

A COMPARATIVE ANALYSIS ON IMPACT OF LOAN PROMOTION STRATEGY OF SBI AND ICICI BANK

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Abstract

Indian banking is the lifeline of the country or nation and for its people. Banking always helped in developing the vital sectors of the economy and its usher in a new dawn of progress on the great Indian horizon. This sector has completed the hopes, wishes and aspirations of millions of people into reality. Without the effective loan schemes, development of the modernistic society is not possible. This research based on the detail study of this concern.

Introduction

Nationalization of banks in India was an essential occurrence. In spite of the terms, manage and set of laws of Reserve Bank of India, banks in India apart from the State Bank of India or SBI, continued to be owned and operated by private individuals. By the 1960s, the Indian banking industry had become an essential tool to assist the development of the Indian economy. At the same time, it had come out as a large employer, and a discussion had ensued about the nationalization of the banking industry. Indira Gandhi, then Prime Minister of India, spoke the intention of the Authority of India in the yearly conference of the All India Congress Meeting in a paper entitled "Stray thoughts on Bank Nationalization." The meeting received the paper with passion.

Afterward, her step was quick and unexpected. The Authority of India released an order and nationalized the 14 largest commercial banks with effect from the midnight of July 19, 1969. Within two weeks of the issue of the order, the Parliament approved the Banking Companies (Attainment and Transfer of Undertaking) Bill, and it received the presidential consent on 9 August 1969.

A second dosage of nationalization of 6 more commercial banks followed in 1980. The declared explanation for the nationalization was to give the authority more jurisdiction of credit delivery. With the second dosage of nationalization, the Authority of India prohibited approximately 91% of the banking business of India. Later on, in the year 1993, the authority fused New Bank of India with Punjab National Bank. It was the only merger between nationalized banks and resulted in the diminution of the number of nationalized banks from 20 to 19. Presently there are 27 nationalized commercial banks.

Origin of SBI

The transshapeation of State Bank of India can be trailed back to the first decade of the 19th century. It started with the shapeation of the Bank of Calcutta in Calcutta, on 2 June 1806. The bank was remodelled as the Bank of Bengal, three years later, on 2 January 1809. It was the first ever corporate-fund bank of the British India, launched under the funding of the Government of Bengal. Afterwards, the Bank of Bombay, was launched, on 15 April 1840, and the Bank of Madras on 1 July 1843. These three banks conquered the modern banking circumstances in India, until they were fused to shape the Imperial Bank of India, on 27 January 1921.

A vital spin peak in the olden times of State Bank of India is the launch of the first Five Year Plan in 1951. The Plan intended at helping the Indian economy in broad-spectrum and the rural sector of the country in specific. Till then, the commercial banks as well as the Imperial Bank of India restricted their services to the urban sector. In addition, they were not able to react to the rising wants of the fiscal restoration taking shape in the rural areas of the country. As a result, in command to operate the economy as a whole and rural sector in specific, the All India Rural Credit Survey Committee suggested the creation of a state-partnered and state-sponsored bank.

The All India Rural Credit Survey Committee anticipated the invasion of the Imperial Bank of India, and put together the previous state-owned or state-associate banks with it. Afterwards, an Act was approved in the Parliament of India in May 1955. As a result, the State Bank of India (SBI) was introduced on 1 July 1955. This ended up in making the State Bank of India more authoritative, because as much as a quarter of the money of the Indian banking system were guarded directly by the State. Later on, the State Bank of India (Subsidiary Banks) Act was approved in 1959. The Act allowed the State Bank of India to make the eight shapeer State-associated banks its subsidiaries.

Subsidiaries

The State Bank Group comprises a system of eight banking subsidiaries and several non-banking subsidiaries. Through the organization, it offers a range of services including merchant banking, fund management, factoring services, primary dealership in government securities, credit cards and insurance.

The eight banking subsidiaries are:

- State Bank of Bikaner and Jaipur (SBBJ)
- State Bank of Hyderabad (SBH)
- State Bank of India (SBI)
- State Bank of Indore (SBIR)

- State Bank of Mysore (SBM)
- State Bank of Patiala (SBP)
- State Bank of Saurashtra (SBS)
- State Bank of Travancore (SBT)

Corporate Details:

The State Bank of India Services, first Nationalized Indian Bank. State Bank of India is engaged in non-profit movement called Community Services Banking. State Bank of India Services is most diverse and inventive among all its generation. The Services incorporate a mass of products and services to suit all types of clients. The Services are presented through the following subsidiaries and Joint Ventures-

Banking Subsidiaries:

State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad (SBH), State Bank of Indore (SBIR), State Bank of Mysore (SBM), State Bank of Patiala (SBP), State Bank of Saurashtra (SBS) and State Bank of Travancore (SBT).

Foreign Subsidiaries:

State bank of India International (Mauritius) Ltd., State Bank of India (California), State Bank of India (Canada) and INMB Bank Ltd, Lagos.

