



Comparative Analysis of Banking Services

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I. INTRODUCTION

Bank loans are very important for consumers and business in today's society, where lending and borrowing money is almost second nature. Loans provide people with money that they do not have, and this money can be used immediately to pay off debts, to put toward a purchase or to satisfy an immediate financial need. A person might use a bank loan towards a mortgage or other consumer purchases, while a business can issue them for start-up costs, large purchases, or real estate costs. A consumer might take out a personal note to go on vacation, an auto loan to buy a car, an education contract to pay for his child's college education, or a home equity mortgage to pay for a house. A business may seek funding to pay for equipment, start-up costs, inventory and supplies, and even for payroll costs.

II. OBJECTIVES OF THE STUDY

The study is designed to fulfill the following objectives.

- i. To study bank wise interest rates, duration of loan, prepayment charges, service charges etc.
- ii. To study the repayment facilities provided by the banks and to analyze repayment of loan from customers' point of view.
- iii. To know the awareness of bank products among consumers.

III. IMPORTANCE OF THE STUDY

The study is very useful to majority of stake holders of the bank e.g. bankers, borrowers, researchers etc...

IV. METHODOLOGY

The study is based on secondary as well as primary data. Secondary data are collected from financial reports of the bank magazines and internet, while primary data are collected through questionnaires.

V. DATA PRESENTATION

Table-1
Loan and Advances

Year (as on March)	SBI	% change	BOB	% change	ICICI	% change	Axis	% change
2008	416,768.20	-	106,701.32	-	225,616.08	-	59,661.14	-
2009	542,503.20	30%	143,985.90	35%	218,310.85	(- 4%)	81,556.77	37%
2010	631,914.15	16%	175,035.29	22%	181,205.60	(- 17%)	104,343.12	28%
2011	756,719.45	19%	228,676.36	31%	216,365.90	19%	142,407.83	36%
2012	867,578.89	15%	287,377.29	26%	253,727.66	17%	169,759.54	19%

Chart-1
Loan and Advances

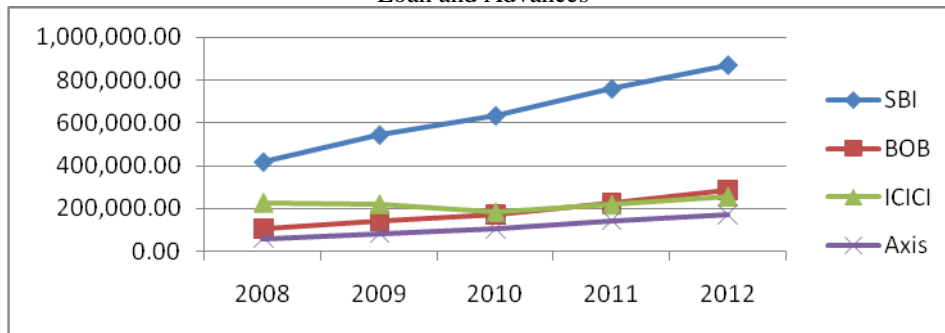


Table 1 focuses bank wise loan and advances of last five years that is from 2008 to 2012. It is clear that compared to other banks SBI growth is higher. It is due to good customer services, varieties of services and lower interest rates. On the other hand ICICI bank has downward trend up to 2010 but afterwards it achieved the upward trend.

Table-2
Home Loan (Bank Wise Comparison of Various Services)

Particulars	SBI	BOB	ICICI	AXIS
Amount	depending upon the income and repaying capacity	Up to 90% of the principal amount of home loan	80% of the cost of the property	min. 3 lacks
Interest Rate	10.75% to 11.25% p.a. (depending upon the amount)	9.50% - 10.75%	10.5% to 11.75%	Fixed rate: 11.75% and Floating: 10.75% to 12%
Tenure	Maximum 30 years or up to age of 70 years	20 years	Maximum 20 years	Not Mentioned
Pre Payment Charges	2%	2%	2% on the principal outstanding	2% For Fixed Rate
Service Charges	0.25% of the loan amount Min. Rs. 1000/- for less than 25 lacks Above Rs. 25 lacks and up to Rs. 75 lacks is Rs. 6500/- Above 75 lacks Rs. 10000/-	Not Provided	0.50% - 1% of the loan amount or Rs. 1500/- (Rs. 2000/- for Mumbai, Delhi & Bangalore), whichever is higher + applicable Service Tax & Surcharge	0.50% + service tax of the loan amount

