

FULL PAPER

Understanding the internal marketing orientation and its consequences in small finance bank: A case study analysis

Lakshmi Prasad Padhy^{a,*} | Ipseeta Satpathy^b | B.C.M Patnaik^b^aResearch Scholar, School of Management, KIIT Deemed to be University (Institute of Eminence) Bhubaneswar, India^bSchool of Management, KIIT Deemed to be University (Institute of Eminence) Bhubaneswar, India

This study addressed the issue of lack of understanding of internal marketing orientation in Small Fiancé Banks of India. The purpose of the study was to explain the internal marketing orientation and its consequences in Small Finance Banks (SFBs). A purposive sampling technique was used to select an SFB as single case for the study. The findings of the study confirmed that Internal Marketing Orientation (IMO) has positive bearing on Internal Aspects of Performance (IAP) in SFB and IMO has a positive influence on both External Aspects of Performance (EAP) and External Marketing Orientation (EMO).

KEYWORDS

Internal marketing (IM); internal market orientation; internal aspects of performance (IAP); external market orientation (EMO); external aspects of performance (EAP); small finance bank (SFB).

***Corresponding Author:**

Lakshmi Prasad Padhy

Email: lppadhy10@gmail.com

Tel.: + 91 7574841009

Introduction

Internal marketing (IM) was introduced as a tool to design and provide value to the customers in terms of products and services [1]. The concept of IM suggests that the needs of employees as a customer have to be satisfied by the banks so that the organization can achieve improved working morale and commitment of employees. The whole concept of IM centered on viewing employees as internal customers [2]. Internal Marketing entails two important aspects. The first aspect is that the employee is treated as internal customer. In the second place, it is incumbent upon organization to satisfy the internal customers so that the internal customer, i.e. employee, is better equipped to serve the external customers, because a satisfied employee can satisfy a customer [3]. This paper studied the internal marketing of Small Finance Banks in Odisha by considering

a Small Finance Bank (SFB) as a case for the analysis.

Small Finance Banks (SFBs) in India

Banking sector is based on strong foundation of financial intermediation process wherein banks are playing a very crucial role. The emergence of SFBs in the banking landscape constitutes innovative banking model. SFBs are important vehicles to accelerate the financial inclusion program by Government of India [4]. In November 2014, RBI issued guidelines on licensing of SFBs. The objectives of licensing SFBs are to accelerate the process of financial inclusion in the country through: (i) Provision of small savings instruments, and (ii) supply of credit to small business firms, small and marginal farmers and micro and small industries and other unorganized sectors, enterprises through low-cost and high technology-

oriented operation [5]. The word “small” signifies the specific customers the bank is dealing with [6]. These small banks are to launch an innovative business model to provide banking service, leading to institutionalization of differentiated banking in the rural landscape [7].

Literature review

Over 40 years attempts have been made to conceptualize the IM as a strategy to provide solution to the issue of providing constantly superior quality service [8]. The concept of IM evolved in three phases [9]. Next, the Researchers reviewed the articles discussing consequences of IMO.

Employee orientation

The first phase of evolution of IM was conceptualized by Berry *et al.* (1976). The underlying idea of IM is that employees are viewed as internal customers and jobs as internal products which satisfy the wants and needs of these employees while trying to achieve the aims of the organization.

Customer orientation

The second phase of evolution was discussed by Gronroos, whose focus was on interactive marketing where he narrated the involvement of employees for service delivery which gets accentuated because of their responsiveness to customers’ needs or wants [10]. He further argued that internal marketing of employees greatly influences their awareness about customer centricity, marketing behaviour and sales orientation in organizations by undertaking internalisation of marketing approach and marketing activities internally [11].

Broadening the concept of IM

Third phase orientation was initiated by Winter, where he emphasized educating, aligning, and motivating staff towards

institutional objectives, the method by which personnel recognize and understand not only the value of the program but also their position in it [12]. The extent of internal marketing activities is much broader than employee motivation towards customer consciousness. For example, this can also be employed to motivate non-contact employees towards behaving in a manner which aims to enhance the service for end-customers. This attaches more importance to the tasks and activities that need to be carried out for the effective execution of marketing and other programs to achieve customer satisfaction, while appreciating the crucial role of employees [13].

