Advertisement and Publicity Expenditure by Banks in the Changing Banking Landscape

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INTRODUCTION:

The profile of bank customers has changed overtime. Traditionally a customer maintaining another account would inform the first bank of such an account. Today, however, things have changed.

- Customers are no longer as loyal
- They are willing to shop around as they are more price conscious
- Longer life spans, urbanization, and higher income levels are changing traditional customer groups
- Customers are less afraid of debts
- Customers expect consultations and involvement; and desire
  - consistent and dependable performance
  - professionalism, skilled processes, and standards of performance
  - timeliness
  - cordiality, politeness, friendliness, honesty, and effectiveness in interactions
  - safe, secure, and confidential transactions

- Customers' financial needs have grown multifold. They now avail of various services like access to quick cash, money transfer, asset security, increased return on surplus funds, financial advice, and deferred payments.

In this digital age, competition is all pervasive in the banking sector. Thus, advertising and publicity expenditure becomes important for banks in order to recruit, entertain, and retain customers, as well as to ensure customer delight, customer equity, and brand equity.

OBJECTIVES:

The researcher wishes:

- To review the conditions of the banking landscape over the last decade
- To identify the amount spent by banks on advertisement and publicity
- To obtain the percentage value of advertising budgets when compared to the total operating expenses of the bank
- To understand how this value impacts the bank's gains.
- To explore the relationship between advertising expenditure and the bank's business.

RESEARCH METHODOLOGY:

The data has been collected from primary and secondary sources. The data of 26 banks has been collected using judgmental sampling from annual reports. The reference period taken to study the changing economic environment ranges from 2008–09 to 2016–17. The numbers given are related to the advertising expenditure. E.g. Item no. IV of schedule 16 deals with advertisement and publicity expenditure. The researcher has also tried to ascertain the amount spent by banks on advertising as a percentage of the total operating expenses.

To know the opinions of bank employees regarding banks' advertising expenditures and their impact on the business, a structured closed ended questionnaire with 10 questions was distributed to 50 bank employees from Jogeshwari to Vile Parle areas in Mumbai, Maharashtra. Sample selection was carried out using non-probability convenience sampling.

REVIEW OF LITERATURE:

Chamberlin (1933) argues that advertisements influence demand because (i) they provide information about the sellers' existence as well as the price and quality of the products being sold, to consumers in the market place; (ii) they alter consumers' wants or tastes. Grankvist, Kollberg, and Persson (2004) studied international banks' promotion strategies in the Baltic

States and have shown that the most valuable promotion tool for financial services is advertising.

Mylonakis (2008) has examined how bank advertising relates to the needs of bank customers in Greece. The findings of the study state that advertising is essential and it not only verifies a bank's critical presence in the market, but also influences customers' choices. Bhatt and Gor (2012) have explained with the help of a model, that marketing is an integral management function, and has value for improving the bank service efficacy, while creating loyal customers. Honka, Hortacsu, and Vitorino (2014) have formulated a structured model for the various stages in shopping — awareness, consideration, and choice — with respect to the US retail banking sector . Their findings show that advertising shifts awareness, more than consideration or choice. Riaz, Furgan, and Siddique (2015) have investigated the impact of advertising on commercial banks' profits, while also considering credit risk, operating efficiency, total advances to total deposits, total loans to total assets, and size ratio, over a period of four years. They used return on equity (ROE) to measure profitability. They found a positive and significant relationship. Popli and Vadgama (2017) have measured the quality of services provided by commercial banks in India, and their findings state that banks are no more clearing houses, but have instead become marketable places; in order to diversify their business and go to the global market, they have to use advertising.

Merve and Huseyin (2017) have discussed the association between banks' sales costs and income and profits in Turkey. They have found that advertising expense and financial performance share a positive relationship. They have thus suggested that banks' sales costs should be capitalized and then amortized.

BANKING LANDSCAPE OVER THE LAST DECADE:

The last decade has seen rapid changes in the banking landscape. The change has been fast, and the biggest competitive advantage now is the ability to adopt to the changes in the banking landscape in terms of changing economic environment, digitalization, globalization, sustainable marketing and social responsibility, and brand equity. According to Kotler and Armstrong (2016), the marketing landscape has seen five major developments that challenge traditional marketing strategy.

The Changing Economic Environment: 2008 brought a Great Recession to the United States and world economies, the worst since the Great Depression of the 1930s. This financial crisis left consumers shell-shocked, lacking money and confidence, with income loss, a truncated credit, lowered home values, and increased unemployment. Consumers habituated to overspending now used resources cautiously and changed their buying attitudes and habits. This trend of sensible spending continues till date despite the economies strengthening. The new economic realities demand that consumers cut back excessive consumption to align with their incomes and to rethink buying priorities. The Great Recession forced consumers to rethink their definitions of the good life, as well as having an impact on the way they buy, sell, and live. Despite rebounding means, consumers have carried these lessons with them and are now using more discounts, spending less, and putting more in the banks. Consumers are now skeptical of debt and excess spending. They are moving from mindless to mindful consumption. This means the banks need to change their tune to reach today's more pragmatic consumers.