Chart-2
Home Loan

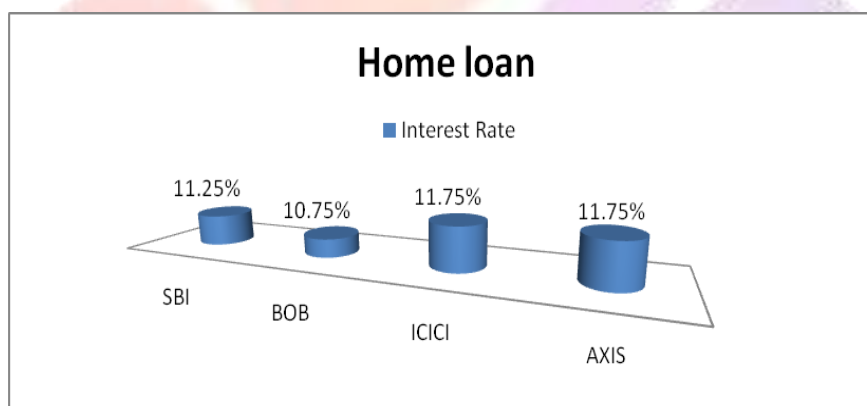


Table 2 to highlights Home loan details like interest rates, tenure, prepayment charges and service charges. Compared to other banks Axis bank charges higher interest rate that is 12%. The lowest interest rate is offered by Bank of Baroda i.e. 10.75%. People would like to take more Home loans from Bank of Baroda for this reason. In case of SBI and ICICI bank the interest rates are almost same.

Table-3
Personal Loan

Particulars	SBI	BOB	ICICI	AXIS
Amount	Minimum: Rs. 24000/- and Max. Rs. 10 lacks	Minimum: Rs. 20000/- and Maximum of Rs. 200000/- (Subject to condition)	Up to Rs. 1000000/- depending on your eligibility, income and repayment capacity.	Up to 20 lacks
Interest Rate	18.50% p.a.	16.5%	14% to 18%	15% to 24%
Tenure	Up to 48 months	Up to 36 months (maximum)	12 to 48 months.	12 to 60 months.
Pre Payment Charges	No prepayment penalties	No prepayment charges. However, penalty of 2% on overdue amount	Lower of the two amount : 5% on the principal outstanding for unexpired period of the loan.	No Prepayment charges to be levied on the outstanding loan amount.
Service Charges	Processing Charges : 2% - 3% of loan amount	Processing Fee : 2% of the loan amount or a Minimum of Rs. 250/-	2% or 3% depending on the location of loan amount + Origination Charges of 1.5% of loan amount	1.50% to 2.00% + Service Tax as applicable

Chart-3
Personal Loan

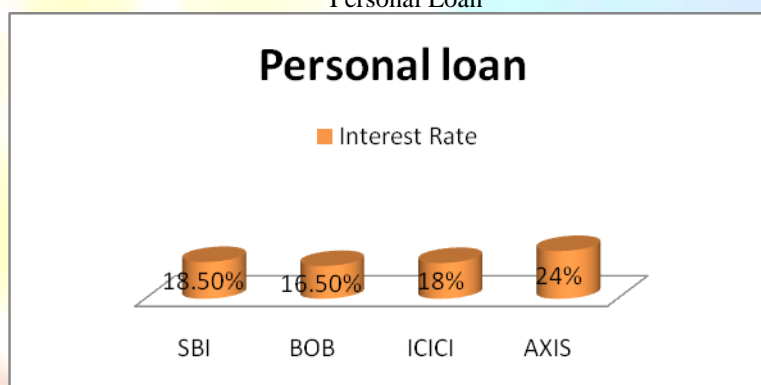


Table 3 highlights data for personal loan. It is clear that compared to other banks Axis bank charges highest interest rate for Personal loan. SBI, ICICI bank and Bank of Baroda charges 18.50%, 18% and 16.50%. There is no much difference between tenure, prepayment charges and service charges of the bank.