IM in banks

The desired end-product of every marketing strategy is customer satisfaction. To achieve customer satisfaction in today’s turbulent and unsteady market, banks, just as any other major organizations, have started to realize the potential within the organization. Today, banks have moved to relationship-based approach by making a shift from transactional-based marketing approach. The relationship-based approach fundamentally places emphasis on winning the lifetime value of the customer, imposing high commitment to service and quality, and investment in customer research and feedback and monitoring of service standards. Fundamentally, for strengthening relationship, customer satisfaction is an essential pre-requisite. It is oriented towards meeting one’s expectations and also relates to customer’s feeling and attitude towards a product or service after it has been used or consumed by the customer. Three dimensions such as, satisfaction with the core service, satisfactory interactions with personnel, and satisfaction with the organization as a whole have been highlighted [14]. Internal marketing, organizational commitment and

organizational citizenship behaviours have a significant impact on banks' marketing orientation [15]. Another study confirmed that there is a significant positive relationship between staff attitude, perceived employees satisfaction and internal marketing orientation [16]. Banking service performance is measured in terms of internal customer values and internal customer

service, which promise a lot of intangible benefits to employees while they are discharging their performance in the organizations [17]. The behaviour of their employees can be influenced by service managers which can elevate their motivational level to serve the customers and consequently they are more likely to continue with the organization [18].

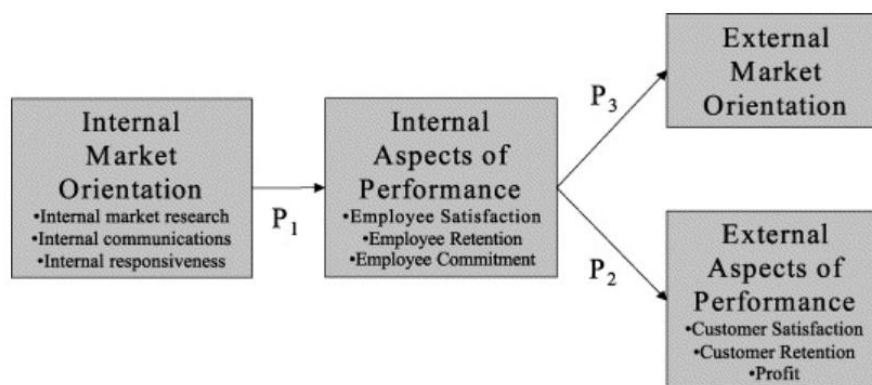


FIGURE 1 Model representing the IMO and its consequences (Lings, 2004)

- Proposition 1: Internal Marketing Orientation has positive influence on Internal Aspect of Performance (IAP) in Small Finance Bank.
- Proposition 2: IMO leads to Internal Aspect of Performance (IAP) and have a positive impact on External Aspect of Performance in Small Finance Bank.
- Proposition 3: Internal Aspects of Performance (IAP) has a positive impact on External Marketing Orientation (EMO) in Small Finance Bank.

TABLE1Operational definition of constructs demonstrated in conceptual model

Construct	Definition	Source
Internal Marketing Orientation (IMO)	IMO arises from the fact that frontline staff members that are in direct contact with customers while rendering services to them need to be trained, motivated, empowered and retained in order to improve the service quality and business performance.	(Lings, 2004) Berry <i>et al.</i> (1976)
External Marketing Orientation (EMO)	Internal marketing orientation help contribute to enhanced customer service which is crux of external marketing. Outstanding service comes from outstanding people. The quality of service depends upon the quality of people who deliver the services to the customers. External marketing orientation is considered to be the implementation of the marketing concept. A satisfied employee can satisfy a customer. EMO is a critical tool to anticipate future needs and respond to market demand in order to create superior value.	(Lings, 2004)
Internal Aspects of Performance (IAP)	Satisfaction of employees has a positive impact on the employees' motivational level to continue with the organization for a long time. Such satisfied and long serving employees will feel better empowered	(Lings, 2004) Berry <i>et al.</i> (1976) (Rafiqet <i>al.</i>

External Aspects of Performance (EAP)	<p>to appreciate needs and requirements of customers, thus creating more loyal and contented customers.</p> <p>Internal Aspects of Performance consisting of satisfaction of employees, retention of employees and commitment of employees have positive bearing on External Aspects of Performance.</p> <p>External Market Orientation of the organization is also impacted by this. The key components of External Aspects of Performance (EAP) such as customer Satisfaction, loyalty, profit and business growth are positively influenced by Internal Aspects of Performance (IAP)</p>	<p>2000).</p> <p>(Lings, 2004) (Grönroos, Internal marketing – theory and practice, 1985)</p>
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Source: Tabulated by Researchers

Research gap

The internal marketing process is well understood by the researchers in different service organization, banking and financial service organizations as well. Different models have been proposed by many researchers to understand the three key aspects of internal marketing: Customer orientation, employees' orientation and task and activities orientation. Small finance banks in India are new, emerging and providing similar kind of services as provided by large commercial banks. After intensive literature review, it was realized that IMO needed to be studied for SFBs which has not received the desired attention by the researchers. To address the gap of the study, we dealt with the IMO and its consequences in Small Finance Banks (SFBs). The present study sought answer to the following question:

How do internal marketing orientation and its consequences take place in SFBs?

