological banking.
- (IV) Revision in interest rates of loan and advances should be made.
- (V) Bank shall focus on channelising remittance facility with proper channel.

- (VI) Staffs are the assets of an organization. Well trained staffs are the tools of marketing as well as mechanism of better service.
- (VII) A proper advertisement media and advertisement message has a high impact in the market and an organization image.

CHAPTER III

RESEARCH METHODOLOGY

CHAPTER – 3

RESEARCH METHODOLOGY

3.2 Introduction

The word 'research' means re+searches i.e. to search the facts again. In the context of research in marketing of a particular commodity we study its sales- scopes and related socio- economic problems of the market. The first look may not always be enough. It may be prone to error. Therefore, we go deep into the phenomena repeatedly. We study the problems thoroughly and from different angles, each time, to get authentic position of the market. The scientific process of searching the problems again and again, is known as research, as the word (Re + search = Research) itself reveals.

Research is a systematic and organized effort to investigate a specific problem that needs a solution. This process of investigation involves a series of well thought out activities pertaining data collection, compilation, analysis and interpretation in an orderly manner. We can thus define research as an organized, systematic, data-based, critical, scientific inquiry or investigation into a specific problem undertaken with the objective of finding answer or solution to it (Sekaran 92).

Generally, the following activities are involved in the research process:

- *To define the problem and to identify the variables causing it or related with.

- *To get insight into the existing stock of knowledge on the issue or the problem under reference and contribute to the furtherance of knowledge.

*To construct model or formulate research questions, educate conjectures or hypothesis for testing.

*To objectively collect, compile and analyze the facts evidence or information to identify the interrelationship between or among variables or the multiple effects of factors impinging on situation.

*To build theories to understand and generalize the phenomena or to throw insight into the problem under investigation, to analyze, predict and control the situations confronted with.

3.2. The tools and approaches of research:

In this sub-chapter, some of the essential components of socio-economic research have been stepwise dealt with-

3.2 1. Research Design

Research Design is scheme for doing research work. It is the planned structure and strategy of investigation conceived so as to obtain answers to research questions and to control variance. (Karlinger, 1986; 275)

It is always purposeful scheme of action purposed to be carried out in a sequence during the process of research, focusing on the management problem to be tackled (Michael, 2000).

Basically, the research design has two purposes. The first purpose is to test the research hypothesis by answering the questions under investigations. The second purpose is to control the variance.

Several typologies have been suggested for classifying wide varieties of designs used in social science research. McGrath (1970) suggested five

different models of research designs, controlled experiment, study , survey, investigation and action research.

Seltzer and others (1962) suggest three broad categories-(1) Formative or exploratory studies,(2) Descriptive studies, (3) Studies testing causal hypothesis.

Boyd, West Stasch (1998) suggests two broad categories on research designs-(1) Exploratory design and (2) Descriptive design. In this study research designs are to be categorized according to Boyd, West and Stasch. Exploratory design is essential for formulating hypothesis. It is done to investigate possible cause and effect relationship by exposing one or more control group to one or more treatment, conditions and comparing the result to one or more groups but not receiving the treatment. Descriptive design is a type of fact finding research. It is conducted under respondent's option.

This thesis has adopted Descriptive research design. Such designs provide a description of a specific situation in such a way as to help the researchers in identifying cause and effect relationship.

This study is basically based on survey research to examine the behavior of customers as well as the banker on product of the bank.

3.2.2. Data source:

The data have been collected through a self developed and administered questionnaire. Before filling the forms, the respondents were explained and confusions were cleared off. Form-filling time was agreed upon by the researcher and respondents

Apart from the afore-said source personal observations to the local markets, informal talks with the marketers and thorough reading of various related publications on the topic, were given due considerations. These were treated as supplementary data. The questionnaire-sample is given in the Annex A.

3.2.3 Types of data:

Data are mainly of two types.-1.Primary and 2.Secondary.Primary data are the first hand-data, generated by the Researcher, while the Secondary data are one which are collected by other persons in another context but readily available for use by the researcher. The major advantage of secondary data is its easy-made availability, so less time and cost consuming.

For the present study, both, primary and secondary data resources have been utilized. Although the research has mainly been based on primary or original data collected by the researcher, due weightage has been given to the secondary as supplementary data.

3.2.4. Area of the study-

Of late, fast development of joint-ventures in the market has shot up rigorous competitions in all marketing sectors coming up, Specially, **newly established private** commercial banks have **strongly** dashed the traditional banks. Higher interest rate on deposits and lower interest rate on loan are the significant results brought about by the efficient management and customer oriented policies (fast transaction, good behavior etc.) of these private banks.

Finance is the principle component of Marketing, especially during the recent global depression. This is why, marketing strategy of commercial banks in Nepal, with special reference to the Nepal Investment Bank Ltd, has been selected as the area of this study.

3.2.5. Statistical & Mathematical Tools Used:-

Data are collected from various sources and analysed by the help of financial and statistical tools. The collected data have been properly tabulated, compared, analyzed and interpreted. Few of the tools are mentioned below:-

a. Mean Or Average:-

The Arithmetic Mean or Average is a single value which represents a group of values. It can be calculated by the Sum of total values to the number of items, as mentioned below:-

$$\bar{x} = \frac{\sum x}{N}$$

Where, \bar{x} = Arithmetical Mean or Average, $\sum x$ = Total Values and N = Number of Items.

Formula:

b. Standard Deviation:

It measures absolute variability of a distribution. The greater the amount of variability, the greater is the standard deviation, for the greater will be the magnitude of the deviations from their mean value. The small standard deviation means a high degree of uniformity of the observations well as homogeneity in the study. Formula of Standard Deviation is given below:

$$\sigma = \sqrt{\frac{\sum x^2}{N} - \left(\frac{\sum x}{N}\right)^2}$$

c. Co-efficient of variance:

It is used for comparing the variability and homogeneity of two or more numeric situations. Below mentioned is the formula:

$$C.V. X = \frac{s}{\bar{x}} \times 100$$

d. Co-efficient of Correlation:

Co-rrrelation analysis is a statistical tool that we use to describe the degree to which one variable is linearly related to another. Below mentioned is the formula:

$$r = \frac{N \sum xy - \sum x \sum y}{\sqrt{N \sum x^2 - (\sum x)^2} \sqrt{N \sum y^2 - (\sum y)^2}}$$

e. Probable Error:

It measures the significance of co-rrrelation value. Below is given the formula:

$$P.E. = 0.6745 \frac{r}{\sqrt{N}}$$

From the above mentioned statistical tools only suitable ones have been used. In most of the places Average Mean tools have been used in this study.

CHAPTER IV

DATA **COLLECTION,** **ANALYSIS AND** **INTERPRETATION**

CHAPTER - 4

DATA PRESENTATION AND ANALYSIS

This chapter incorporates data presentation and analysis. The data and information collected from the customer and banks have been presented, analysed and interpreted in this chapter for attaining the stated objective of the study. This chapter first presents the customer level and banker level surveys, after analysis and interpretation; and then presents the major findings of the study at the end.

4.3 Customer Survey -

Table- 1

Banking product useful for customer.

Product	No. of respondents	Percentage (%)
Deposit	30	30
Loans	10	10
.Agency function	5	5
General utility	25	25
All	30	30
Total	100	100

This survey shows that 30 % customers use the banking products: Deposite-10 %, Loans-5 %, Agency function-25%general utility, Whereas 30 % of the customers enjoy all the facilities.

