

A COMPARATIVE STUDY OF LOAN AND ADVANCES IN SELECTED PUBLIC SECTOR AND PRIVATE SECTOR BANKS

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ABSTRACT

This paper is a study on the Public sector and Private sector banks customer's satisfaction towards banking services on loans and advances. The objective of this paper is to analyze the customer's awareness, perception and the level of satisfaction with regard to loan and advances provided by the public sector and private sector banks in the city of Tirunelveli. Banks have to connect with many customers and provide various types of services to its customers and if the customers are not satisfied with the some services offered by the banks. Banking sector plays an important major role in the development of a country, also it is very essential and difficult to find out a dissatisfied customer. The objective of this study is to compare the services on loan and advances towards customer satisfaction and to analyze the various variables of service factor using a Likert scale. This survey declares that in comparison public sector bank customers are satisfied with regard to loans and advances. However, the study also suggests that private sector banks and preparing to take more steps on public sector banks in this regard.

KEYWORDS: *Customer Satisfaction, Loans, and Advances, Role of Bank for Lending Activity Comparison*

INTRODUCTION

The banking sector plays an important role in the nation's economy. Banks have to connect with many customers every day and provide various types of services to its customer. The banking sector is facing a rapidly changing market, economic uncertainties, demanding customers new technologies, fierce competition and the changing climate has presented an unprecedented set of challenges. This study only focuses on the customer satisfaction towards loans and advances. The Public and Private Sector banks accept deposits and also lend money to the public who needed it for their various purposes. Lending of loans and advances to businessmen, entrepreneurs, traders, industrial sectors, and individual. Loans and advances is the important activities of the banking sector. The major portion of the collected deposits received by banks is lent out and a major portion of their income is received from interest on such lending. The rate of interest depends upon the loan amount.

Loans and Advances

The term loan refers to the amount borrowed by one person from another person. The loan can be classified various types like home loan, education loan, vehicle loan, jewel loan etc...In general point of view borrower means it is borrowing, and from the viewpoint of banking, it is meant by lending. A loan may be granted as credit facility where the

money is disbursed its recovery is made on a predetermined period. Loan is a debt for the borrower. Interest is collected on the loan at agreed rate and intervals of payment. The term an advance refers is a credit facility granted by the bank. Banks grant advances mainly for short-term purposes both the loans and advances are also to be repaid. Thus a credit facility-repayable in installments over a period is called as loan while a credit facility repayable within one year called as a advances. Loans and advances granted by public and private sector banks are highly beneficial to individuals, firms, entrepreneur, companies, and industrial concerns and also help in meeting short-term and long-term financial needs of customer.

Role of Banks for Lending Activity

Customers may borrow money for their day to day financial needs availing of the facility of cash credit, discounting of bill and bank overdraft. The amount granted as loan may be repaid within a short period for the convenience of the borrower. For loans from borrowers, the rate of interest charges is very high. The Reserve Bank of India is regulated by the rate of interest charges. Thus loan amount utilized to fulfill the requirements of the borrower. For example in the case of business people loans and advances are utilized for making payment of creditors paid wage and salaries to the employees, and also paid tax liability of business etc.. Banks generally do not interfere with the borrowed money. But it takes care to ensure that the money lent is utilized only for concerning loan purposes. Banks maintain the secrecy of their transactions with the customers is very essential one.

OBJECTIVE OF THE STUDY

The objective of this study is to identify the customers' awareness, perception and the level of satisfaction of the lending officer with regard to services on loans and advances provided by the public sector and private sector banks in the city of Tirunelveli.

Collection of Data

In this study, both primary and secondary data's have been collected. In the case of secondary data books, journals, magazines, research papers, and internet were referred.

Primary data has been collected with the help of a structured questionnaire. The research was conducted using a questionnaire designed to understand the banking services on loans and advances provided by Tirunelveli city customers. For the purpose of this study, a structured questionnaire was developed in two stages. In the first stage, an exploratory study was conducted using personal and focus group interviews. In the second stage, based on exploratory study, a five point Likert scale was conducted.

Sample Technique

The simple random sampling method was applied to collect data from customers of State Bank of India, Indian Overseas Bank, and Canara Bank customers were taken from public sector banks, whereas Karur vysya bank, Tamil Nadu mercantile bank, and Axis bank customers were taken from private sector banks.

Satisfaction of Public Sector Bank Customers Towards Loans and Advances

To get the response from public sector bank customers a total number of 150 questionnaires were circulated. Out of the total sample size, 120 customers are taken who availed the loan services. The collection of data began in the month of July 2018 and was completed August 2018.

DATA ANALYSIS

Table 1: Type of Loans

Business Loan		Home loan		Education loan		Vehicles loan		Other loans	
Respondents	%	Respondents	%	Respondents	%	Respondents	%	Respondents	%
32	26.67	38	31.67	16	13.33	12	10	22	18.33

It was found that 31.67 per cent of the customers are availed home loan, 26.67 customers availed business loan and 18.33 percent of the customers are availed other kinds loans.

