

# The banking sector in mauritius marketing essay

[Finance](#), [Banks](#)



Mauritius can be considered to be one of the safest places to bank, invest or establish a fund trust as it is both economically and politically sound with good laws and order appliances. The presence of the Banking Act 2004, the Finance Act 2004 and the Financial Services Act 2007 confirms the reliability of the banking sector of the country. In early 2009, according to Financial Stability Report of the Bank of Mauritius, the financial crisis did not have significant direct impact on the Mauritian banking sector. This is because the latter does not have any direct contact to the toxic debt that has affected global financial markets.

Hence, today with globalization and due to fierce competition, there are increasingly more pressures on banks to become more and more competitive. The marketing environment is characterized by increased rivalry and many new changes in the macroeconomics variables. One of these is increased competition and it goes without saying that one of the drivers for business success is to have a unique competitive advantage. Most managers understand that to attract a larger share of the market, or to find enough customers prepared to pay a premium price, they must provide something of greater value than their competitors.

For companies in service industries, such as banks, competitive advantage results in providing better service quality and thus leading to customer satisfaction. It can therefore be inferred that service quality is pivotal to the success of all service industries and to focus on quality would eventually lead to remaining economically competitive. Furthermore with the rise of communication devices such as internet, customers' expectations and demands have been constantly changing and the nature of customer

relationship has changed. Banks are becoming more conscious that technical support are more or less consistent almost everywhere and that as such, they should focus more on their unique factors in terms of their personal support that is in providing excellent customer services. Now, the improvement of the quality of services is enhancing customers' consecutive demand. Accordingly, service quality and customer satisfaction are nowadays of utmost importance for all banking institutions, this is the reason why more and more banks are focusing on attracting and seek at retaining a larger pool of youngsters as they are considered to be the future leaders and customers. Accordingly in simple terms, service quality can be defined as the difference between customer expectations of service and perceived service. In view of that, the American Society for Quality (2010) defines quality as, the totality of features and characteristics of a product or service that bear on its ability to satisfy given needs.

Thus, the Mauritian Banking Sector has been subject to much competition during the last years, not only among banks but also by from non-bank financial intermediaries. As such, customers have an abundance of alternative to chose from. As a result, the ultimate goal of banks is to have a larger market share and hence more profits. So, in order to meet these objectives, banks have to attract more customers and to be able to achieve the same they have to provide better products and services with higher service quality. So, service quality is an important concept that banks cannot forgo. In this day and age, quality is no more a choice but instead it has become a must. Banking services are no exception and banks service quality

is usually noted as a vital prerequisite for pleasing and retaining valued customers.

## **1. 1 Banking in Mauritius**

Since independence in 1968, Mauritius has developed from a low-income, agriculturally based economy to a middle-income diversified economy with growing industrial, financial, and tourist sectors. For most of the period, annual growth has been in the order of 5% to 6%. The Mauritian financial system is a bank-based one as banks represent around 70% of the total assets to the plain effect that commercial banks are highly responsible for the financing of both private and public investments. In addition, in the recent years there has been a new wave in the economy of Mauritius with the rapid growth of the financial services sector.

Banks are the epicenters of the financial sector vulnerability. According to the Mauritius Chambers of Commerce this sector has grown by 15. 8 % from Rs 11. 5 to R 13. 3 billion in 2007. Thus, till date, the banking sector is quite strong and got great prospects. Mauritius is a small island economy in the Indian Ocean. However, as compared to many developing countries especially in the African region; the Mauritian financial system is very much developed. The Bank of Mauritius was established in September 1967 as the Central Bank of the country. It was modelled on the Bank of England as the country did not have any structure of its own. The Bank of Mauritius as the Central Bank, licenses, supervises and regulates the banking system. In fact, the island is said to be regional financial center with 19 licensed banks where the majority of which are foreign-owned locally incorporated banks or

branches of foreign banks. As such, each bank attempt to review their strategies for their services offered to both commercial and individual customers.