Chart.-1

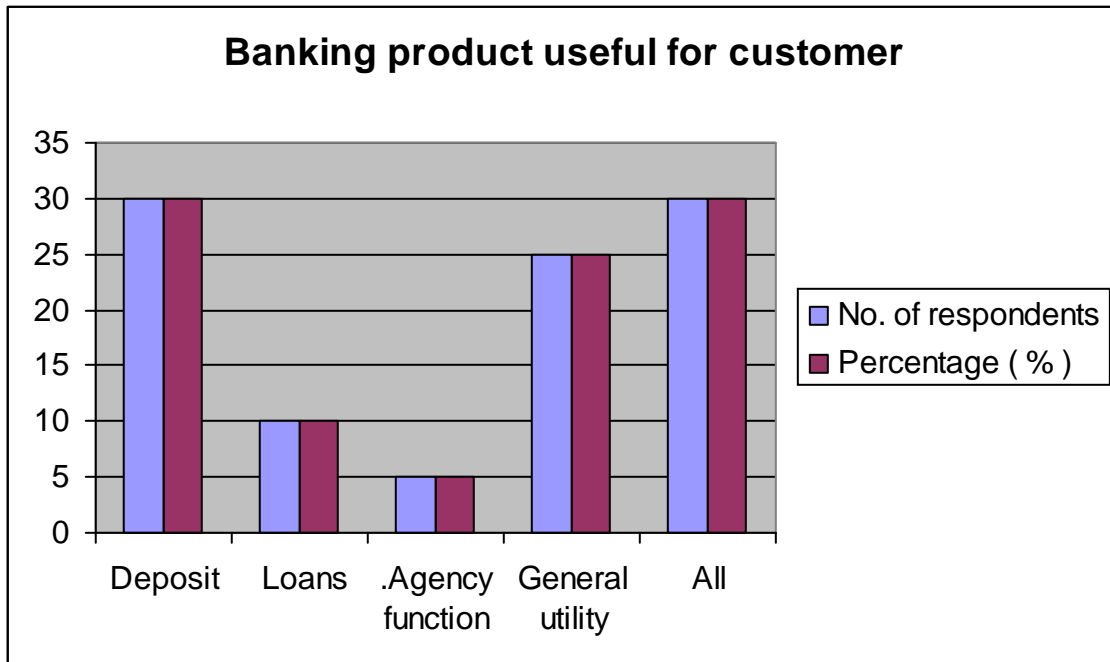


Table NO.- 2

Media from which we come to know about the product.

Media	No. of Respondents	Percentage (%)
News paper	35	35 %
Poster/ Hoardings	5	5 %
Televisions	5	5 %
Radio	-	-
Others	55	55 %
Total	100	100%

This shows that 35 % of bank customers come to know about the bank and banking products by means of newspaper, 5 % by poster/hoarding , 5 % by television. There is no response to radio, whereas maximum 55% people come to know by other media like personal relation, friends etc.

Chart No 2

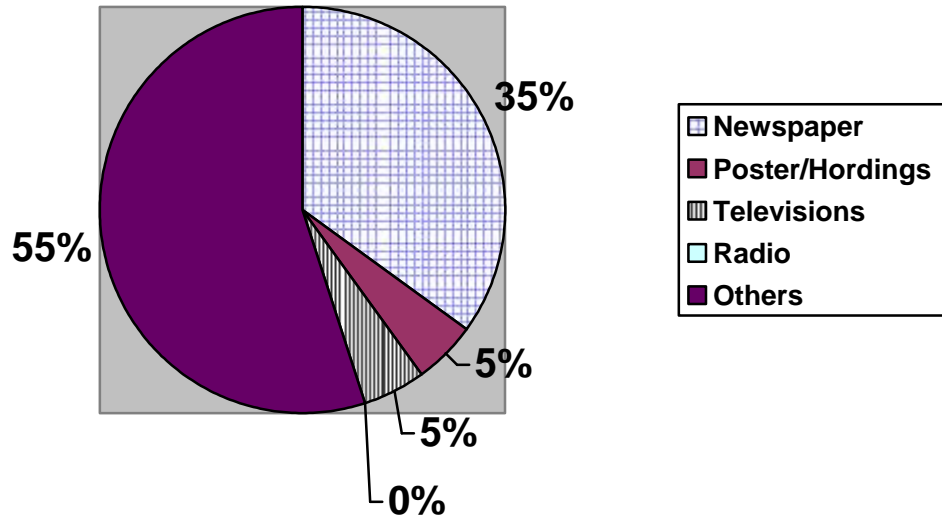


TABLE 3

Advertisement help bank to attract customers

Response	No. of Respondent	Percentage (%)
Yes	85	85 %
No.	15	15 %
Total	100	100 %

In table no. 3 we can easily see that 85% respondent believe that advertisement help the banks to attract customers, where as 15% believe that there is no effect of advertisement.

Chart No. 3

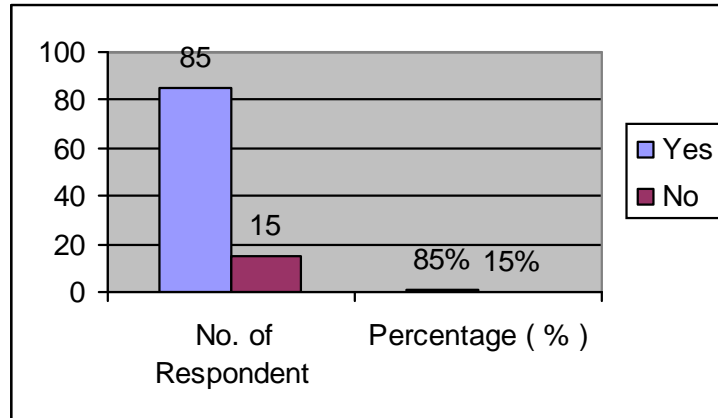


Table No. -4

Customers belief about advertisement of bank is enough

Response	No. of Respondent	Percentage (%)
Yes	30	30 %
No.	25	25 %
Satisfactory	45	45 %
Total	100	100 %

The table Shows that 45 % customers are satisfied with the advertisement of the banks.30 % people that the advertisement is enough. Where as 25 % believe that it is not enough.

Chart NO. 4

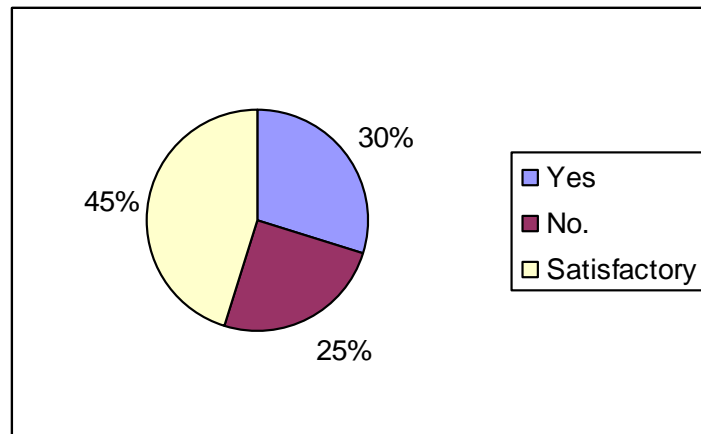


Table No -5

Media of preference given by customers:

Media	No. of respondents	%
Personal media	25	25
Advertisement	40	40
Publicity	5	5
Sales promotion	15	15
Relationship meeting	15	15
Total	100	100

Majority of people has given preference to the media of advertisement. Here we can clearly see that 40% respondents are with advertisement media. 2nd preference has been given to the personal media. Sales promotion and relationship marketing has got 15% while the publicity has the minimum only 5% response.