The Digital Age: The changing digital technology has fundamentally changed the way we interact, share, learn, and acquire. Digital technology now also has a major impact on the way banks compete for customers. Most banks offer core banking solutions for different products; they are using the National Electronic Funds Transfer (NEFT) and the Real Time Gross Settlement (RTGS) systems to make money transfers faster and cheaper. People prefer online banking in addition to offline banking. Marketers now have new ways to meet and keep in touch with customers, while banks have new tools to create products and services specific to each individual customer. There are also new communication, advertising, and relationship-building tools — these include online advertising and video-sharing, as well as using social networks and applications. This digital shift means that consumers always seek out marketers; instead it is now easy for consumers to take what used to be static marketing content and share it with friends. By 2020, people will be mostly using mobile devices to access the internet — by far, the most dramatic tool in a seller's arsenal. Devices operated by voice, touch, and even thought provide access to this fastest-growing form of marketing.

Rapid Globalization: Along with redefining customer relationships, marketers are improving the way they relate to the world. Banks can now connect with their customers and with other banks on a global platform. The competition is fierce and brutal. The questions facing banks are:

- The importance of being international
- Identifying valuable markets
- Means of entry to those markets

The answers to these new questions will define their place in the market.

Sustainable Marketing and Social Responsibility: Marketers are re-examining their social values and responsibilities. This includes corporate ethics, a responsibility towards the environment, and social responsibility. It has become essential for any business to address these. Banks can use these avenues as an opportunity to positively impact their local community. They profit by being more civic minded and caring.

Creating Brand Equity: Brands are larger than their names or symbols. A brand is the customers' experience of a product/service and its performance. It is essentially what an item means to the customer in intangibles. Essentially, brands exist and flourish in the customers' minds. This means that the value of a strong brand is its ability to capture consumer interest, involvement, and a long term loyalty. Some brands are able to forge a deep bond with their customers, thereby building a high brand equity. Their customers are comfortable paying more than they would for a competitor, instead of denying themselves or choosing a competing brand. Thus, high brand equity provides many competitive advantages, including customer equity. Bank of Baroda, Syndicate Bank, Indian Overseas Bank, Canara Bank, and The United Commercial Bank have recently adopted new logos. The banks have increased their business after adopting new logos.

BUILDING CUSTOMER RELATIONSHIPS TODAY:

It is important not only to acquire customers, but also to keep and grow them. Banks today want to attract profitable customers, as well as have them stay around forever. Their ultimate aim is to produce high customer equity through customer relationship management. Customer equity is the total combined customer lifetime values of all of the current and potential customers. In order to increase this, banks now provide electronic products and also investment banking services while continuing to perform old functions of accepting deposits and giving advances.

The bank can classify its customers (like a company) into four types.

Figure 1: Projected Loyalty
Classification of Customers

High Profitability	**Butterflies** Good fit between bank’s offerings and customer’s needs: high profit potential	**True Friends** Good fit between bank’ s offering and customer’s needs: highest profit potential
Potential Profitability		
Low Profitability	**Strangers** Little fit between bank’s offeri ngs and customer’s needs: lowest profit potential	**Barnacies** Limited fit between bank’s offerings and custome r’s needs : low profit potential
	Short-Term Customers	**Long-Term Customers**

Source: Kotler, P. and Armstrong G. (2016). Principles of Marketing, Pearson India Education Services Pvt. Ltd., 15th ed. India p. 24.

The above figure classifies customers accordingly:

1. **Strangers:** are neither very profitable nor very loyal. The best relationship management strategy for such customers is to not invest anything in them.

2. **Butterflies:** are profitable but often these are not loyal. Like real butterflies, they come to a bank for a short period and then they’re gone. The banks would benefit from reeling them in with lots of promotional material while there is a possibility of creating satisfying and profitable transactions with them. Thereafter, it makes sense to leave them alone until the next time around.

3. **True Friends:** are both profitable and loyal. The bank should want to constantly invest in these relationships to delight these customers. The target is to nurture, retain, and grow them. Banks should focus on turning these true friends into ‘true believers’ who seek them out regularly and spread word of mouth about their good experiences.

4. **Barnacles:** these individuals may be highly loyal but not very profitable. Smaller bank customers who bank regularly but do not generate much in returns would fall into this category. Like actual barnacles, they create a drag; making them perhaps the most difficult customers. A bank could improve profitability by selling to them more often, raising fees, or reducing service costs spent on them. However, if nothing works, they should be ‘fired’.

Different types of customers require different relationship management strategies.

Banks now prefer online business and use of electronic products like ATM, ECS, NEFT, and RTGS to ease their own efforts and reduce costs. This leads to more impersonal relationships between customers and banks. This makes it imperative for banks to always remember that the characteristic features of services like intangibility, inseparability, heterogeneity, and perishability are essential for engagement with the customer. Therefore, banks must become customer-friendly.

FINDINGS:

Advertising and Publicity Expenditure by Banks:

Table 1 shows sales costs of 26 banks during F.Y. 2009, 2010, 2014, 2015, 2016, and 2017. Table 2 shows advertisement and publicity expenses as a percentage of operating expenses. State Bank of India (SBI) seems to have spent the highest amount on advertisement and publicity. SBI continued to spend the highest amount on advertisement and publicity among banks in 2017, followed by ICICI Bank, HDFC Bank, Axis Bank, Andhra Bank, Union Bank of India, and Punjab National Bank. Table 2 also shows that in FY 2009, United Bank of India had spent nearly 6%, and IDBI Bank had spent 3.62% of operating expenses on advertising and publicity. In 2017, ICICI Bank spent 1.95% of operating expenses on advertising and publicity, followed by SBI and Bank of Baroda. On the other hand, Punjab and Sind Bank has spent the lowest percentage of expenditure and absolute amounts on advertising. The broad conclusion which emerges from Table 2 is that almost all the banks have spent less than 2 percent. Perhaps this may be due to the effects of the great recession which began in the year 2008.