Table-4
Car Loan

Particulars	SBI	BOB	ICICI	AXIS
Amount	Minimum: Rs. 100000/- and Max. ceiling	Loan available up to Rs. 100 Lacks for any car make/model (Inclusive of Gas – Kit)	Min. Rs. 1 Lack and Max. is depend on the price of the car, model variant, profile of the customer, etc.	Rs. 1 Lack Onwards; LTV of up to 90% of the ex-showroom price on select models.
Interest Rate	11.25% to 11.75% p.a.	13% - 13.5%	11.50% to 17%	12.50% to 15%
Tenure	Up to 84 months	84 Months; 36 Months for second hand cars	Up to 5 Years	1 year to 5 years
Pre Payment Charges	No prepayment charges	No prepayment charges to be levied on the outstanding loan amount.	Lower of the two amounts: 5% on the principal outstanding for unexpired period of the loan.	5% to 10% of Principal Outstanding



Service Charges	Processing Charges : 0.51% of Loan amount	Loan up to Rs. 15 lacks – 0.75% (Max. Rs. 10000/-); Over Rs. 15 lacks – 0.50% (Min. Rs. 10000/-, No maximum limit)	Loan Processing Fees New Car			Processing Fee: Rs. 3500/- to Rs. 5500/-
			Gross Loan Amt. (Lac)	Pro. Fee Amt.	Doc. Charges	
			<2.5	Rs. 2500/-	Rs. 350/-	
			2.5 to 3.9	Rs. 3500/-	Rs. 350/-	
			4 to 4.9	Rs. 4000/-	Rs. 350/-	
			5 to 5.9	Rs. 4200/-	Rs. 350/-	
			> 10	Rs. 5000/-	Rs. 350/-	

Chart-4
Car Loan

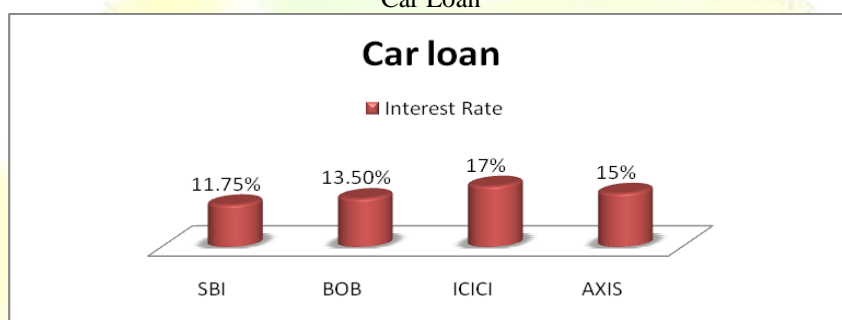


Table 4 covers car loan details. So far as Car loan is concerned ICICI bank offers the loan at 17%, while Axis bank interest rate is comparatively lower than the ICICI bank but the higher than the Bank of Baroda and SBI. It is also clear that compared to private sector banks public sector banks offers Car loan at easy terms and conditions.

Table-5
Business Loan

Particulars	SBI	BOB	ICICI	AXIS
Amount	Up to Rs. 5 crore	Up to Rs. 2 Crore	Depending on the business enterprise and its requirements	Up to Rs. 5 crore for big enterprise and Rs. 1 crore for small enterprise
Interest Rate	12.50 – 13.00%	14.5%	12.5 – 14%	13% - 14.5%
Tenure	Maximum 5 years	5 years		10 years for big enterprises and 1 - 3 years for small enterprises
Pre Payment Charges	-	-	-	-
Service Charges	Processing Charges : 1% of loan amount	Processing Fee : 0.35% (Min. Rs. 1000/-, No maximum limit)	0% to 2% plus applicable service taxes	0% to 2% plus applicable service taxes

Chart-5
Business Loan



Table 5 gives the details about business loan offered by selected banks. Compared to other three banks SBI, offers Business loans at lower interest rate, while Bank of Baroda, ICICI bank and Axis bank charges approximately same interest rate.