Methodology

A real understanding of what works and how it works requires qualitative, interpretive study [19]. IMO is dynamic in nature, so case study will be better methodology to trace changes over time [20]. Although multiple case analyses have greater validation over single case, a single case study can give more detailed and precise analysis [21]. So, this study adopted a holistic single case study methodology.

Sampling method

Purposive sampling or judgmental sampling technique was used in this study as this technique provides to choose unit of analysis due to quality possessed by the unit [22]. Here critical case sampling was done to choose private SFB as researchers considered that the internal marketing process followed by this particular private bank can be similar to all the small finance banks because all the SFBs are regulated by same RBI guidelines. The unit of analysis can be defined as the object, people or group of people chosen for the investigation [23]. In this study, the target unit was a private small finance bank (SFB). A telephone interview was adopted to collect qualitative data [24]. Interviews are most appropriate technique to explore experience, views, opinions or beliefs on a specific matter and help to build an understanding of underlying structure. We followed a semi-structured interview guide to conduct interview through phone calls and interview guide was developed on the basis of conceptual frame-work of the study and some previous interview guide. Branch managers were selected from different branches of the small finance bank across Odisha by using snow ball or referral sampling and data was collected through telephone interview. Secondary data was collected from websites and annual reports of the bank for triangulation purpose. The study achieved theoretical saturation by interviewing 15

mangers and collecting data from annual reports and stopped extracting data after interviewing 15th manager because there was no additional new information found by the researchers. We also collected data from the customers of the bank through telephone interview. All the conversations during interview were recorded with permission and interview consent and secondary data was also collected and recorded.

Selection of the cases

The study included Utkarsh Small Finance Bank as a unit of analysis. The study was based on the internal marketing orientation of Utkarsh Small Finance Bank. Utkarsh Small Finance Bank was chosen for the following reasons:

- Utkarsh SFB bank operates under RBI guidelines of SFBs.
- There are 507 banking outlets across India.
- There is a wide range of service portfolio for the customers (personal Loans, business loans, priority sector lending, internet banking, CASA and ATM).
- There is the door step banking service by Utkarsh Small Finance Bank for their customers.
- The Business base is Rs 11,895 crore as of March 2020.
- Client base is over 27 lakhs and gross loan portfolio is Rs6660 crores in the year 2019-20.
- Banks has Board of Directors and a top management team to overseeing the entire operation strategy of bank.
- As case should be compared with other existing literature, so Utkarsh is the most used Small Finance Bank in other literatures.

Data analysis

At first, researchers carried out verbatim transcription of interview data which is a common data management in interview

methods of data collection [25]. It is most widely accepted strategy for verbal data analysis. Then data were interpreted based on the theoretical proposition of the study. For the quality of data collection and analysis, the study checked construct validity, internal validity, external validity and reliability [26]. For Construct validity, the study adopted the internal marketing orientation process [8, 18]. As for triangulation, researcher collected data from multiple sources to explain the IMO and its consequences which is one aspect of construct validity [26]. Internal validity can be achieved by pattern matching of the proposition of the study with data and tested accordingly.

As SFBs are similar category bank and providing similar financial service and customers are from same socio-economic background, the findings of the study can explain the IMO and consequences for the rest of the small fiancé banks. For reliability, the researchers developed a case data base where all the sources, time stamp and other information were mentioned, giving description about data collection process and sources; also a case study protocol was developed to establish chain of evidence by comparing the original research question with method of data collection to follow protocol. Further, member checking was adopted to check any deviation [26].

Findings

The findings of the study were compared with proposed theoretical proposition and produced under the propositions.

Internal marketing orientation and its impact on internal aspect of performance (IAP)

The whole IMO has started in an organization wherein employees are treated as internal customers and jobs are viewed as products [8]. According to mangers of Utkarsh SFB, employees are treated as most important and

critical internal stake holder and asset of Utkarsh. The motto of Utkarsh small finance bank is "Take care of your employees, who in turn will take good care of customers". The bank follows an open line of communication and leadership team is supportive for growth of employees [18]. Utkarsh SFB conducts periodic employee satisfaction survey which is an important tool to gauge the satisfaction level of the internal customers. Internal market research or feedback system helps to identify the need of the internal customers by which company can satisfy the need which is an integral part of IMO [18]. Utkarsh SFB focuses on organization culture which involves employee recognition, employees' engagement and growth and prioritizes the work life balance so that employees are committed to their work. The Internal Aspects of Performance (IAP) can be defined as employee retention and employee's satisfaction and employee's commitment [18]. Utkarsh is also committed for career advancement of employees, reward and recognition and provides a robust training and development opportunity which leads to low employee turnover ratio in Utkarsh SFBs. So, Utkarsh Small Finance Bank's IMO relies on treating employees as important asset and internal customers and monitors their satisfaction and needs through feedback or survey, which helps the management team to facilitate employee's growth and care to understand the professional needs of employees and to address the needs of employees at workplace. Utkarsh SFBs follow a holistic approach like employee engagement program, reward and recognition, training and development and work life balance commitment. So, in SFBs the IMO has a positive influence on Internal Aspects of Performance (IAP).