Table 1: Advertising and Publicity Expenditure by Banks (FY end 2009, 2010, 2014, 2015, 2016, 2017)

(Rs in 000's)

Sr. No.	Name of the Bank	Advertising & Publicity Expenses 31 Mar – 2009	Advertising & Publicity Expenses 31 Mar – 2010	Advertising & Publicity Expenses 31 Mar – 2014	Advertising & Publicity Expenses 31 Mar – 2015	Advertising & Publicity Expenses 31 Mar – 2016	Advertising & Publicity Expenses 31 Mar – 2017
	SBI AND ITS ASSOCIATES						
1	State Bank of India	33,67,605	3,37,766	27,82,569	28,46,361	30,76,406	60,02,887
2	State Bank of Bikaner & Jaipur	49,432	51,114	1,49,460	1,62,720	2,03,478	Merged with SBI
3	State Bank of Hyderabad	1,06,186	1,25,951	2,00,495	1,70,410	Merged with SBI	
4	State Bank of Travancore	39,925	85,995	1,18,317	87,433	1,29,823	Merged with SBI
	NATIONALISED BANKS						
5	Allahabad Bank	1,42,287	2,16,379	3,98,100	30,830	24,020	-
6	Andhra Bank	1,04,987	67,393	2,39,656	2,16,277	1,56,006	1,35,194
7	Bank of Baroda	3,99,692	4,44,622	8,15,805	8,45,180	8,34,988	11,13,956
8	Bank of India	2,24,354	4,74,742	-	-	4,09,524	4,50,024
9	Bank of Maharashtra	1,77,132	1,40,305	1,51,539	1,84,673	1,60,286	1,80,650
10	Canara Bank	2,38,259	1,98,597	6,63,440	4,42,752	4,15,067	3,03,501
11	Central Bank of India	1,53,322	1,72,155	-	2,54,425	3,09,297	-
12	Corporation Bank	1,64,787	1,82,547	1,81,560	36,881	53,582	46,668
13	Dena Bank	1,12,057	1,08,044	1,84,718	1,57,645	1,55,435	1,75,630
14	Indian Bank	88,622	1,06,315	-	-	8,12,190	73,643
15	Indian Overseas Bank	2,69,474	3,58,257	2,70,131	1,03,444	36,007	19,161
16	Oriental Bank of Commerce	1,38,670	1,17,339	3,08,612	2,61,810	1,81,600	1,79,485
17	Punjab & Sind Bank	3,750	5,365	21,709	22,381	14,368	14,843
18	Punjab National Bank	3,12,431	4,01,064	2,91,186	3,61,747	5,48,490	5,53,613
19	Syndicate Bank	2,25,210	1,73,703	2,60,197	2,76,995	3,12,758	2,96,994
20	Union Bank of India	13,26,298	3,89,842	5,52,908	6,31,863	6,92,501	6,69,832
21	United Bank of India	64,728	90,742	-	56,173	62,343	-
22	Vijaya Bank	88,763	50,460	1,09,049	1,03,603	-	-
23	IDBI Bank	4,83,793	4,58,356	4,02,356	4,15,654	2,44,166	4,36,083
	IMPORTANT PRIVATE BANKS						
24	AXIS Bank	4,63,177	4,72,694	9,59,548	9,05,679	9,35,725	14,11,326
25	HDFC Bank	11,18,992	8,60,190	14,35,610	18,74,691	25,84,338	20,95,018
26	ICICI Bank	14,02,840	11,08,010	18,34,023	16,16,197	21,09,728	28,80,587

Source: Annual Reports of Banks for 2008-09, 2009-10, 2013-14, 2014-15, 2015-16, 2016-17.

Table 2: Advertising and Publicity Expenditure as Percentage of Total Operating Expenses by Banks in Percentage (FY end 2009, 2010, 2014, 2015, 2016, 2017)

Sr. No.	Name of the Bank	(% Operating Expenses) 31 Mar – 2009	(% Operating Expenses) 31 Mar – 2010	(% Operating Expenses) 31 Mar – 2014	(% Operating Expenses) 31 Mar – 2015	(% Operating Expenses) 31 Mar – 2016	(% Operating Expenses) 31 Mar – 2017
	SBI AND ITS ASSOCIATES						
1	State Bank of India	**1.26**	**0.80**	**0.77**	**0.73**	**0.74**	**1.29**
2	State Bank of Bikaner & Jaipur	**0.63**	**0.57**	**0.74**	**0.92**	**0.98**	**Merged with SBI**
3	State Bank of Hyderabad	**1.14**	**1.28**	**0.88**	**0.60**	**Merged with SBI**	
4	State Bank of Travancore	**0.50**	**0.99**	**0.63**	**0.45**	**0.68**	**Merged with SBI**
	NATIONALISED BANKS						
5	Allahabad Bank	**1.02**	**1.37**	**1.02**	**0.73**	**0.60**	-
6	Andhra Bank	**0.95**	**0.50**	**0.79**	**0.56**	**0.53**	**0.39**
7	Bank of Baroda	**1.12**	**1.17**	**0.89**	**0.93**	**0.93**	**1.19**
8	Bank of India	**0.72**	**1.29**	-	-	**0.43**	**0.51**
9	Bank of Maharashtra	**1.84**	**1.31**	**0.63**	**0.73**	**0.13**	**0.15**
10	Canara Bank	**0.78**	**0.57**	**1.08**	**0.60**	**0.55**	**0.35**
11	Central Bank of India	**0.82**	**0.77**	-	**0.45**	**0.48**	-
12	Corporation Bank	**1.65**	**1.45**	**0.74**	**0.14**	**0.19**	**0.15**
13	Dena Bank	**1.46**	**1.27**	**1.12**	**0.85**	**0.68**	**0.77**
14	Indian Bank	**0.56**	**0.61**	-	-	**0.25**	**0.21**
15	Indian Overseas Bank	**1.38**	**1.45**	**0.72**	**0.24**	**0.25**	**0.11**
16	Oriental Bank of Commerce	**0.99**	**0.70**	**1.05**	**0.87**	**0.52**	**0.51**
17	Punjab & Sind Bank	**0.05**	**0.07**	**0.17**	**0.16**	**0.10**	**0.09**
18	Punjab National Bank	**0.74**	**0.84**	**0.06**	**0.07**	**0.55**	**0.59**
19	Syndicate Bank	**1.25**	**0.85**	**0.78**	**0.76**	**0.59**	**0.53**
20	Union Bank of India	**5.99**	**1.55**	**1.06**	**1.06**	**1.09**	**1.04**
21	United Bank of India	**0.66**	**0.84**	-	**0.31**	**0.32**	-
22	Vijaya Bank	**0.96**	**0.47**	**0.64**	**0.54**	-	-
23	IDBI Bank	**3.62**	**2.50**	**1.21**	**1.03**	**0.59**	**0.84**
	IMPORTANT PRIVATE BANKS						
24	AXIS Bank	**1.62**	**1.27**	**1.19**	**1.00**	**0.92**	**1.15**
25	HDFC Bank	**1.98**	**1.46**	**1.19**	**1.34**	**1.52**	**1.06**
26	ICICI Bank	**2.71**	**1.94**	**1.77**	**1.40**	**1.66**	**1.95**

