INTERNATIONAL JOURNAL ON ECONOMICS, FINANCE AND SUSTAINABLE DEVELOPMENT

IJEFSD

Available online at www.researchparks.org

RESEARCH PARK

Journal homepage: www.researchparks.org/

Bank Marketing in Credit Lines

Azimova Gulnoza Latifovna

Postgraduate student of University of World Economy and Diplomacy

g.gulyamovs@inbox.ru

ABSTRACT

The content of the principles of banking marketing predetermines its main tasks of conducting marketing research, forecasting, designing and issuing new banking products that meet the increased requirements of banks and their counterparties in terms of profitability.

ARTICLEINFO

Article history:

Received 24 Mar 2022

Received in revised form 25 Apr 2022

Accepted 28 May 2022

Keywords: banking marketing, banking product, marketing research, banking engineering, product value, pricing, risk of an innovative banking product.

Introduction

Banking marketing is aimed at fully satisfying the needs of market participants, namely the sale of services. This focuses on a thorough study of the expectations and requirements of the banking services market, determining the types of banking products offered and their prices, identifying the strengths and weaknesses of competitors. Bank marketing, due to its specificity, is a special part of marketing. This is the external and internal ideology, strategy, tactics and policy of the bank, determined by the specific socio-political and economic situation. Recent changes in the banking systems of countries with

E-mail address: info@researchparks.org

Peer review under responsibility of Emil Kaburuan.

developed market economies, the real economic situation in Uzbekistan have led to the vital need for commercial banks to master the most modern methods and methods of marketing. This is guided by the universalization of banking activities, its expansion beyond the boundaries of traditional operations, increased competition with foreign banks, the emergence of competitors in the face of non-banking institutions, the outflow of deposits from banks as a result of the development of the securities market.

Main part

The content of the principles of banking marketing can be formulated as the development of a bank development strategy and the adoption of operational decisions based on the dynamics of supply and demand, as well as prices in the banking services market in order to ensure the profitable operation of the bank. The purpose of banking marketing is to create the necessary conditions for adapting to the requirements of the capital market, developing a system of measures for studying the market, increasing competitiveness and profitability.

The main elements of the banking marketing system are: market research, development and implementation of a market strategy on this basis. The use of marketing by a bank is characterized by the presence in its activities of the following features, which are the essential features of marketing:

- ✓ Orientation of the bank to the needs of customers;
- ✓ application of a whole set of market policy instruments;
- ✓ systematic coordination of all types of sales activities. The main tasks of banking marketing are:
- ✓ forecasting customer requirements for a banking product; - study of demand for a banking product;
- ✓ issuance of a banking product that meets the requirements of buyers;
- ✓ establishment of competitive prices for a banking product; -improvement of the bank's image;
- ✓ increasing the share of the financial market controlled by this bank.

To implement these tasks, it is necessary to use certain functions of banking marketing aimed at collecting information, conducting marketing research, planning activities for the release and sale of banking products, organizing advertising and practical implementation of banking services [1.p.187]. Marketing research covers the entire process, from the search for new ideas and types of banking products to their use by end consumers. Therefore, the research is focused on all types of activities and areas of banking marketing, and specifically on the banking products themselves, taking into account financial markets, places of sale, advertising, etc.

Banking marketing is characterized by specific features that distinguish it from marketing, which underlies the management of production, sales and trade activities, namely:

- ➢ intangible nature of the banking product;
- ➢ direct contact with the buyer of services, i.e. by the client, which requires personalization of relations in the banking services market, creates difficulties in their standardization;
- ➢ monetary nature of services.

The main methods of banking marketing are ways of communicating with the client, providing advantages to the client when using the services of this bank compared to competing credit institutions, managing the profitability of the service, and a remuneration system that interests bank employees in selling the maximum number of banking products. The specifics of banking marketing is predetermined by the features of the banking product. Banking product (service) - a variety of actions in the financial market, monetary transactions carried out by commercial banks for a fee on behalf of and in the interests of their customers, as well as actions aimed at improving and increasing the efficiency of banking business (for example, improving the organizational structure). Currently, credit institutions in countries with developed market economies provide services to individuals and legal entities, providing them with over 200 types of various services. An important feature of a banking product is its image. Image - this is a common and fairly stable idea of the distinctive or exceptional characteristics of the product, giving the latter a special identity and distinguishing it from a number of similar products. The image of the product is formed under the influence of the following factors: the image of the bank itself; product quality; characteristics of a similar product of other banks; criteria, norms and preferences of customers using the specified product. The process of developing or improving a banking product (service) begins with the presentation of an idea. The object of innovation can be a banking product (service), technology for its implementation, software, as well as the use of a previously known banking product (service), technology and software for a new purpose. The design of new banking products that meet the increased requirements of banks and their counterparties in terms of profitability, liquidity and risk management seems to be the dominant direction in the development of banking using banking engineering at the current stage [2]. The main goal of banking engineering is to extract additional profit based on the skillful use of market “white spots” (free segments and imperfections) by achieving an optimal balance between competing characteristics (risk, profitability and liquidity) in innovative banking products.

Banking engineering, acting as the art of creating innovative products, expands the possibilities of managing liquidity, riskiness and profitability of banking operations, providing: the creation of innovative financial instruments, including consumer-type instruments and corporate securities; creation of innovative financial processes, the emergence of which is caused by changes in legislation or technological development; creating innovative solutions to corporate finance issues, financial strategies such as bond call strategies. A banking product can be considered innovative if it has the following qualitative characteristics: it is specially designed to manage specific cash flows and is introduced into the market structure for the first time; was previously present on the market, but at least one of its parameters or elements (a banking instrument, a banking business process, a banking strategy) has been modified by a method used for the first time on this market; a package product was designed, in which for the first time a combination of banking products that previously existed in this market was used [2].