Chart No. 5

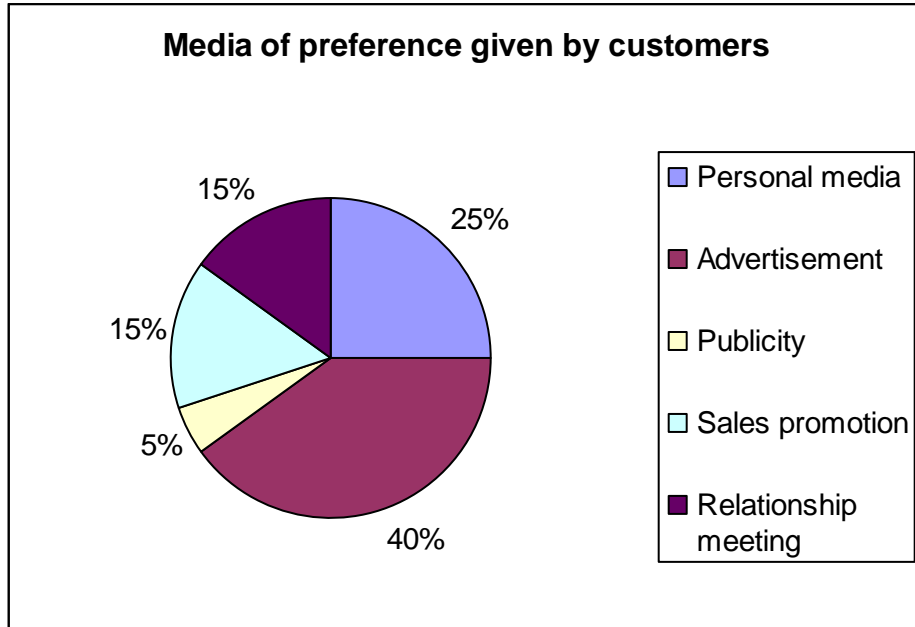


Table No. -6

Categorization of promotional strategy of banks

Response	No. of Respondent	Percentage (%)
Quite good	35	35%
Attractive	15	15%
Satisfactory	50	50%
Boring	-	-
Total	100	100%

Majority of respondents think that promotional strategy of banks is satisfactory. 50% are satisfied that banks are promoting its products, well .35% believe that it is attractive

Chart No.6

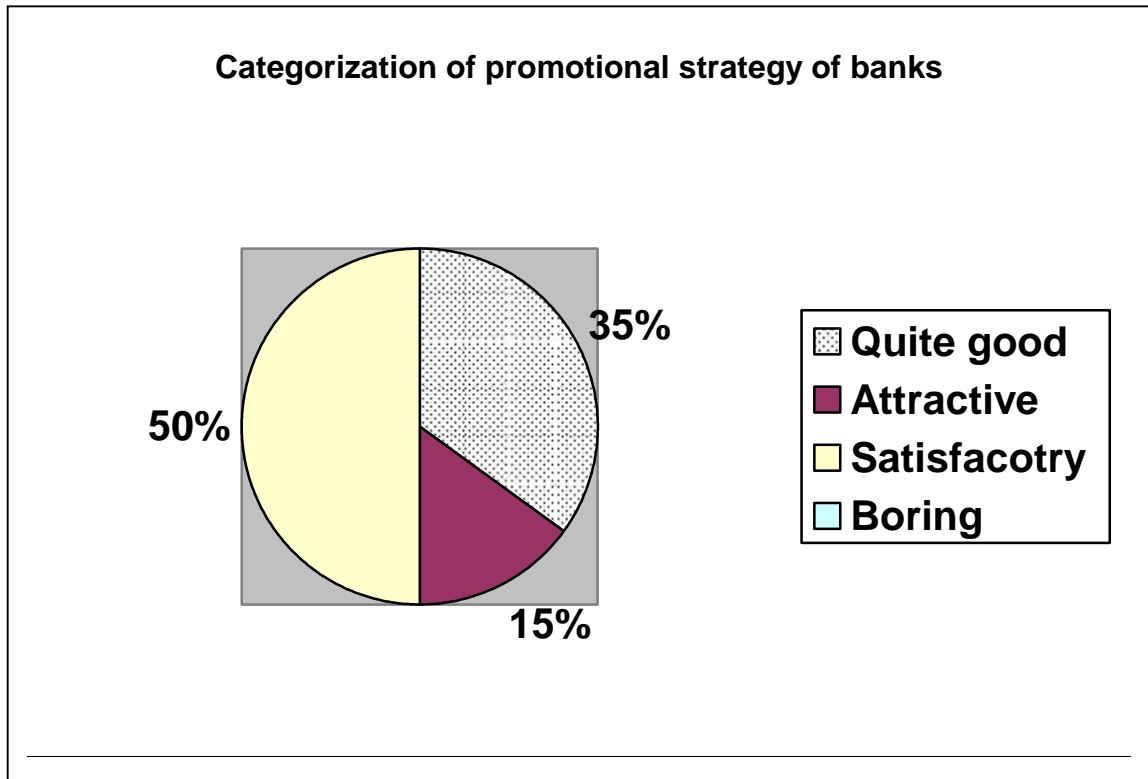


Table No.-7

T.V. The medium for advertisement.

	No. of Respondent	Percentage (%)
Strongly agree	30	30%
Agree	70	70%
Disagree	0	0%
StronglyDisagree	0	0%
Total	100	100%

Table No. 7. shows that 30 % people are Strongly agreed and 70 % are agreed that Television is the best medium for the advertising any product. So, the survey shows that 100 % people recognize that Television is the most popular medium for advertisement.