Source: Annual Reports of Banks for 2008-09, 2009-10, 2013-14, 2014-15, 2015-16, 2016-17.

Table 3 analyses banks' total business and helps us identify their rank order. Advertisement and publicity certainly seem to have an impact on the total business, although, there will be multiple factors that contribute to these trends. Some bankers who were interviewed agreed that the bank business will suffer without advertisements. Therefore, it may be understood that advertising is necessary for a competitive advantage.

Table 3: Total Business of Banks (FY end 2009, 2010, 2014, 2015, 2016, 2017)

(Rupees in Crore)

Sr. No.	Name of the Bank	2008-09 Deposits + Advances = Total Business	2009-10 Deposits + Advances = Total Business	2013-14 Deposits + Advances = Total Business	2014-15 Deposits + Advances = Total Business	2015-16 Deposits + Advances = Total Business	2016-17 Deposits + Advances = Total Business
	SBI AND ITS ASSOCIATES						
1	State Bank of India	**1,28,457**	**1,43,603**	**12,40,898**	**2,87,819**	**31,94,422**	**36,15,829**
2	State Bank of Bikaner & Jaipur	**69,075**	**81,281**	**1,31,031**	**2,91,834**	**1,68,748**	**Merged with SBI**
3	State Bank of Hyderabad	**1,06,128**	**1,26,010**	**3,37,433**	**4,50,382**	**Merged with SBI**	
4	State Bank of Travancore	**74,642**	**89,344**	**165,56,0**	**3,18,538**	**1,68,123**	**Merged with SBI**
	NATIONALISED BANKS						
5	Allahabad Bank	**1,43,773**	**1,77,660**	**6,37,080**	**3,46,519**	**3,58,352**	**3,59,974**
6	Andhra Bank	**1,03,529**	**1,33,801**	**4,71,658**	**5,30,574**	**3,10,673**	**3,39,673**
7	Bank of Baroda	**3,35,648**	**4,16,079**	**17,67,969**	**20,49,109**	**9,57,808**	**2,67,318**
8	Bank of India	**3,32,617**	**3,98,252**	**15,18,914**	**17,90,238**	**8,72,194**	**9,33,820**
9	Bank of Maharashtra	**86,545**	**1,03,618**	**3,75,531**	**3,37,684**	**2,50,230**	**2,40,590**
10	Canara Bank	**3,25,111**	**4,03,986**	**13,19,822**	**15,25,665**	**8,37,284**	**8,04,506**
11	Central Bank of India	**2,16,755**	**2,67,490**	**8,15,358**	**4,50,539**	**4,56,337**	**4,49,679**
12	Corporation Bank	**1,22,496**	**1,55,936**	**6,15,201**	**4,95,422**	**3,45,493**	**3,60,916**
13	Dena Bank	**71,928**	**86,806**	**3,50,569**	**2,82,451**	**2,03,242**	**1,91,481**
14	Indian Bank	**1,23,978**	**1,50,373**	**2,86,634**	**2,98,057**	**3,10,918**	**3,14,654**
15	Indian Overseas Bank	**1,75,926**	**1,91,577**	**4,09,057**	**4,25,090**	**3,97,241**	**3,68,119**
16	Oriental Bank of Commerce	**1,66,869**	**2,03,746**	**6,37,421**	**6,81,839**	**1,63,500**	**3,85,777**
17	Punjab & Sind Bank	**59,291**	**81,794**	**2,64,041**	**2,92,554**	**1,56,527**	**1,45,803**
18	Punjab National Bank	**3,64,463**	**4,35,931**	**154,65,66**	**16,82,578**	**9,65,377**	**10,41,197**
19	Syndicate Bank	**1,97,417**	**2,07,432**	**7,19,180**	**8,44,365**	**4,68,185**	**4,67,626**
20	Union Bank of India	**2,35,237**	**2,89,355**	**9,98,539**	**8,28,618**	**6,10,074**	**6,64,857**
21	United Bank of India	**89,929**	**1,10,510**	**2,256**	**2,52,498**	**1,87,813**	**1,97,442**