Non-banking Subsidiaries:

SBI Capital Markets Ltd (SBICAP), SBI Money Management Pvt Ltd (SBI MONEY), SBI DFHI Ltd (SBI DFHI), SBI Factors and Commercial Services Pvt Ltd (SBI FACTORS) and SBI Cards & Payments Services Pvt. Ltd. (SBICPSL)

Joint ventures - SBI Life Insurance Company Ltd (SBI LIFE).

Activities:

State Bank of India offers its products and services in domains like –

- Personal Banking
- NRI Services
- Agriculture
- International
- Corporate
- SME
- Domestic Treasury

State Bank offers the following products through its well managed, efficient and deep-rooted network:

- Domestic Treasury
- SBI Vishwa Yatra Foreign Travel Card
- Broking Services Revised Service Charge
- ATM Services.
- Internet Banking.
- E-Pay.
- E-Rail.
- RBIEFT.
- Safe Deposit Lockers.

- Gift Cheques.
- MICR Codes.
- Foreign Inward Remittances.

Pershapeance:

State Bank of India Services had earned a Total Income of Rs 68376.83 Crore for the monetary year 2006 -07. State Bank of India Services has obtained a Net Income to the tweak of Rs 6364.38 Crore in the monetary year 2006 -07

Loan Services:

SBI Home Loans, SBI E-ZEE, Car Loan, Education Loan, SBI SARAL, Loan to Pensioners, Property Loan, Medi-Plus Scheme, Loan against Shares\ Debentures.

ICICI

ICICI Bank has its justice shares listed in India on Bombay Stock Exchange and the National Stock Exchange of India Limited. Out of the country, its American Depository Receipts (ADRs) are listed on the New York Stock Exchange (NYSE). As of December 31, 2008, ICICI is India's second-largest bank, audacity of an asset value of Rs. 3,744.10 billion and profit after tax Rs. 30.14 billion, for the nine months, that ended on December 31, 2008.

Products & Services:

- Personal Banking
- Deposits
- Loans
- Cards
- Investments
- Insurance
- Demat Services
- Wealth Management

NRI Banking:

- Money Transfer
- Bank Accounts
- Investments
- Property Solutions
- Insurance
- Loans

Business Banking:

- Corporate Net Banking
- Cash Management
- Trade Services
- FX Online
- SME Services
- Online Taxes
- Custodial Services

Loans:

Personal Loans, Car Loans, Micro Credit, Term Loan and Overdraft, Factoring, Portfolio Buyout, Working Capital Loans.

Review of literature

A.G. Prabhu (1997) in his article stated that the banking technology environment in India is not homogeneous with three distinct segments comprising foreign banks, public sector banks and new private sector banks. Depending upon their business goals and technology levels, they would need to adopt both offensive and defensive Information Technology strategies. He also stated that banks also need to be aware of the effect of technology on their cost and competitive position. He concluded that the technology choices and the skill sets needed to be implemented in technology and other areas which should engage their attention. (A.G. Prabhu – Banking Technology in India: A few issues - Vinimaya Special Issue – 1996-97, P.No.83-88).

Brian T. Melzer and Donald P. Morgan (2015), this research examines the research using variation in pay day loan loaning restrictions over time and across states, it examines competitors in the market for small, short-term consumer financial loans. It was found that the banks and loaning institutions reduce overdraft account credit score limits and costs when pay day loan credit score, a possible substitute, is illegitimate. These bits of information suggest that depositories respond to pay day loan cash advance bans by taking less risk, bouncing checks that they would have otherwise covered. The turn down in overdraft account costs is surprising when viewed in segregation, but sensible given that depositories incur lower credit score losses as they hold overdraft account coverage. We find some evidence that credit score unions' overdraft account performance is more beneficial when cash advance financial loans are banned, consistent with decreased competitors. Additionally, to characterizing the force of prohibiting pay day loan loaning, a common state policy change in recent years, our results elucidate competitors in the small-dollar loan market by prominenting the importance of non-price adjustments to credit score offers.

Chung-Yuan Tsay et al (2014), in this paper the farmer's organization in Taiwan has been facing severe and fresh state of affairs, for example the strict competition in financial market and its economic companies. To execute the policy-oriented unique farming financial loan is an vital topic. The policy-oriented unique farming financial loan by the farmers' organization is to handle client demand and increase client care to keep the client connection. Moreover, raise the client commitment to create new companies. Using structural equation modelling (SEM), the outcomes show has significant results on client care. The mediating results of client care on the connection between the policy-oriented unique farming financial loan and client commitment were investigated. And the outcomes show client care absolutely and drastically mediating the consequences of the policy-oriented unique farming financial loan function on client commitment.

Research Methodology

Research methodology is a way to systematically solve the research problem. It is understood as a science of studying how research is done scientifically. It involves logical reasoning and has various steps that are generally adopted in research.

Objectives of Study

1. To draw a theoretical understanding on the importance of loan promotion for the public and private sector banks in India.
2. To measure the post-loan experiences of the loan borrowers

Data collection:

Both primary and secondary type of data was used in this research.