Chart No. 7

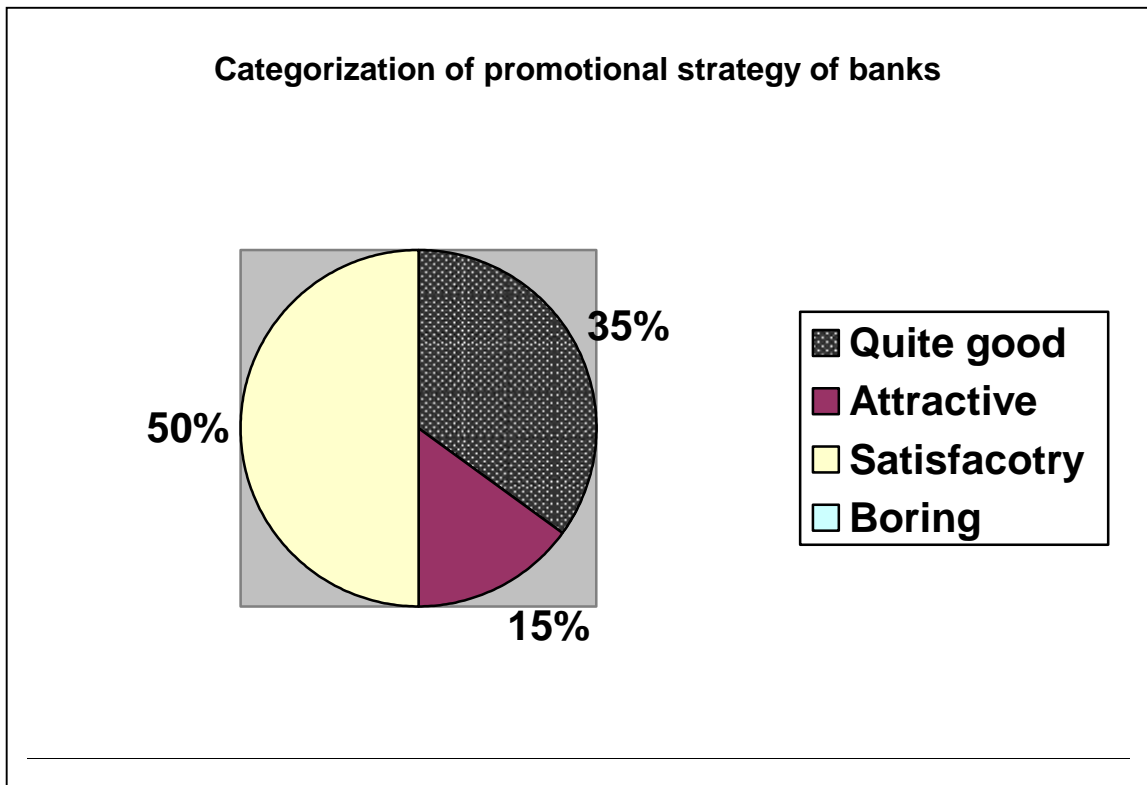


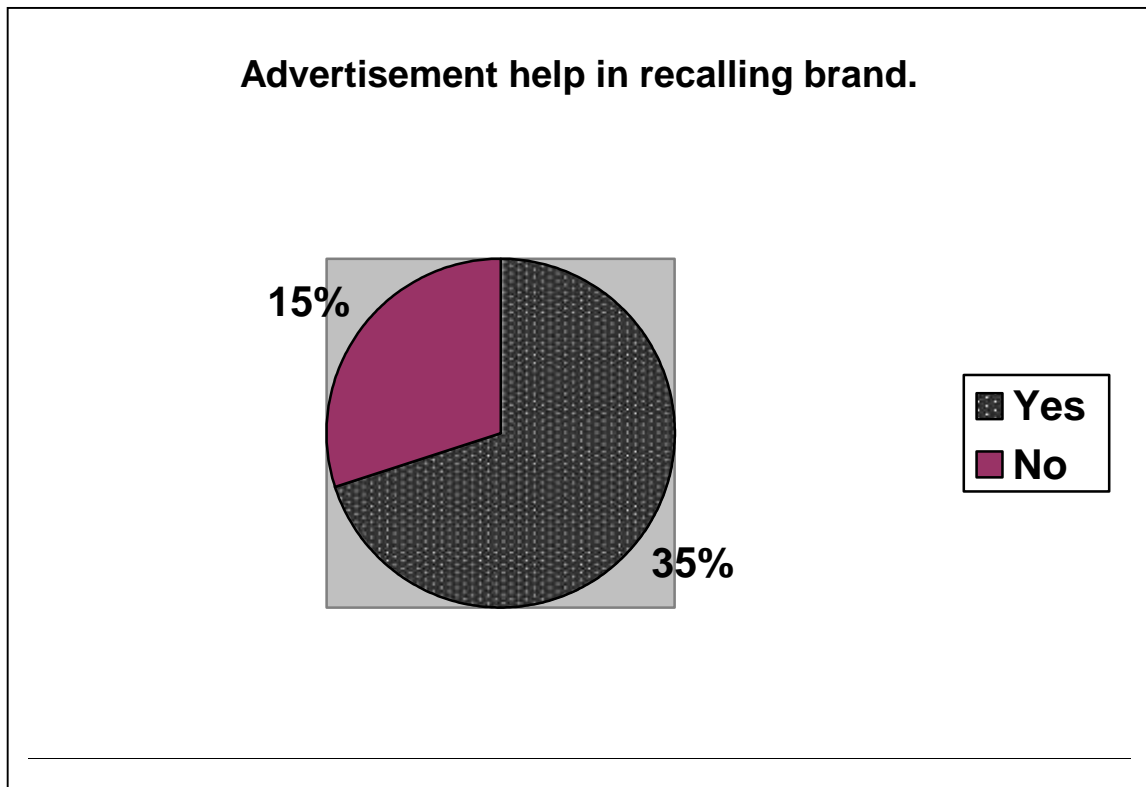
Table No.-8

Advertisement help in recalling brand.

Response	No. of Respondent	Percentage (%)
Yes	80	80%
No	20	20%
Total	100	100 %

Large majority of the people believe that advertisement helps in recalling brand. We can see in the Table No.-8, that 80% people are agreed where as only 20% people disagree.

Chart NO. 8



Bankers Survey

In order to identify the nature of marketing strategies, the existing status of marketing and their attitude towards promotion of products, a survey in 10 commercial banks situated at Birganj was made, In each bank, the Bank Manager and Marketing Manager were interviewed using structured question are included in the Appendix. The result of the survey is presented below:

Bank-efforts on promotion:-

In question that “do” banks promote its products, 100 % bankers were found with “yes” answer. The assessments of effectiveness of strategies and policies help an enterprise to take necessary steps further develop or rectify them.

Banks also accepts that after promotional efforts people or customers gave increased positive response.100 % bankers accepted that promotion of banking policy is effective among people.

Table No: 9

Media of preference given by bankers

Media	No. of respondents	Percentage (%)
Advertisement	50	50
Publicity	10	10
Sales promotion	5	5
Personal media	15	15
Relationship marketing	20	20
Total	100	100 %

Out of 100 respondents 50 people have given 1st rank to “Advertisement”, where as 2nd position has been given to “Relationship Marketing”20 % bankers believe that people come to their bank because of Relation ship marketing effect, their attitude about the bank.

Chart NO. - 9

Media of preference given by bankers

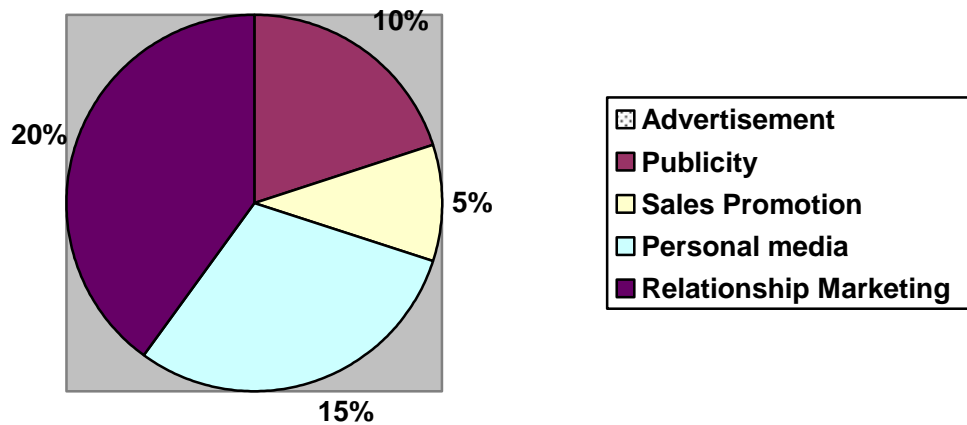


Table No. 10

Popular Product in Urban area:

Product	No. of Respondents	Percentage (%)
Deposit	20	20 %
Loan	30	30 %
Utility function	30	30 %
Agency function	10	10 %
All	10	10 %
Total	100	100

In urban areas people enjoy almost all facilities given by the bank but they give preference mostly to loan facility and utility function. Bankers view is that 30 % customers enjoy loan facility as well as utility function. 20 % people come to

their bank for deposit purpose only. Agency is 10 %. Only 10 % people enjoy almost all facilities, as the survey defines.