22	Vijaya Bank	**90,003**	**1,03,453**	**3,72,583**	**4,18,839**	**2,14,426**	**2,27,559**
23	IDBI Bank	**2,15,845**	**3,05,868**	**8,56,882**	**9,01,158**	**4,81,613**	**4,59,363**
	IMPORTANT PRIVATE BANKS						
24	AXIS Bank	**1,98,930**	**2,45,643**	**12,53,478**	**1,19,615**	**6,96,742**	**7,87,448**
25	HDFC Bank	**2,41,694**	**2,93,235**	**12,06,305**	**15,16,190**	**11,10,672**	**11,98,208**
26	ICICI Bank	**4,36,658**	**3,83,222**	**12,53,479**	**11,19,701**	**8,56,690**	**9,54,271**

Source: Annual Reports of Banks for 2008-09, 2009-10, 2013-14, 2014-15, 2015-16, 2016-17.

From Table 3 we can draw the following conclusions:

1. ICICI Bank dropped from no. 1 in 2008–09 to 4th in 2016–17, and was replaced by SBI, followed by HDFC Bank.

2. Although ICICI spent more percentage on advertisement and publicity (1.95%) compared to SBI (1.29%), it is far behind SBI with respect to total business.

3. The banks with the lowest total business are Punjab and Sind Bank, Dena Bank, United Bank of India, Vijaya Bank, and Bank of Maharashtra.

4. The SBI advertising and publicity expenditure (percentage) has remained almost the same in 2017 (compared to 2009) but its business has improved.

5. In terms of total business, 7 banks out of 26 are ranked below 15 in all six years. If these 7 banks spend more on advertising in the future, they could possibly improve their business and their position.

Relationship Between Advertising and Publicity Expenditure and Total Business:

A Pearson Product Moment Correlation Analysis was initially conducted to determine the relationship between advertising and publicity expenditure by banks, and bank business for 6 years as shown in Table 4. From the results we can derive that in the years 2009, 2010, 2015, 2016, and 2017, the increase in advertising and publicity expenditure by banks has led to an increase in total bank business. The years 2009 and 2015 show low positive association, years 2010 and 2014 show moderate positive association. The years 2016 and 2017 show strong positive association. Of these, the correlation values for the years 2010, 2014, 2016, and 2017 were found to be statistically significant.

In order to see whether it was possible to predict the total business from advertising and publicity expenditure, regression analyses were further conducted. Again, it was found that it was possible to predict total business for the years 2010, 2014, 2016, and 2017. Details of the F values for the regression analyses can also be found in Table 4. We can see that there is high predictive ability when the correlation is strong; but it is difficult to predict total business in the years when its correlation with advertising and publicity expenditure is weak.

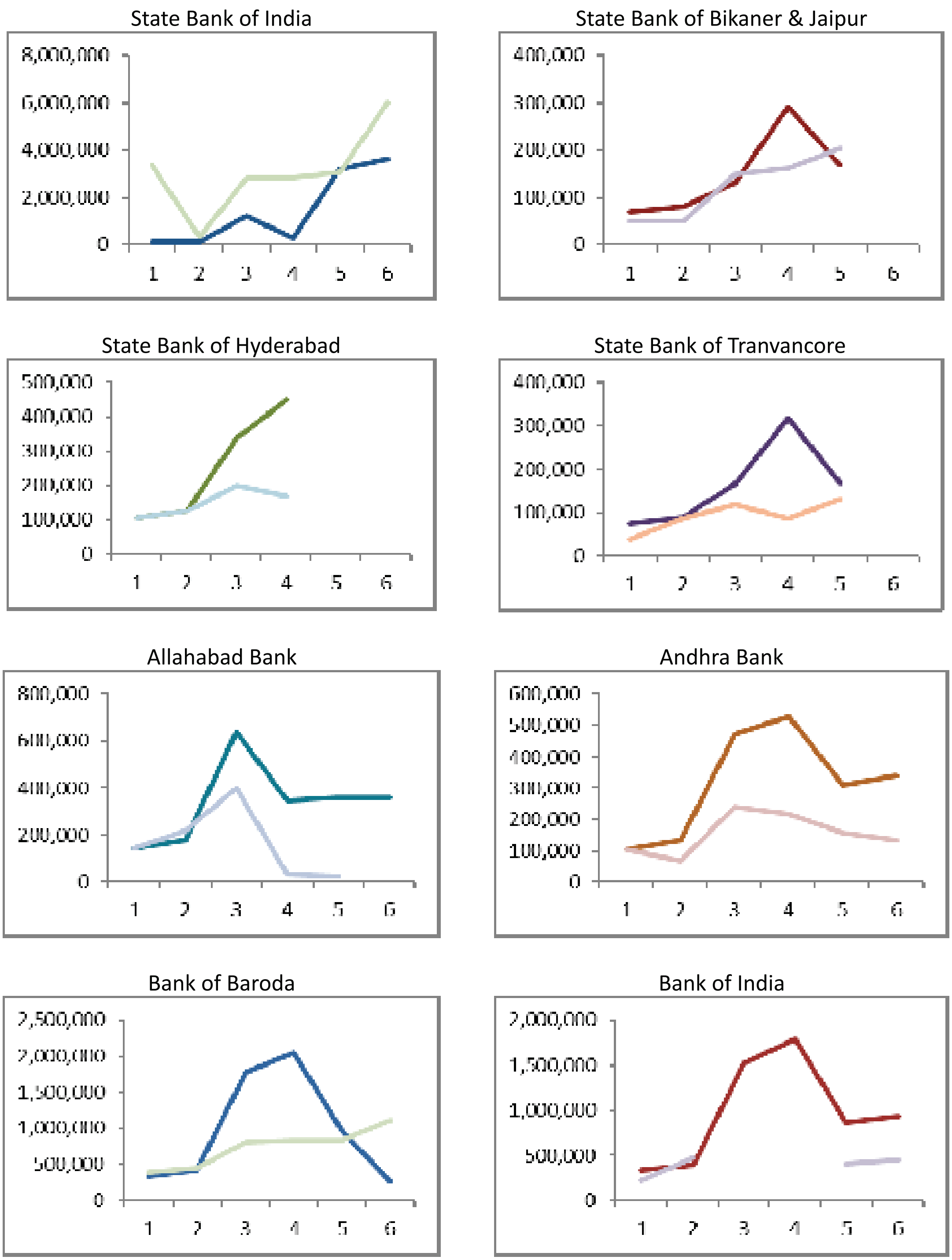
Table 4: Correlation between Advertising and Publicity Expenditure and Total Business of Banks

