Research Article

A comparative study on awareness of borrowers towards loan policy of SBI and ICICI Bank

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Abstract

The Indian banking industry has huge potential to grow further by reaching untapped markets in rural parts of India. The prime income source of the Banking industry is lending the money from deposits. Earlier the players in the banking industry was restricted to few types of loan provided to only few economic classes of people in the society, but now due to the frenzied competition in the market and entry of private and foreign players in the market, they started focussing on tapping each and every unutilized opportunities to expand consumer base and market share in the industry.

Keyword: Indian banking industry, prime income, types of loan, economic classes etc.

Introduction

After Independence in 1947, India sticks to socialist policies. The widespread guideline was ironically nickname as the "License Raj". The Authority of India move by Narasimha Rao decided to escort in several reforms that are jointly phrased as liberalization in the Indian media with Manmohan Singh whom he appointed Finance Minister. Dr. Manmohan Singh, a highly praised economist, played a essential role in executing these modification. In the initial 1990s, the then Narasimha Rao authority boarded on a policy of liberalization, licensing a small number of private banks. These came to be identified as New Generation tech-savvy banks, and incorporated Global Trust Bank (the first of such new generation banks to be set up), which later combined with Oriental Bank of Commerce, Axis Bank(formerly as UTI Bank),ICICI Bank and HDFC Bank. This step, along with the quick expansion in the economy of India, revived the banking sector in India, which has seen quick expansion with dazzling involvement from all the three sectors of banks, namely, authority banks, private banks and foreign banks.

Banking Operations

The Difference Operations in a bank can be broadly classified into:

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(a) Retail Banking

(b) Trade Finance

(c) Reserves Operations.

Retail Banking and Trade finance operations are conducted at the branch level while the comprehensive banking operations, which cover assets operations, are at the hand office or a designated branch.

1) **Retail Banking:**
   - Deposits
   - Loans, Cash Credit and Overdraft
   - Negotiating for Loans and advances
   - Remittances
   - Book-Keeping (maintaining all accounting records)
   - Receiving all kinds of bonds valuable for safe keeping

2) **Trade Finance:**
   - Issuing and confirming of letter of credit.
   - Drawing, accepting, discounting, buying, selling, collecting of bills of exchange, promissory notes, drafts, bill of lading and other securities.

3) **Reserves Operations:**
   - Buying and selling of bullion. Foreign exchange
   - Acquiring, holding, underwriting and dealing in shares, debentures, etc.
   - Purchasing and selling of bonds and securities on behalf of constituents.
   - The banks can also act as an agent of the Authority or local authority. They insure, guarantee, underwrite, participate in managing and carrying out release of shares, debentures, etc.

Apart from the above-mentioned Operations of the bank, the bank offers a whole lot of other assistance like investment guidance for individuals, short-phrase funds management and portfolio management for individuals and companies. It assumes the inner and outer allowance with reference to foreign exchange and collection of varied types for the Authority

Review of literature

Sakthivel and Jansirani (2017), in this research specialist has focused on the customer understanding with regards to the places of customer preference, customer satisfaction, commitment, repurchase decision and stressing behavior of customers in the purchase of real estate fund.

Neha Sharma and Avni Sharma (2016), the study examines the relationship Between the worker and the standards leads to worker preservation in Financial Industry which in turn informs that the standards which are responsible for Employee Retention will cause to Increase in Efficiency of the Financial institution and People Becomes Inspired to do the Job, Better Perquisites, Features will help the workers in doing the work in a successful manner. Amit Nanwani (2016), the researcher has recognized that every resident of the country dreams of having his own house. House is a basic need of a human being; it is an important aspect of economic development. The perfect home is not very far away with mortgage loan, which wilful the desire into reality.

Andrzej Cwynar et al (2016), in this research financial loans industry in Belgium has changed substantially within last years. Relevant aspect of the modification was the appearance of private bank financial loan companies and other non-banking organizations with their offer addressed to clients excluded by banking institutions.

Wilko Bolt and David Humphrey (2015), this study is based on frontier research, it has obtained implications of financial institution customer loan competitors from calculating a revenue-cost 'competition efficiency' (CE) frontier. The competition of the $400 billion dollars U.S. financial institution customer loan market is then evaluated by evaluating is caused by the frontier CE evaluate with other competitors actions, such as HHI, Lerner Catalogue, and H-Statistic. These actions are weakly associated with one another and only 50 % of them recognize financial institutions with the maximum loan price as also being the least aggressive. This is the other of what is predicted. Using the frontier CE evaluate, the most and least aggressive financial institutions are not in the most populated declares and the biggest financial institutions are underrepresented. Overall, the HHI should not be used to indicate competitors.