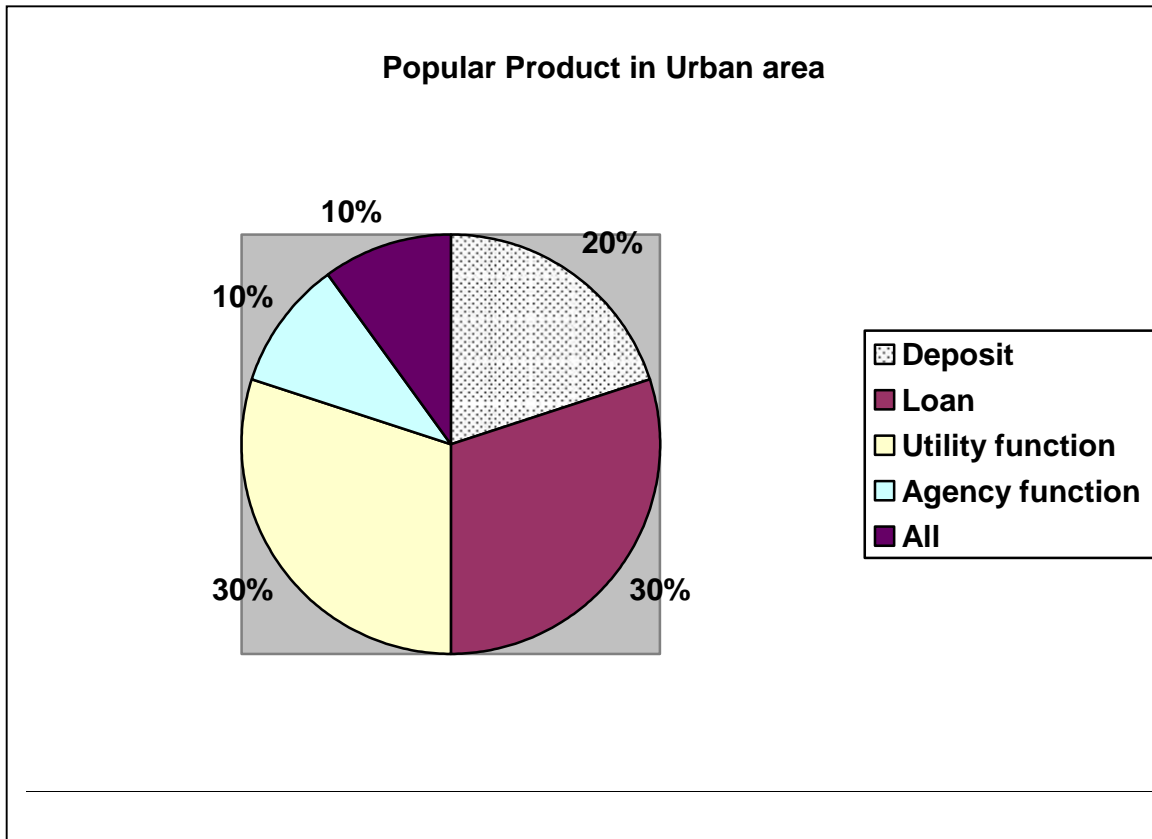


Chart No.10

Table N0.11

Popular product in rural area:

Product	No. Respondents	Percentage (%)
Deposit	60	60 %
Loan	30	30 %
Utility function	5	5 %
Agency function	0	0 %
Non	5	5 %
Total	100	100 %

From rural areas majority of people (60 %) enjoy only deposit function, while only 30 % enjoy loan function of the bank. Utility function like ATM is enjoyed by only 5 %. 5 % bankers believe that the rural people are not enjoying any banking facilities.

Chart No. 11

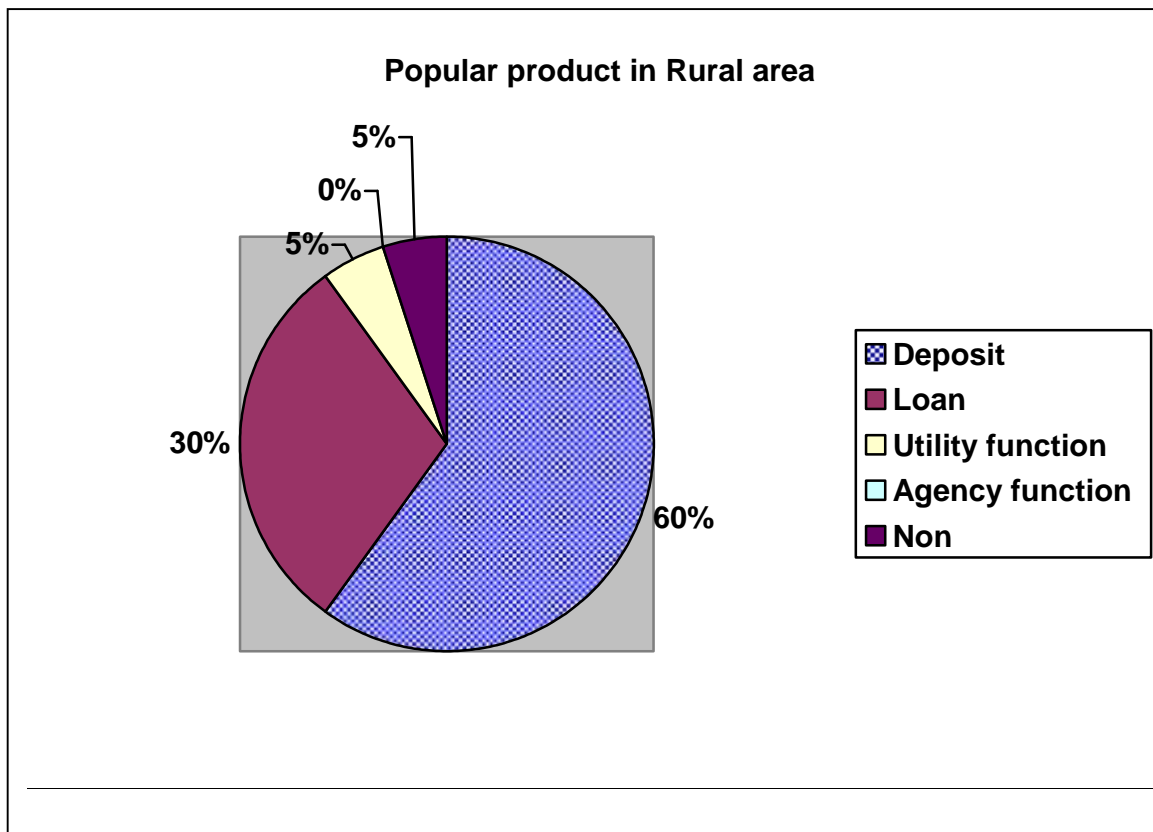


Table No.12

Promotional budget should increased:

View	No. of Respondents	Percentage
Yes	80	80 %
No	20	20 %
Total	100	100 %

80 % bankers believe that the promotional budget should be increased by the banks that more customers can be attracted. 20 % bankers believe that their budget is sufficient for the promotion of the bank.