Year	Correlation Value	Significance	Regression F Value	Significance
2009	0.24	*NS*	1.48	*NS*
2010	0.67	0.01	20.19	0.01
2014	0.61	0.01	11.72	0.01
2015	0.27	*NS*	1.793	*NS*
2016	0.82	0.01	45.58	0.01
2017	0.91	0.01	89.38	0.01

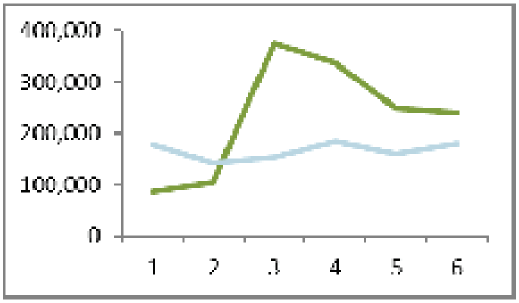
Regardless of the significance, all trends are for positive relationships, suggesting that there indeed is an association in the amount spent by a bank on advertising, and the total business for that bank. For most years, this relationship allows us to predict the total business based on how much is spent on advertising. Figure 2 shows the trends followed by the total business, and advertising and publicity expenditure for each bank. From the charts we can see that for most banks, as advertising expenditure increases, the total business done also increases to some extent. There are some notable exceptions though, and at some points it may be seen that advertising expenditure has little to no impact, or perhaps even a negative impact on the total business.

It may be that the type of advertising used is also important. At times a bank may create a huge campaign, but customers may receive the wrong message. Alternately, sometimes a bank may coast along on a minimal advertising strategy, but may be reaping the benefits of a previous marketing strategy, or positive visibility and word of mouth. Thus, even with a bare bones spending, some banks can experience a surge in business. A more detailed review of the type of advertising used, and the type of customer targeted will be required to understand the variations in these trends before us.

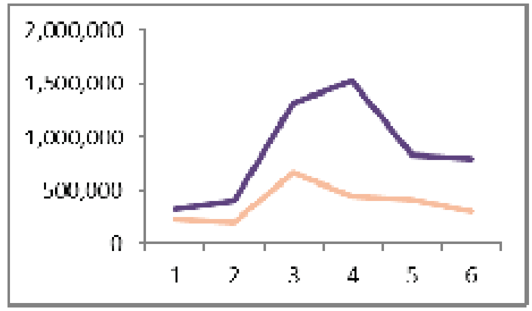
Figure 1: Trend of Advertising Expenditure to Total Business (Bank-wise)