Table 2: Level of Customer Satisfaction on Various Aspects Related to Loan Provided by Public Sector Banks

No	Particulars	Respondent's Response					Likert Scale		
		H.dis	S	N	Satis	H.Satis	Weighted Score	Total score	Percentile points
1.	Process of sanctioning of loan	12	15	25	32	36	425	600	70.83
2.	Interest charges	24	30	37	21	8	319	600	53.17
3.	Additional charges, penalty etc..	28	26	42	18	6	308	600	51.33
4.	Terms and conditions	18	24	42	20	16	352	600	58.67
5.	Loan Sanction in Proper time	21	28	29	24	18	350	600	58.33

As per the above calculation a total of 70.83 percentile better overall process of sanctioning of a loan. Loan sanction in proper time is also fine with 59.83 percentile points

Table 3: Level of Customer Satisfaction on Various Aspects Related to Lending Officer

No	Particulars	Respondent's Response					Likert Scale		
		H.dis	dis	N	Satis	H.Satis	Weighted score	Total score	Percentile points
1.	Friendly and Courteous Manner	26	20	34	22	18	356	600	59.33
2.	Knowledgeable	13	27	40	24	16	363	600	60.5
3.	Willingness to Listen and Respond to customer need	24	32	30	20	14	328	600	54.67
4.	Prompt and Efficient service	15	26	34	25	20	379	600	63.17
5.	Guidance follow up the loan	24	26	32	23	15	339	600	56.5

Above calculation show, the positive response for opinion about lending officer but maximum consumers are satisfied prompt and efficient service of a lending officer.

Satisfaction of Private Sector Bank customers Towards Loans and Advances

To get a response from private sector bank customers a total number of 150 questionnaires were circulated. Out of the total sample size, 120 customers are taken who availed the loan services. The collection of data began in the month of July 2018 and was completed August 2018.

DATA ANALYSIS

Table 4: Types of Loans

Business Loan		Home Loan		Education Loan		Vehicles Loan		Other Loans	
Respondents	%	Respondents	%	Respondents	%	Respondents	%	Respondents	%
40	33.33	26	21.67	10	8.33	20	16.67	24	20

It was found that 33.33 per cent of the customers are availed home loan, 21.67 customers availed home loan and 20 percent of the customers are availed other kinds loans.

Table 5: Level of Customer Satisfaction on Various Aspects Related to Loan Provided by Private sector Banks

No	Particulars	Respondent's Response					Likert Scale		
		H.dis	dis	N	Satis	H.satis	Weighted score	Total Score	Percentile Points
1.	Process of sanctioning of loan	10	18	25	39	28	417	600	69.5
2.	Interest charges	30	36	26	16	12	304	600	50.67
3.	Additional charges, penalty etc..	32	35	30	13	10	297	600	49.5
4.	Terms and conditions	24	38	32	16	10	310	600	51.67
5.	Loan Sanction in Proper time	20	26	29	25	20	359	600	59.83

As per the above calculation, a total of 69.5 percentile the shows process of sanctioning loan Loan sanction in proper time also 71.2 percentile points.

Table 6: Level of Customer Satisfaction on Various Aspects Related to Lending Officer

No	Particulars	Respondent's Response					Likert Scale		
		H.Dis	Dis	N	Satis	H.Satis	Weighted Score	Total Score	Percentile Points
1.	Friendly and Courteous Manner	28	24	34	20	14	328	600	54.67
2.	Knowledgeable	16	24	42	20	18	360	600	60
3.	Willingness to Listen and Respond to customer need	28	36	27	17	12	309	600	51.5
4.	Prompt and Efficient service	18	24	34	26	18	362	600	60.33
5.	Guidence follow up the loan	20	25	37	25	13	346	600	57.67

As per the above calculation, a total 72.12 percentile shows better overall protection/security of customer transaction data. Processing Time of web page also fine with 70.91 percentile points.

Comparison of Public and Private Sector Banks

The following tables show the comparison of customer's level of satisfaction between public and private sector banks by combining their Likert scale percentile.

Table 7: Level of Satisfaction with Loan

S. No	Particulars	Public	Private
1.	Process of sanctioning of loan	70.83	69.5
2.	Interest charges	53.17	50.67
3.	Additional charges, penalty etc..	51.33	49.5
4.	Terms and conditions	58.67	51.67
5.	Loan Sanction in Proper time	58.33	59.83

The Customers of public sector banks more satisfied in all the above-mentioned factors related to loans and advances. Only for the loan sanction in proper time has shown more satisfaction in private sector banks.

Table 8: Level of Satisfaction Lending Officer

S. No	Particulars	Public	Private
1.	Friendly and Courteous Manner	59.33	54.67
2.	Knowledgeable	60.5	60
3.	Willingness to Listen and Respond to customer need	54.67	51.5
4.	Prompt and Efficient service	63.17	60.33
5.	Guidance follow up the loan	56.5	57.67

For the satisfaction of lending officer, the public sector bank customers have shown their optimal satisfaction.

CONCLUSIONS

New financial products and services have to be continuously provided in order banking sector. Every bank maintain a good relationship with their customers. But in customer satisfaction is different from each and every services of the banks. Customers of public sector banks are more satisfied about the loans and advances as compared to the customers of private sector banks. They are most satisfied about the community of loans and advances services provided by public sector banks. The satisfaction level of public sector banks customers about loans and advances and satisfaction of lending officeris also high as compared to the private sector bank customers.

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