Chart No -12

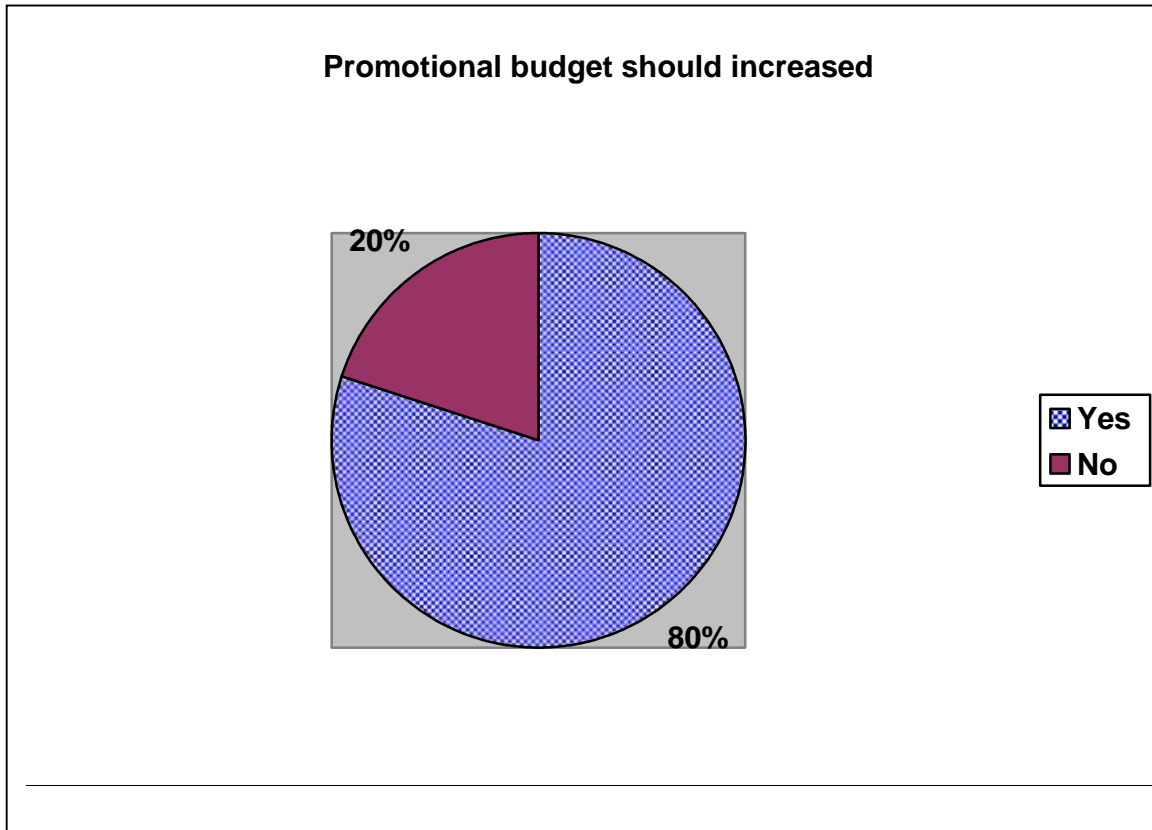


Table N0.13

Cause of customers being less from Rural area:

Cause	No. of Respondents	Percentage (%)
Lack of education	50	50 %
Lack of alertness	30	30 %
Distance	10	10 %
All	10	10 %
Total	100	100 %

The table shows that 50 % bankers believe that the rural people do not enjoy banking facilities because of lack of education. They are still unknown to the bank and its products facilities. 30 % bankers believe that lack of alertness is the cause, where as 10 % of the bankers voted to the distance. 10 % of them are in belief that all causes viz. lack of education, pf alertness, of distance are the causes are responsible for the darkness in rural community.

Chart N0.13

Cause of customers being less from Rural area

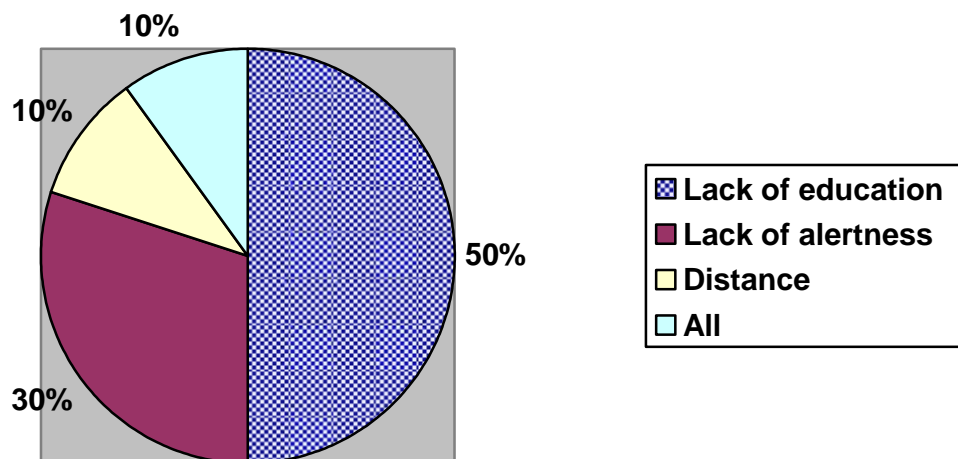


Table No. 14

Cause of not approaching rural area:

Cause	No. of Respondents	Percentage (%)
Safety causes	40	40 %
Distance	30	30 %
All	20	20 %
Non	10	10 %
Total	100	100 %

40 % bankers believe that safety is the main cause that the bank is not approaching the rural areas. 30 % bankers think that distance is the problem to approach. 20 % of them think that all viz. safety, distance, etc. are the main causes, but 10 % believe that there is no reason.