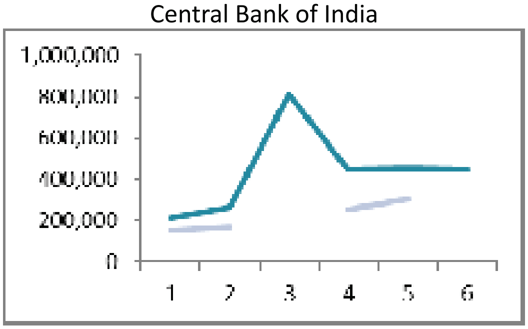
Bank of Maharashtra



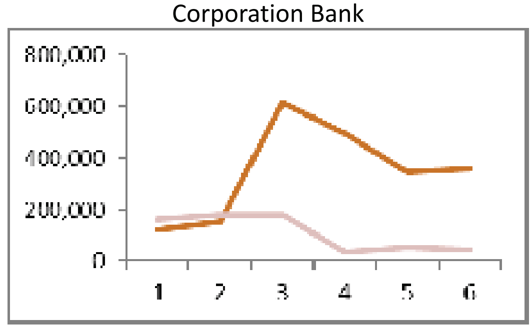
Canara Bank



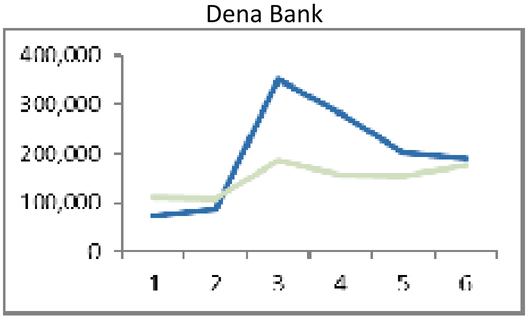
Central Bank of India



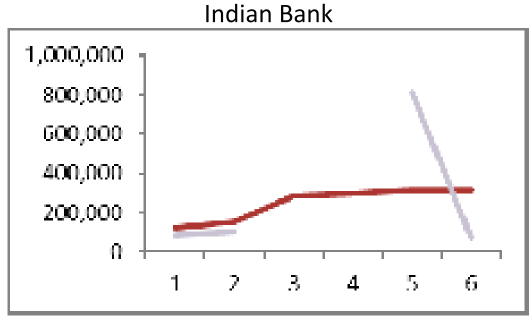
Corporation Bank



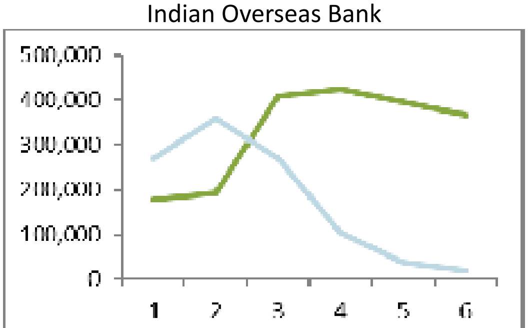
Dena Bank



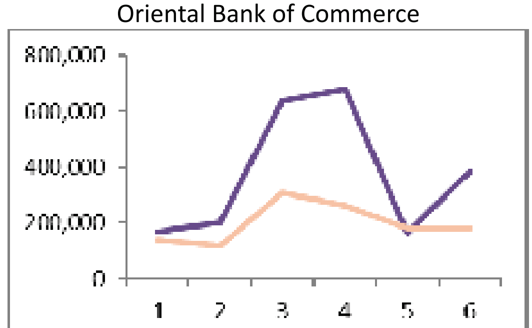
Indian Bank



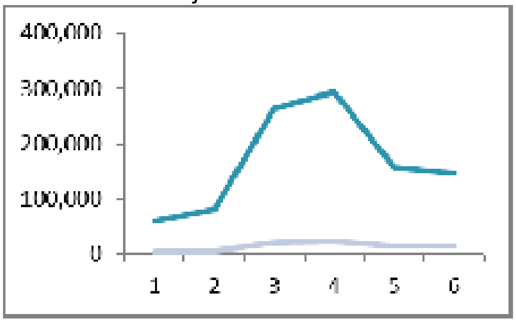
Indian Overseas Bank



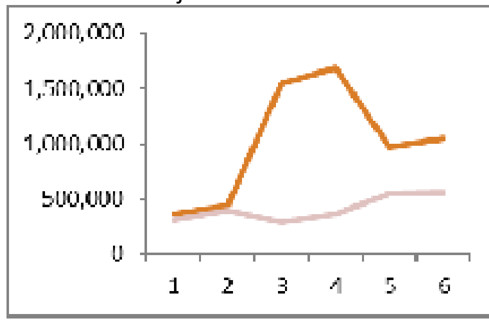
Oriental Bank of Commerce



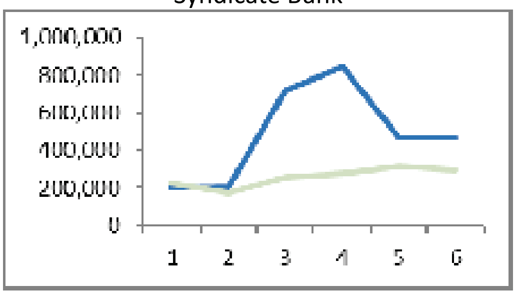
Punjab & Sind Bank



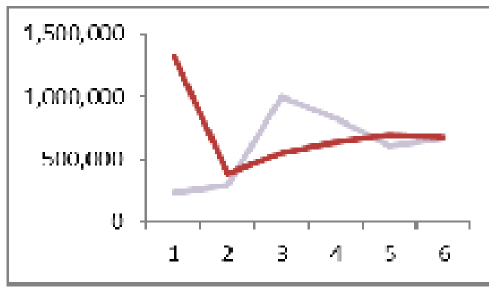
Punjab National Bank



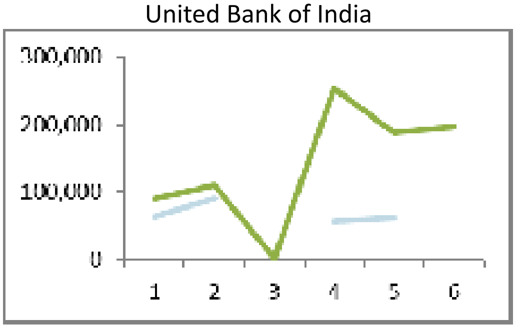
Syndicate Bank



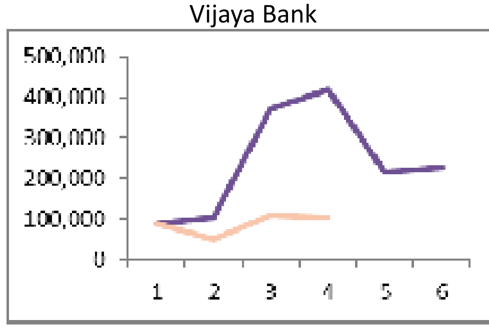
Union Bank of India



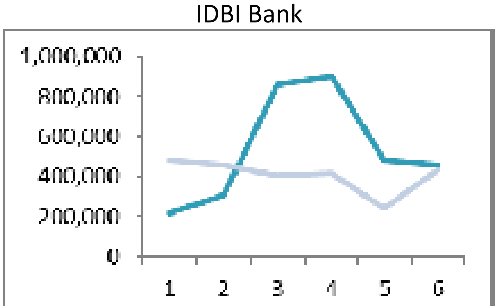
United Bank of India



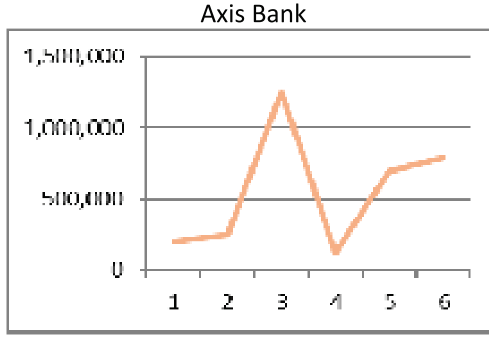
Vijaya Bank

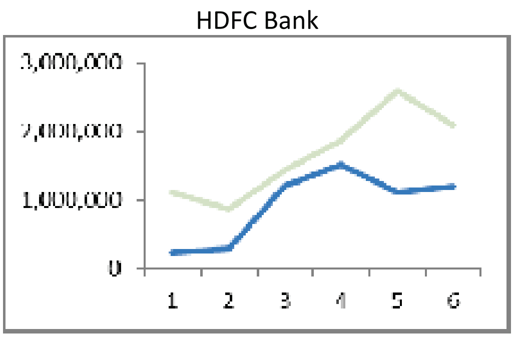


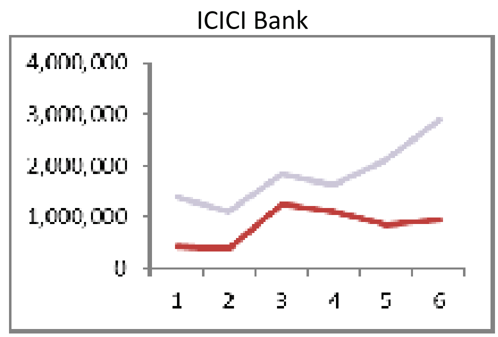
IDBI Bank



Axis Bank







It is important to note that national and international economic conditions will also play a role in how these relationships play out. Thus, it may be interesting to conduct further research to see how these trends play out in the context of larger movements in the economic climate. But, it can be said with some certainty that a bank's advertising expenditure and the bank's business for that year have a positive relationship. Often, it can be possible to predict a bank's total business from the advertising expenditure with some accuracy.

This suggests that if a bank were to increase its advertising expenditure, it would likely see a significant increase in its total business that year.

Opinion of Bank Employees:

The analysis of the questionnaires revealed the following:

1. The media most popularly used by banks for advertising are newspaper, hoardings, and television. Today online advertising is becoming popular. Movies, radio ads, and theatre are not popular media for advertising for banks.

2. All the respondents said that banks advertise their financial products — business loans, gold loans, credit cards etc. Other products advertised by banks include personal loans, life insurance, and educational loans.

3. 85 per cent of respondents believe that there is a positive relationship between advertisement expenditure by banks and bank business. According to them, good advertisements attract customers.

4. 96 percent of respondents said that banks give contracts for advertising to advertising agencies.

5. On questioning the respondents about what is more important to a bank — number of customers, or value of business or both — 32 percent respondents responded with 'number of customers', which is more important, 30 percent responded with 'value of business', which is important, while 38 percent responded with 'both', implying that customers and value of business are important to a bank.