1. Primary Data:

Primary data has been collected from borrowers having account in either SBI or ICICI Bank. The data has been collected from 200 respondents which include 90 respondents having bank account with SBI, 90 having bank account with ICICI and 20 customer having bank account in both the banks. The data collected is categorized into 5 section viz., Demographic profile, Banking practices, Awareness of Loan policies by Schedule Commercial Banks, Loan Borrowing Practices, and Loan Perception and Satisfaction of Borrower.

2. Secondary Data:

- **Use of library-** Relevant data has been collected through books, bank journals, newspapers, etc.
- **Use of Internet-** Internet has been extensively used to seek data from the websites of both the banks as well as from website of RBI.
- **Published/ Unpublished data-** National and International Journals regarding loan policies, loan services, etc. were used for this research.

Area of Research

The present study is restricted to study the loan policy of SBI and ICICI Bank from Raipur region. The study is restricted to collected of data and study of loan policy of SBI and ICICI from Mahasamund, Baloda Bazar, Raipur, Dhamtari and Gariaband disticts of Raipur region in Chhattisgarh.

Sample Size:

For the purpose of sampling, the data has been collected from 200 respondents which include 40 customers each from branches of SBI and ICICI in Raipur regions i.e. Mahasamund, Baloda Bazar, Raipur, Dhamtari and Gariaband.

Hypothesis

H1: There is significant difference in level of awareness of loan borrowers towards loan offered by SBI and ICICI bank

Data analysis

An attempt is made to study the significant difference in level of awareness among customers of SBI and ICICI banks regarding the loan policies of their bank, for this purpose one-way ANOVA test has been applied taking nature of loan provided by banks as dependent list and name of bank where customer is having account as independent factor, where following results have been obtained

Table ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Personal Loan	Between Groups	274.302	2	137.151	186.365	.000
	Within Groups	144.978	197	.736		

	Total	419.280	199			
Consumer Durable Loan	Between Groups	255.811	2	127.906	268.948	.000
	Within Groups	93.689	197	.476		
	Total	349.500	199			
Vehicle Loan	Between Groups	266.124	2	133.062	249.281	.000
	Within Groups	105.156	197	.534		
	Total	371.280	199			
Home Loan	Between Groups	207.876	2	103.938	196.044	.000
	Within Groups	104.444	197	.530		
	Total	312.320	199			
Credit Card Loan	Between Groups	244.702	2	122.351	176.998	.000
	Within Groups	136.178	197	.691		
	Total	380.880	199			
Education Loan	Between Groups	192.098	2	96.049	101.173	.000
	Within Groups	187.022	197	.949		
	Total	379.120	199			
Jewel Loan	Between Groups	176.742	2	88.371	99.607	.000
	Within Groups	174.778	197	.887		
	Total	351.520	199			
Self Employed Professional Loan	Between Groups	244.522	2	122.261	139.240	.000
	Within Groups	172.978	197	.878		
	Total	417.500	199			
Festive Loans	Between Groups	256.676	2	128.338	170.317	.000
	Within Groups	148.444	197	.754		

	Total	405.120	199			
Pension Loans	Between Groups	122.798	2	61.399	82.721	.000
	Within Groups	146.222	197	.742		
	Total	269.020	199			
Personal Computer Loans	Between Groups	163.978	2	81.989	87.771	.000
	Within Groups	184.022	197	.934		
	Total	348.000	199			
Multi-purpose Loans	Between Groups	45.876	2	22.938	17.731	.000
	Within Groups	254.844	197	1.294		
	Total	300.720	199			

Above ANOVA table gives the F-value in the fifth column and p-value i.e. sig. value in the sixth column. The p-value is compared with alpha value of 0.05 and it is found that p-value (0.000) in case of all the nature of loans provided by banks is less than the alpha value of 0.05 ($p < 0.05$), which states that there is significant difference in the level of awareness regarding loan offered by banks among customers of SBI and ICICI bank. Hence, the hypothesis i.e. “There is significant difference in level of awareness of loan borrowers towards loan offered by SBI and ICICI bank.” is accepted.

Conclusion

Based on findings, it is concluded that, “Loan policies” of both SBI and ICICI banks are very useful to fulfil the requirements of the individuals. People may able to fulfil their desires through the use of these schemes. Nowadays if any individual is not able to fulfil their needs and desires by lacking the funds available, they may move towards the banking loan schemes to fulfil their financial requirements. In short, these schemes may convert their dreams into reality. Today customers are quite conscious and choosy about services and extra facilities and ambience offered by the banks, it is easy to find that being a private sector bank ICICI offers good facilities, sitting arrangements, token system in a better manner and more working timings with complete customers friendly and assisting environment, in this point, many customers are strongly satisfied with ICICI which ratio is lesser in SBI.

It is also concluded that borrowers of both the banks are satisfied with the loan policies of their respective banks. Even though their bank is lacking in some department but in total both the banks are performing well.

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