## **1. 2 Commercial Banks in Mauritius**

Commercial banks in Mauritius have increased with deregulation. The increasing business flow in Mauritius and a booming Global Business sector banks have helped to urge innovation in terms of products and services in order to keep pace with new client's requirements and internet banking is one of them. Therefore, bank customers are thus oversupplied with the banking services and they have to make the right judgment as far as bank selection is concerned.

One of the oldest Commercial banks in Mauritius is the Mauritius Commercial Bank Limited (MCB) which exists since 1838. In the last 20 years, many other international banking institutions such as Barclays Bank, Hong Kong and Shanghai Bank, Bank One, State Bank of Mauritius among others have implemented their branches in Mauritius. The incentive of these banks to move to Mauritius was that the country was at a high pace of development. These factors have increased competition in the market place and have made organizations to persistently try to boost their productivity and decreased their costs. Below is a table indicating the top 4 banks in Mauritius.

## **BANK**

### **YEAR ESTABLISHED**

### **NO OF BRANCHES**

### **MARKET SHARE %**

#### **1**

The Mauritius Commercial Bank

1838

42

40

#### **2**

State Bank of Mauritius

1973

48

25

#### **3**

Barclays

1919

20

13

4

HSBC

1916

12

9

### **Table 1: Top 4 banks in Mauritius**

Thus, at present time , the banking service sector in Mauritius are under increasing pressure to demonstrate that their services are customer focused and that continuous performance improvement is being delivered. In addition, delivering high quality services companies are able to improve their customer relationships. Delivery high quality service is a prerequisite for customer satisfaction and customer loyalty. It must be noted that due to high undifferentiated products and services that banks offer, service quality has become a vital tool for competing in the marketplace.

### **1. 3 Purpose of this study**

The basis of this study in service quality is that banks are financial institutions where people have confidence in safeguarding their capital and transactions. As more focus is on customer satisfaction and service quality, rather than considering banks as simply as institutions for depositing and retrieving money, a deeper insight of the underlying motives of why Mauritians and chiefly University Students to choose a particular bank and to find out which Service Quality dimensions is most important and influence these particular university students to adopt the product or service. This

research will deliver a comprehensive report on the ways banking services are currently being used by banks and consumers. Besides, the purpose of this study is also to provide insight into how customers in particular University students perceive the quality of banking services in the different banks in Mauritius and seek to investigate University student's perception, expectations, and satisfaction they derive of the Service quality in the Mauritian Banking Sector.

However, the study will also identify the influencing factors that create customer satisfaction. In all this report will help banks to acquire a better understanding of the perception of users in using banking services and might show which requirements and attitudes are missing and relevant towards conducting banking services nowadays. The principal intent of this report is to analyze the trends of modern banking and the level of customer's satisfaction especially regarding students.

## **1.5 Objectives**

This study investigates Mauritian banks because this report want to clarify customers' perceptions and expectations within the scope of the services provided in the different Commercial Banks. Thus, an important task as per the research's questions is to determine these differentiations to access the degree of customers' perception and satisfaction. So, this study on service quality in the Mauritian Banking Sector from the Perspective of University Students has as aim:



Identifying those dimensions which are of vital importance to bank customers in particular University students in respect to service quality and their choice for a particular bank.

To have a clear understanding of the role of various services provided by different banks in improving the availability of easy banking facilities for University students?

Analyzing how do customers perceive the quality of different aspects of the banking services they use.

To evaluate how service quality can influence customer satisfaction.

To find the most important dimensions of service quality that affect customer satisfaction.

To investigate if there is there a gap between customers' expectation and perception

Studying service quality dimensions that banks should consider when evaluating the quality of their banking services.

How these service quality dimensions in banks can be used to measure the quality of banking services?

Identifying service quality challenges particular to the Mauritian banking context.

Making recommendations to banks on the basis of the analysis and challenges.

Suggestions of future improvement which can be made to this study so that there is continuity and search for even better service quality in the banking industry in Mauritius.