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 study demographic, socio-economic status and banking practices of the retail customers in Raipur district.
2. To analyse the borrower's level of awareness and motives behind availing loan from SBI and ICICI banks.

Research Design
Type of research -Descriptive Research:
It consists of the describing characteristics of a particular group and relationship between the variables in a given period. It is a way of gaining knowledge by means of direct and indirect observation or experience. It can be analyzed quantitatively or qualitatively. Here, the researcher intends to find out the relationship between variables and observations.

Dr. Sumeet Agrawal[1], Bharti Singh[2]

Data collection

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

1. Primary Data:

Primary data are information collected by a researcher specifically for a research assignment. In other words, primary data are information that an organization must gather because no one has compiled and published the information in a forum accessible to the public. Organizations generally take the time and allocate the resources required to gather primary data only when a question, issue or problem presents itself that is sufficiently important or unique that it warrants the expenditure necessary to gather the primary data. Primary data are original in nature and directly related to the issue or problem and current data. Primary data are the data which the researcher collects through various methods like interviews, surveys, questionnaires etc.

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:

Secondary data play important role for this study and considered as backbone of the study. Secondary data is collected by someone other than the original user and its original work of some other person. The secondary data of this study includes books by management experts, Ph.D. thesis, articles in periodical, newspapers, research paper, and journals. It also includes the data collected from the internet. Secondary data was gathered through the following sources: -

- **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. Raipur being geographically Located almost at the centre of the Chhattisgarh state, was made its capital. District Raipur Extends from latitude 21° 23″ to longitude 81° 65″.

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: The level of awareness of loan borrowers is significantly influenced by their socio-economic status.

Data analysis

An attempt is made to whether level of awareness of loan borrowers is significantly influenced by their socio-economic status, for this purpose univariate ANOVA test has been applied taking level of awareness towards various loan policies as dependent list and occupation and monthly income are represented as socio-economic variables, where following results have been obtained:

1. Level of awareness and occupation of borrower:
A univariate ANOVA test has been applied to study whether the level of awareness of loan borrowers is significantly influenced by their occupation or not. The loan policies adopted by banks are considered as dependent variable and occupation as independent variable.

Table 1 ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Loan Availability	Between Groups	26.460	3	8.820	5.585	.001
	Within Groups	309.540	196	1.579		
	Total	336.000	199			
Loan value limitation	Between Groups	31.531	3	10.510	5.922	.001
	Within Groups	347.889	196	1.775		
	Total	379.420	199			
Rate of Interest	Between Groups	25.567	3	8.522	5.157	.002
	Within Groups	323.933	196	1.653		
	Total	349.500	199			
Documents required to submit	Between Groups	31.296	3	10.432	6.257	.000
	Within Groups	326.784	196	1.667		
	Total	358.080	199			
Processing fee	Between Groups	22.990	3	7.663	4.138	.007
	Within Groups	363.010	196	1.852		
	Total	386.000	199			
Documentation charge	Between Groups	21.426	3	7.142	4.250	.006
	Within Groups	329.354	196	1.680		

Dr. Sumeet Agrawal[1], Bharti Singh[2]

	Total	350.780	199			
Inspection fee	Between Groups	13.498	3	4.499	3.119	.027
	Within Groups	282.722	196	1.442		
	Total	296.220	199			
Term Loans	Between Groups	17.496	3	5.832	3.908	.010
	Within Groups	292.504	196	1.492		
	Total	310.000	199			
Maximum eligible amount	Between Groups	13.054	3	4.351	3.137	.027
	Within Groups	271.826	196	1.387		
	Total	284.880	199			
Security required	Between Groups	16.729	3	5.576	4.058	.008
	Within Groups	269.351	196	1.374		
	Total	286.080	199			
Maximum eligible amount	Between Groups	15.735	3	5.245	3.764	.012
	Within Groups	273.145	196	1.394		
	Total	288.880	199			
Security required	Between Groups	20.795	3	6.932	4.753	.003
	Within Groups	285.825	196	1.458		
	Total	306.620	199			
Processing time of application	Between Groups	15.261	3	5.087	3.459	.017
	Within Groups	288.259	196	1.471		
	Total	303.520	199			
Loan sanction time	Between Groups	14.658	3	4.886	2.829	.040
	Within Groups	338.522	196	1.727		
	Total	353.180	199			
Consequences of non-payment of loan	Between Groups	12.403	3	4.134	3.160	.026
	Within Groups	256.477	196	1.309		
	Total	268.880	199			
Tax Benefits	Between Groups	14.271	3	4.757	3.534	.016
	Within Groups	263.809	196	1.346		
	Total	278.080	199			
Value added services	Between Groups	9.241	3	3.080	1.998	.116
	Within Groups	302.179	196	1.542		
	Total	311.420	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) in case of all the factors representing loan policies except value added services 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 due to their social status i.e. occupation. This indicates that level of awareness of borrowers is significantly influenced by occupation.