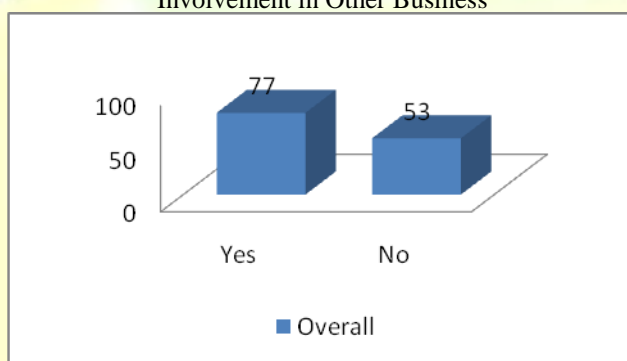
VI. PRIMARY DATA RESEARCH

For primary data collection 100 respondents are selected on random basis. Findings and conclusions are based on their responses.

Table-6
Involvement in Other Business

Other Business	Overall
Yes	77
No	53
Total	130

Chart-6
Involvement in Other Business

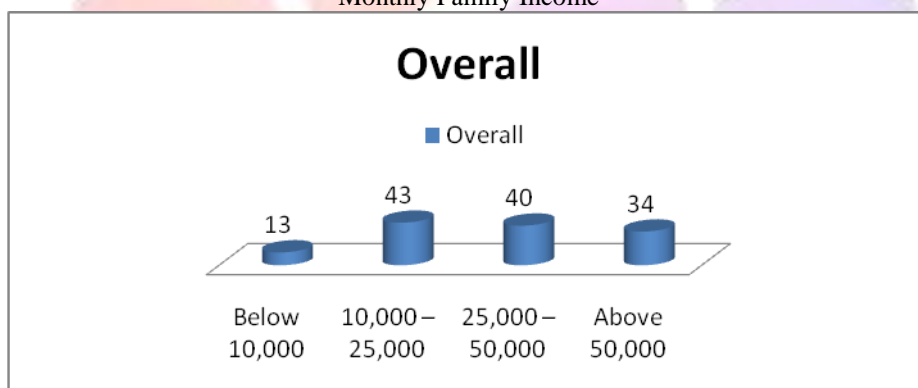


77% respondents that they are involved in other business such as real estate, share trading, etc. and 53 people said they are doing only one business. The reasons are they are satisfied from their current business income, their business is vast enough, there are no other men in their family to handle their business, etc.

Table-7
Monthly Family Income

Income	Overall
Below 10,000	13
10,000 – 25,000	43
25,000 – 50,000	40
Above 50,000	34
Total	130

Chart-7
Monthly Family Income

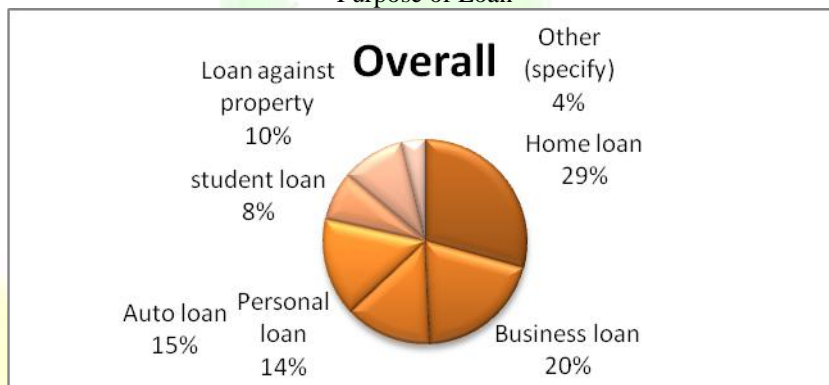


Above data reveals that, highest people i.e. 43 have their monthly family income in category Rs. 10,000 to 25,000 and 40 people have income between Rs. 25,000 to Rs. 50,000. 34 people have income above Rs. 50,000 only 13 people have their income below Rs. 10,000. This category of people will take more loans to fulfill their needs and to pass the hurdle of their life.