Chart No.14

Cause of not approaching rural area

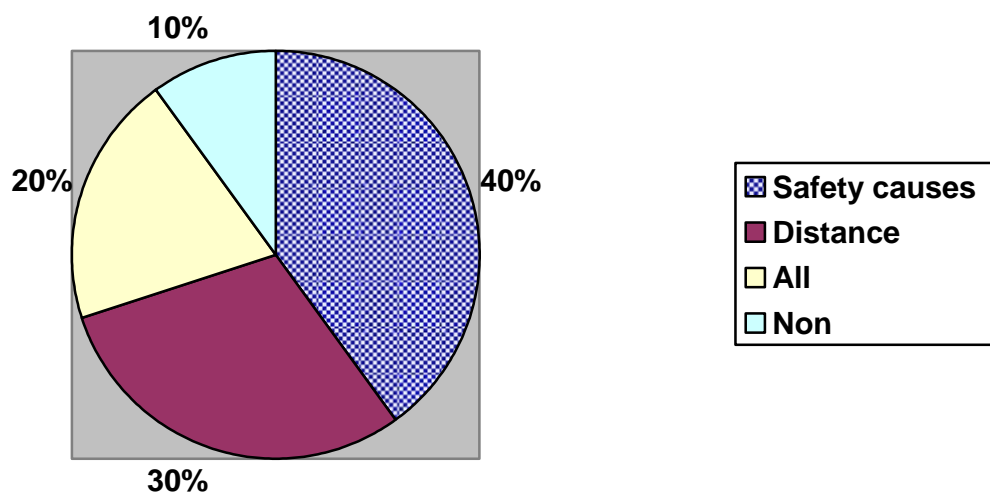


Table No.15

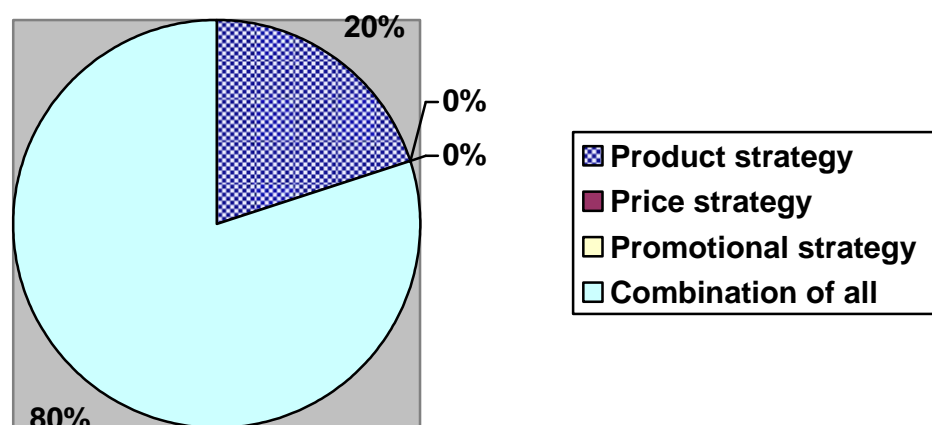
Strategies adopted by the banks to promote its products:-

Strategies	No. of Respondents	Percentage (%)
Product strategy	20	20 %
Price strategy	0	0 %
Promotional strategy	0	0 %
Combination of all	80	80 %
Total	100	100 %

Majority of the bankers (80 %) gave responses to the combination of all the strategies, where as 20 % believed that they use product strategy to promote its product. Product strategy deals with the facilities given by the banks.

Chart N0.-15

Strategies adopted by the banks to promote its products



Major Findings:

The major findings going through the report are as follows:

- (a) Overwhelming majority of the respondents (50% satisfactory, 15% attractive and 35% quite good, see table and chart no 6) have expressed satisfaction confirming suitability of the promotional strategy adopted by the local banks.
- (b) Because of the lack of education (50%) and lack of alertness (30%) and of remoteness of the potential rural customers have yet been grossly neglected by the banks.
- (c) The unsafe environment created by the recent democracy restoration movement has also been found responsible to discourage the implementation of the promotional strategies.
- (d) Bankers acutely feel scarcity of promotional budget. (80%,refer the table and chart no12).
- (e) During the study it is found that all the commercial banks are functioning well in Birganj area but not highly interested in its promotion.
- (f) Customers are also not very familiar about the all the facilities and services provided by the banks. They are only known about some of the facilities like deposits and loans.
- (g) It is seen that, mostly students(youth) specially from urban area are using ATM services but gradually as people are being modernize, all the urban people like service personalities, housewives etc. are utilizing their ATM cards.

(h) Loan facilities are generally utilized by the businessman and industrialists but it is seen that farmers are enjoying with agricultural loans. Few service person and businessman has been enjoying vehicle loans. Some other facilities like general utility function is being utilized by a few businessmen.

CHAPTER V

SUMMARY, **CONCLUSIONS**

AND

RECOMMENDATIONS

CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

Marketing can be defined as the activities done by the company of the people to the product or services from the place of production to the place of consumption. Thus, the marketing is a transaction of exchange. Similarly, marketing consists of activities designed to generate and facilitate exchange intended to satisfy human needs and wants.

Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives.

Promotional strategy is also one of the most important marketing strategies. There is various type of promotion. These includes advertising, personal selling, sales promotion and various miscellaneous efforts. When management has a message to pass to target customers, promotion is the proper vehicle. Promotion is any marketing effort whose function is to inform or persuade actual or potential customers know about the merits of a products or service for the purpose of including a consumer either to continue or to start using the product or service.

Promotion is persuasive communication. It is a highly visible element in the marketing mix. It sells the target customers about product, price and place. It is also known as marketing communication. Promotion is applied communication used by marketers to exchange persuasive messages and information between buyers and sellers. Promotion represents the various communications to inform and persuade people that a firm directs towards its market targets, channel organization and the public at large. These communications consists of adverting,

personal selling and sales promotion activities. Increasingly marketing management is finding it profitable to combine advertising, personal selling, packaging, point of purchase, direct mail, product sampling, publicity and public relations decisions into an integrated promotion strategy for communicating with buyers and other involved in marketing purchasing decision. Like other business organization, commercial banks use all marketing tools.

Bank is an institution which deals with money and credit. Commercial banks mean those banks which are established not for the purpose of co-operative, agriculture, industry or any other specific objective but to exchange money, accept deposits, grant loan and to support commercial activities.

Post restoration of democracy and formation of democratic government, Nepal has taken a giant leap all rounds. This naturally encouraged and boosted the financial sector too. Especially the commercial banks started mushrooming during this period. The fast growing number of branches with poor performance has recently compelled the government to ban on establishment of new branches of the commercial banks.

Among the branches of NIB, Birganj branch is privileged to be the oldest and the biggest branch, in terms of profit making. It was established in May 1994. The branch is in the prime location – Adarsh Nagar advist many other commercial banks, business enterprises and the Nepal Rastra Bank. It has an exceptional honor of being situated in a industrial city and also the main gateway of Nepal.

After take over of Nepal Indosuez Bank by the new management, the branch has been able to increase its lending and deposits by more than two folds within a very short time. This is a full-fledge branch where almost every banking activities are performed. Although the oldest (among NIBL branches in the country and also among other private banks functioning in Birganj), has relatively low bad debts.

Fast and good quality service is the main motto of the branch. In addition to general banking services the following types of services have added greatly to the glory of NIBL.

- Student E-Zee saving – suitable for student studying outside Birganj as the bank issue debit cards, free of cost which gives a hassle free transfer of money from their parents, both in Nepal and India.
- ATM – Anytime money draw
- Any branch banking – 365 days
- Tele banking services etc.

The branch seems genuinely committed to the banks national slogan – “truly a Nepali bank”.

The basic approach of the strategic plan is to maximize resources, minimizing the cost, optimizing performances and setting up a corporate culture within the organization. The strategic approach also focuses on strengthening organizational communication and building up team environment within the bank for optimization of the performance.

5.2. Conclusion

The banking business in Nepal is becoming very competitive and would be further more competitive after the year 2010 A.D. Customer satisfaction would be the key to lead and retain in the market. The bank with very effective service mechanism will survive in the market and can face growing competition and challenges.