Internal aspects of performance (IAP) and its impact on external aspect of performance (EAP)

Employees are treated as internal customer in the entire concept of IM. Jobs are viewed as internal products which satisfy the wants and needs of these employees while achieving the goals of the organization and this leads to a better performance of employees [8, 13.]. As previously discussed, Utkarsh Small Finance Bank has a robust mechanism to serve employees by understanding their professional and personal needs through

Utkarsh Small Finance Bank has a client base of 27 lakhs which indicates that customer retention is high and employees are committed to serve this large client base through different financial products. The bank has broadly two types of client base, one is institutional and the other is individual and each client base is managed by two groups of employees. The learning and development program helps employees to boost their technical and soft skills which in turn help them to manage the customers properly and in a better way. It is further argued that internal marketing of employees greatly influences their awareness about customer centricity, marketing behaviour and sales orientation in organizations by undertaking internalisation of marketing approach and marketing activities internally [11]. According to customers of Utkarsh, the employees of Utkarsh are always motivated and responsive when interacting with customers. Utkarsh has a large women client base which is specially taken care of by the employees with priority. Collecting data from website of the bank, the bank provides affordable service through people-oriented process and enabled by technology. After customer, the EAP is also measured by profit [18]. Utkarsh Small Finance Bank has achieved profit after tax (PAT) of ₹186.74 crore in financial year 2019-20. Regarding asset quality, Utkarsh Small Finance Bank achieved Gross NPA ratio of 0.71% and net NPA ratio of 0.18% for the year ended March31, 2020. This indicates the sound performance of the bank. So, IMO has a

positive impact on External Aspect of Performance orientation in SFBs.

IAP and its impact on EMO

EMO can be defined as the scale, financial performance and how the company addresses the needs of the market where in it operates and that employees should also be trained and engaged in this activity to fulfill the objectives of the organization [13]. The Bank has 500 banking branches according to the data collected from the annual report of the company. The Utkarsh SFB branches are managed by a manager and front-line executives and each state has local head office. The Bank has two division or two types of bank branch, one type is operated in rural areas and other types are operating in urban areas. The Bank has a wide range of financial products and services for different clients' needs and also provides door step services to clients. The bank also provides business loan to MSMEs and to other priority sectors with low interest rates; it has Rs6660-crore loan portfolio. The Deposits base also increased to Rs5235 in 2019-20 crore from Rs3791 crore in 2018-19. The Bank recorded a rise of 39.40% in its business to Rs 11,895 crore as of March 2020 from Rs 8,533 crore as of March 2019. So, employee orientation helps Utkarsh SFB to scale, grow and cater to the needs of the market. In sum, IAP leads to a better EMO.

Limitations and future studies

This study analyzed a single case study and the data was gathered by way of telephone interviews without any face to face interaction, so researchers were unable to judge the behavior of interviewees. However, there may have been a little chance of response bias. The future research can focus on multiple case study methodology and direct interview method for more valid conclusion and better explanation of IMO and its consequences in SFBs.

Conclusion

This study showed that the efficiency of external marketing depends upon the strength of internal marketing practiced as an organizational Culture. This study addressed the IMO and its consequences in small finance bank context. The IMO is well executed by the SFBs and this leads to employee's performance and retention, which ultimately leads to customer satisfaction and EMO. In this study, it was found that IMO has a positive impact on IAP and IAP has positive impact on both EAP and EMO in small finance banks. Employees are considered as fulcrum of the entire phenomenon and employees are driver of customer satisfaction and external marketing orientation in SFBs. Hence, SFBs need to be committed to employee satisfaction and top management of SFBs should concern about the IMO and its consequences. This study can contribute to academic research by addressing the gap of internal marketing and its consequences in small finance banks.

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Orcid:

Lakshmi Prasad Padhy:

<https://orcid.org/0000-0002-8314-9219>

Ipseeta Satpathy:

<https://orcid.org/0000-0002-0155-5548>

B. C. M. Patnaik:

<https://orcid.org/0000-0002-5979-0989>

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