Table-8
Purpose of Loan

Loans	Overall
Home loan	38
Business loan	26
Personal loan	18
Auto loan	20
student loan	10
Loan against property	13
Other (specify)	5
Total	130

Chart-8
Purpose of Loan



Most of people i.e. 38 among 130 had taken home loan, 26 people took business loan to expand their business activities, 18 people took personal loan i.e. either for business purpose, and festival purpose etc. 20 people took auto loan i.e. either for purchasing new or for two wheeler loans. 13 people among 130 took loan against property, 10 people took student loan i.e. for education either in India or Abroad and only 5 people took loan for other purposes such as loan against share, mortgage loan, etc.

Table-9
Percentage of Interest rate on Loan

Interest	Overall
10 – 12%	10
12 – 14%	19
14 - 16%	31
16 - 18%	24
18 - 20%	17
20 - 22%	14
22 - 24%	15
Total	130

Chart-9
Percentage of Interest rate on Loan

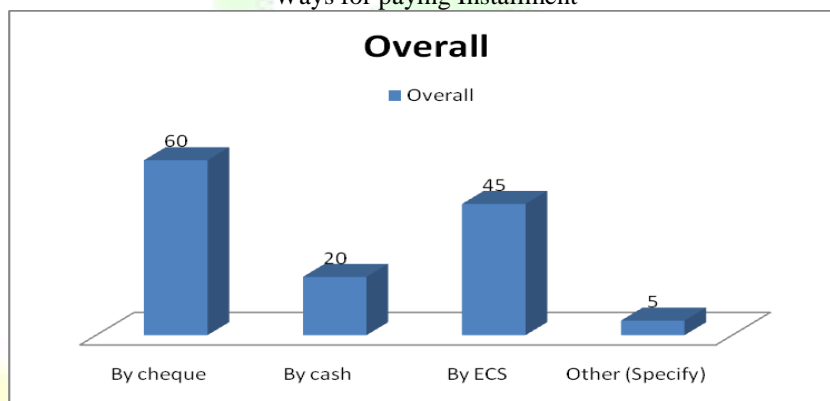


24% people/consumers said that their bank is taking 14 to 16% interest on existing loan, 18% people said that their banking charging 16 to 18% interest on loan taken from them. 15% people said that their bank is charging 12 to 14% interest, 13% people said that their bank is charging 18 to 20% interest and 11% people said that their bank is charging either 20 to 22% interest or 22 to 24% interest. Only 8% people said that their bank is charging less interest i.e. 10 to 12%.

Table-10
Ways for paying Installment

Options	Overall
By cheque	60
By cash	20
By ECS	45
Other (Specify)	5
Total	130

Chart-10
Ways for paying Installment



Most of the people i.e. 60 people pay their installment through cheque, 45 people pay their installment through ECS i.e. Electronic Collective Services, and only 20 people pay their installment through cash and 5 people say that they pay their installment through other means.

VII. FINDINGS

The major findings of the study are as under:

- All the banks are parallel in providing all types of consumer loans.
- Mostly people prefer SBI and ICICI bank for loans.
- There is more awareness among the customers about ICICI and SBI products.
- In public sector banks, SBI is having better reputation and goodwill than BOB, and same as in the private sector banks ICICI than Axis.
- Procedure of getting loans is little lengthy in public sector banks than in private sector banks.
- On the basis of features, SBI and ICICI offers more features than BOB and Axis bank as they charge less penalty on pre-payment of loan, etc.

VIII. CONCLUSIONS

It is obvious that compared to private sector banks nationalize banks are more popular because of their lower interest rate, less hidden charges etc... It is noticed that there is no uniformity in interest rate in banking products. Banks have their own criteria and strategy for different products no doubt they follow the rules and regulations of RBI. Compared to public sector banks private sector banks are very keen for providing the services to the consumers not only this, they take more care for their customers.

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