‘Promotional strategy’ is the first and foremost tool to develop a financial institution. It includes a series of well-conceived policy, suitable and sufficient staffing, and development of conducive infrastructure and generation of felt – need based product and services, client friendly approaches.

The success of any financial institution is mainly quality based than simply its number of branches or its size of capital investment. Although on the national basis, Nepal government has recently asked the banks to emphasize in its service –quality than on opening new branches, the respondents of the study area, have highly appreciated the promotional strategies of the banks functioning in Birganj.

Most probably it is the specialty of the promotional strategies framed and adhered to by the NIBL that has earned the distinguished award of “Bank of the year 2008” by a London-based organization for the 3rd time in the last 5 years.

not properly reaching to the customers. The reason for this is both – lack of promotional effort of the commercial banks and lack of education, alertness and interest of customers.

5.4 Recommendation

1. Money being the foremost search after commodity, the national law and order situation of the country should be restored immediately for the safe functioning of the financial organizations.
2. Well suited Training and Orientation programs should be prepared and launched specially to increase rural customers. Preferably a trainers group should be recruited by each bank.
3. Pre marketing survey should be done to identify the felt needs of the rural and urban customers separately and accordingly well suited promotional activities should be developed.
4. Optimal Promotional budget should be allotted to the field branches.
5. Bank should focus on developing new products of its own and make a suitable market strategy in the matter concern.
6. All types of loans should be continued with extra focus on pricing and service for this a new strategy should be formulated to reach in targeted group.
7. Appropriate and adequate training for marketing staff will be essential to improve the skill and good rapport of marketing team.

8. A proper channel should be developed for flow of information and feedback from the marketing department to other department for improvement in delivery of services as well as the other areas of the bank.
9. Focus should be given of developing online transaction module in Internet Banking and SMS Banking. Hardware system should be kept up date according to the requirement.

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APPENDIX

SURVEY QUESTIONNAIRES

I am Rambha Mishra, a student of MBS of Thakur Ram Multiple Campus, Birgunj. This is the preparation about the research thesis for the partial fulfillment of Master Degree in MBS (Masters of Business Studies). I need your kind support for collecting information regarding my topic “A study on product promotion strategies of Commercial Banks”. I have made a set of questionnaires for you and request to fill up them. I assure that the information provided by you will be kept confidential and will be used only for my research purpose.

Name:

Address

Age: (a) *below 15* (b) *16 – 25* (c) *26 – 35*
 (d) *36 – 45* (e) *above 45*

Gender: Male / Female

Qualification:

(a) *Uneducated* (b) *below SLC* (c) *SLC*
(d) *Above SLC* (e) *Graduate* (f) *above Graduate*

Occupation:

a. *Student* (b) *Business man*
(c) *Service* (d) *House wife*

Please tick – mark for your choice.

- Q.No.1 Do you have account in the bank?
(a) *Yes* (b) *No*
- Q.No.2 What type of account you have ?
(a) *Saving* (b) *Current* (c) *Fixed*
- Q.No.3 Which product is more useful for you ?
(a) *Deposits function*
(b) *Loans*
(c) *Agency function*
(d) *General Utility service*
(e) *All*
- Q.No.4 How do you come to know about the product?
(a) *News paper*
(b) *Posters / Hoardings*
(c) *TV*
(d) *Radio*
(e) *Others*
- Q.No.5 Does advertisement help the bank to attract customer?
(a) *Yes* (b) *No*
- Q.No.6 Do you think that the advertisement of banks is enough to attract customers?
(a) *Yes* (b) *No* (c) *Satisfactory*
- Q.No.7 Which product do you prefer to buy?
(a) *Frequently advertised* (b) *Not advertised*
- Q.No.8 Does repetition of an advertisement of a particular product attracts your attention?
(a) *Yes* (b) *No*

- Q.N.O.9 Do you use the product because?
- (a) *Advertisement induces you*
 - (b) *You need it*
 - (c) *Both*
- Q.No.10 Which media of promotion do you prefer? Please rank according to Your preference 1 for most preferred 2 for second and so on.
- (a) *Personal media*
 - (b) *Advertisement*
 - (c) *Publicity*
 - (d) *Sales Promotion*
 - (e) *Relationship Marketing*
- Q.No.11 How do you categorize most of the promotion strategies of banks as:
- (a) *Quite good*
 - (b) *Attractive*
 - (c) *Satisfactory*
 - (d) *Boring*
- Q.No.12 Normally Radio should be used to advertise product in rural areas while a combination of both Radio and TV should be used for urban areas
- (a) *Strongly disagree*
 - (b) *Disagree*
 - (c) *Agree*
 - (d) *Strongly agree*
- Q.No.13 T V is the best medium for advertising product.
- (a) *Strongly disagree*
 - (b) *Disagree*
 - (c) *Agree*
 - (c) *Strongly agree*
- Q.No.14 Does advertisement help in recalling brand or choosing a particular bank?
- (a) *Yes*
 - (b) *No*

TO THE BANKER

- Q.No.1 Do your bank promotes its product?
(a) *Yes* (b) *No*
- Q.No.2 Do people response after your promotional effort?
(a) *Yes* (c) *No*
- Q.No.3 Which media do you prefer? According to your, preference
Please rank the following.
(a) *Personal media*
(b) *Advertisement*
(c) *Publicity*
(d) *Sales promotion*
(e) *Relationship Marketing*
- Q.No.4 Which product is most popular in urban area ?
(a) *Deposits* (b) *Loan*
(c) *Agency function* (d) *Utility function*
- Q.No.5 Which product is most popular in rural area?
(a) *Deposits* (b) *Loan*
(c) *General Utility* (d) *Agency Function*
- Q.No.6 Do you think that the promotional budget should be
increased?
(a) *Yes* (b) *No*
- Q.No.7 Radio should be used to advertise product in rural areas.
(a) *Strongly disagree* (b) *Disagree*
(c) *Agree* (d) *strongly agree*
- Q.No.8 A combination of both Radio and TV should be used for
urban areas?
(a) *Strongly disagree* (b) *Disagree*
(c) *Agree* (d) *Strongly agree*

- Q.No.9 T V is the best medium for advertising products?
(a) *Strongly disagree* (b) *Disagree*
(c) *Agree* (d) *strongly agree*
- Q.No.10 The number of customers from rural areas are less than urban areas.
(a) *Agree* (b) *Disagree*
- Q.No.11 The actual cause is -----
(a) *Lack of education*
(b) *Lack of alertness*
(c) *Distance*
(d) *Non*
- Q.No.12 Do the bank educate people about the products in rural areas?
(a) *Yes* (b) *No*
(c) *Sometimes*
- Q.No.13 What is the cause that you do not approach in rural areas ?
(a) *Safety cause*
(b) *People's interest*
(c) *All*
(d) *Non*
- Q.No.14 Do your bank has segregated budget for the promotional activities?
(a) *Yes* (b) *No*
- Q.No.15 What strategies are adopted by your bank to promote banking products?
(a) *Product Strategy*
(b) *Price Strategy*
(c) *Promotional Strategy*
1. *Combination of all*

Q.No.16 Do you satisfy with the Strategies which are been used by banks to

Promote their product?

(a) *Yes* (b) *No*

Q.No.17 If not why?

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