2. Level of awareness and income of borrower:

A univariate ANOVA test has been applied to study whether the level of awareness of loan borrowers is significantly influenced by their income or not. The loan policies adopted by banks are considered as dependent variable and monthly income as independent variable.

Table 2 ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Loan Availability	Between Groups	20.472	3	6.824	4.239	.006
	Within Groups	315.528	196	1.610		
	Total	336.000	199			
Loan value limitation	Between Groups	39.567	3	13.189	7.606	.000
	Within Groups	339.853	196	1.734		
	Total	379.420	199			
Rate of Interest	Between Groups	27.938	3	9.313	5.676	.001
	Within Groups	321.562	196	1.641		
	Total	349.500	199			
Documents required to submit	Between Groups	20.194	3	6.731	3.905	.010
	Within Groups	337.886	196	1.724		
	Total	358.080	199			
Processing fee	Between Groups	35.785	3	11.928	6.676	.000
	Within Groups	350.215	196	1.787		
	Total	386.000	199			
Documentation charge	Between Groups	25.318	3	8.439	5.082	.002
	Within Groups	325.462	196	1.661		
	Total	350.780	199			
Inspection fee	Between Groups	32.108	3	10.703	7.943	.000

Dr. Sumeet Agrawal[1], Bharti Singh[2]

	Within Groups	264.112	196	1.348		
	Total	296.220	199			
Term Loans	Between Groups	24.578	3	8.193	5.626	.001
	Within Groups	285.422	196	1.456		
	Total	310.000	199			
Maximum eligible amount	Between Groups	31.945	3	10.648	8.251	.000
	Within Groups	252.935	196	1.290		
	Total	284.880	199			
Security required	Between Groups	20.793	3	6.931	5.121	.002
	Within Groups	265.287	196	1.354		
	Total	286.080	199			
Maximum eligible amount	Between Groups	30.490	3	10.163	7.709	.000
	Within Groups	258.390	196	1.318		
	Total	288.880	199			
Security required	Between Groups	19.967	3	6.656	4.551	.004
	Within Groups	286.653	196	1.463		
	Total	306.620	199			
Processing time of application	Between Groups	33.130	3	11.043	8.005	.000
	Within Groups	270.390	196	1.380		
	Total	303.520	199			
Loan sanction time	Between Groups	28.583	3	9.528	5.753	.001
	Within Groups	324.597	196	1.656		
	Total	353.180	199			
Consequences of non-payment of loan	Between Groups	30.699	3	10.233	8.421	.000
	Within Groups	238.181	196	1.215		
	Total	268.880	199			
Tax Benefits	Between Groups	31.853	3	10.618	8.452	.000
	Within Groups	246.227	196	1.256		
	Total	278.080	199			
Value added services	Between Groups	35.939	3	11.980	8.523	.000
	Within Groups	275.481	196	1.406		
	Total	311.420	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) in case of all the factors representing loan policies 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 due to their economic status i.e. monthly income. This indicates that level of awareness of borrowers is significantly influenced by income.

Therefore, it is concluded that the level of awareness of borrowers is influenced by both occupation i.e. social status and monthly income i.e. economic status of borrowers. Hence, the hypothesis i.e. "The level of awareness of loan borrowers is significantly influenced by their socio-economic status" is accepted.

Conclusion

During the research a significant difference is found in case of level of awareness of borrowers towards loan offered by SBI and ICICI bank. This is due to the difference in loan promotion policy of both the bank. SBI is found to have a limited promotional policy, however at the same time ICICI is promoting its products in an aggressive manner, this helps in creating awareness among borrowers.

It is further concluded that the level of awareness of borrowers is influenced by both occupation i.e. social status and monthly income i.e. economic status of borrowers. Hence, the hypothesis i.e. "The level of awareness of loan borrowers is significantly influenced by their socio-economic status" is accepted.

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Dr. Sumeet Agrawal[1], Bharti Singh[2]

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