6. 72 percent respondents agreed that using celebrities for advertisements helps to improve bank business.

7. 68 percent of respondents said that advertising is not a wasteful expenditure, while 32 percent were of the opinion that advertisement and publicity by banks was a waste and did not contribute towards bank business. They mentioned manipulative advertisements.

8. On being asked if India should not follow the policy of communist countries, where banks do not advertise banking products, 77 percent respondents disagreed and said that the bank business will fall if banks don't advertise.

9. 78 percent respondents disagreed with the suggestion of collective advertising by banks, even though the product differentiation among banks is very little. This suggests that they believe that the brand itself can attract customers.

10. Respondents were asked their opinions about the possible savings in resources, if advertising and publicity expenditure is not done by banks separately. Indian Banks Association (IBA) has being given the responsibility of educating customers of banks about various bank products. 72 percent respondents agreed to the above suggestion.

CONCLUSION:

Chamberlin refers to advertisements as 'selling costs'. This affects both, the average revenue/demand curve and the average cost curve. In a monopolistic competition, the average revenue curve will slope downwards. If the selling cost is a fixed percentage of sales the curve tends to be U shaped; but, the distance between the average revenue curve and the average cost curve will narrow. In the banking sector, it was found that the selling costs are almost a fixed percentage of operating expenses on advertising and publicity. The interest income, non-interest income, and operating expenses are all affected by the selling cost. Further research will be required to show further relationships between them.

Indian banks seem to be living in such a world. Banking being a common service, it becomes necessary for each bank to distinguish itself on the basis of factors like rate of interest, charges for some services, and service facilities.

According to Paul Samuelson (2010), “A characteristic feature of our era is advertising and publicity expenditure. A sizeable amount of the nation’s creative talent is devoted to sales promotion”. Advertising has its advocates who claim it has many economic advantages. The study shows that there is a positive correlation and predictive relationship between advertising and publicity expenditure by banks and bank business. Therefore, banks can spend more on advertising and improve their rank in the league of banks. From a public welfare perspective, the IBA can, as suggested, advertise some more common products to help with informing potential customers.

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