Studies confirm that the guarantee of the effectiveness of banking engineering is a methodology adapted to the conditions of banking realities, which provides for its consideration as a process that includes the following steps:

- ✓ development of target tasks for a bank that creates an innovative banking product.
- ✓ study of the market situation: the main banking products, trends, preferences of potential banking partners. Idea generation and screening (viewing ideas).
- ✓ development and testing of the concept; assessment of the level of risk for the bank and counterparties as a result of the introduction of an innovative banking product.
- ✓ assessment of the systemic qualities of an innovative banking product, including compliance with the external and internal regulatory framework of the bank; risk assessment of the most innovative banking product in the system of existing banking products;
- ✓ assessment of the positive consequences of the introduction of an innovative banking product;

- ✓ the ratio of risk, profitability, liquidity and opportunity costs when choosing the necessary banking tools;
- ✓ the final choice of a banking product; formation of a preliminary structure for the issue of an innovative banking product in accordance with the financial interests of the issuing bank.
- ✓ embedding an innovative banking product in the organizational and functional structure of the bank;
- ✓ sale of an innovative banking product to counterparties, signing of legal documentation and initial entry into the life of a new banking product;
- ✓ maintenance of an innovative banking product, market support.

All of the above stages perform certain tasks and functions, forming the methodology of banking engineering, including pricing. The main issue in developing a marketing approach to pricing should be to determine the price level, which, in the opinion of consumers, optimally positions the product in each segment of the selected market. The consumer's perception of the perceived value of a product, as well as the change in that value from segment to segment, is a key concept in price determination. The development of processes in the field of pricing of banking services proceeds sequentially - from inflationary to costly and, recently, commercial pricing, which is based on taking into account the value of the service and the bank's costs for its implementation. The price in the market conditions has shown such qualities with which banks willingly associate their well-being, the amount of income and expenses. As a market category, the price is constantly influenced by a complex of various factors: political, economic, social, psychological [3.p.57]. The pricing logic in a market-oriented organization is used to develop and implement a marketing approach to pricing in banks. All banks offer the same product to the buyer in terms of its basic functionality, and in a similar way. Accordingly, in many markets, including banking, the greatest influence begins to be exerted not by the functional value itself, but by the form of its presentation. Thus, in addition to the basic functional usability, the product has a number of other, “peripheral” benefits. With equal characteristics of competing products, they can play a decisive role. Secondary benefits can be divided into necessary, related to the features of providing the main functional value, and additional. It is peripheral services, both necessary and additional, that have properties that cause customer satisfaction; they can vary and therefore serve as criteria for choosing a product by the consumer. Even if the offers of different banks in terms of the basic value are identical and it cannot serve as a justification for a price premium, it remains possible to distinguish oneself from competitors with the help of other (additional) services. Moreover, such differentiation is possible not only at the stage of purchase, but also after it - during use. The benefits of dealing with a particular bank can be realized through the provision of professional services, ease of access to product information, etc. The benefits of a bank-customer relationship result from the creation of a mutually beneficial relationship (personalized service). A detailed study of consumer value allows us to consider the actions of the consumer not as a purchase of a product, but as a solution to his problem, which corresponds to the marketing approach to pricing a product. Banks that successfully develop products and market them can ensure that a fair share of value is appropriated through price. To limit the pressure of consumers on the price level, the negative impact of this pressure on profitability will allow the development and justification of a pricing strategy based on the perceived value for downgrading operating in modern market conditions [3.p.115].

The specifics of banking pricing can be traced on the example of such a service as lending to a client. When granting a loan to a client, the bank may set various types of tariffs, depending on the type of a specific open transaction, expressed either as a percentage of the volume of transactions or services, or in the form of a monetary reward - a bank commission. When setting prices for open transactions in lending, consider:

- tariff for issuing to the client a package of documents necessary to consider the issue of granting a loan (one-time fixed amount);
- commission for opening and maintaining a loan account (a fixed amount or a percentage of the principal amount in the form of monthly payments during the period of using the loan);
- commission for issuing funds to the client, affixed on credit (a fixed amount or a percentage of the principal debt in the form of a lump sum payment);
- the interest rate for the use of the loan.

Conclusion

As a result, the price of such a banking product as lending can be determined both in the form of a single tariff and in the form of a percentage price. Studies of the possibilities of applying the concept of value in marketing and pricing lead to the conclusion about the need for a reasonable approach to pricing with a focus on the value of the product. At the same time, price determination is impossible without studying the properties of the product that are valuable to the consumer and developing a system for evaluating these properties by the consumer.

References:

1. Marenkov N.L. banking marketing. M.: Flinta: MPSI, 2016. 205. P.
2. Petrosyan T.G. Banking Marketing and the Role of Innovative Banking Products in the Formation of a Bank's Strategy // Bulletin of the Institute of Economics of Academy of Sciences, No. 3, 2020.
3. Utkin E.A. banking marketing. M.: INFRA, 2019. 251. P.
4. AL-ALAK, B. A. Impact of marketing activities on relationship quality in the Malaysian banking sector. Journal of Retailing and Consumer Services, 2021, Volume 21, Issue 3, pp. 347 – 356 ISSN 0969-6989.
5. EISINGERICH, A. B., BELL, S. J. Relationship marketing in the financial services industry: The importance of customer education, participation and problem management for customer loyalty. Journal of Financial Services Marketing, 2020, Volume 10, Issue 4, pp. 86 – 97 ISSN 1363-0539.