
A COMPARATIVE ANALYSIS OF NATIONALISED BANK AND PRIVATE BANK (A CASE STUDY OF SBI AND ICICI BANK)

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Abstract

The economy of any country specially a developing country is influenced to a great extent by the functioning and operation of the financial institutions operating in that country. Initially, the government use to have control over the banks but later on in the year 1991, when liberalization, globalization, and privatization of Indian economy took place, India opens its economy and because of that banking industry has been flooded with the new entrants including private banks, foreign banks, NBFCs etc.

The new private banks and foreign banks hit the market with various high-tech products, extra customer care, fast services, services at door-step, etc. mainly targeted to the corporate clientele of banks and now a days we see that these newly emerging private banks are given tough competition to the early established nationalized bank.

In our study we have compared one nationalized bank with one private bank. The nationalized bank which we have taken for our study is SBI and the private bank is the ICICI bank. The study has been conducted to have comparative study of both SBI and ICICI bank. To know about the customer expectation about services, products, flexibilities etc. A comparative analysis about the rate of interest, product and services, facilities of state bank of India and ICICI bank has also been done. It has been tried to find the market penetration by ICICI bank and its effect on SBI.

In this study PEST and SWOT analysis have also been applied through SWOT analysis future opportunities and threats can be predicted/forecasted along with the strength and weakness of SBI.

This will help to understand (the working culture, employees productivity, use of technology in service etc.) whether people are attracted towards this private bank and are moving away form SBI, if so why it is happening, what are the reasons behind this?.

INTRODUCTION

The nationalization of some of the major banks in 1961 was a turning point in the history of Indian banking. This is so because, on the guidelines and encouragement of government of India and RBI these nationalized Banks extended their operation. For the purpose of proper expansion the branches were opened in semi-urban and rural areas.

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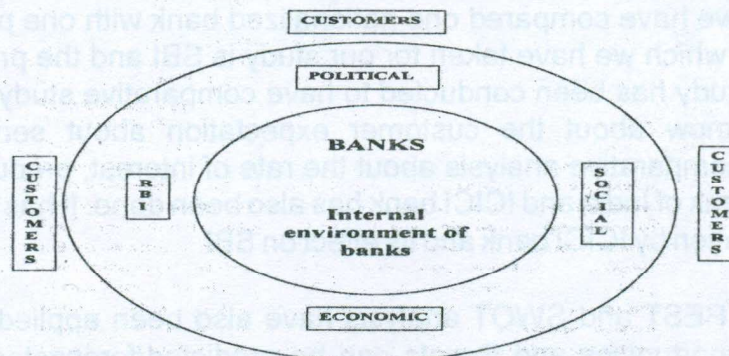
Special attention was paid for agriculture sector, small business and retail trade. The banking industry took a new shape, which was really satisfactory and all this was due to the protection and control of the government of India and RBI.

The banks were expected to play an important role in socio-economic development of the country. The nationalization has resulted in the opening of new dimensions for the banks and it included customer care, new product and services, credit management, internal working system, profitability and employees productivity. In the year 1991, liberalization, globalization and privatization of India economy took place. As a result of which, the nationalized banks have to face the cutthroat competitions created in the market, which is created due to entry of private banks, foreign banks and NBFC's. These private banks and foreign banks are the result of the policies of liberalization and globalization undertaken by Indian government.

The private banks and foreign banks are coming up with their attractive policies and providing the customer with better services with the aid of hi-technology and new ways of providing convenience to customer, the result of which was better customer care, ATM facility, smart card, digital cash, E-banking, home banking etc. Thus the customers are going towards the private and foreign banks.

WHEEL MODEL

The broad frame of the study will be based on the below given model:



COMPONENTS OF WHEEL MODEL

INTERNAL ENVIRONMENT:

- ☞ Working system flow (Computerization etc.)
- ☞ Employee empowerment
- ☞ Organization structure
- ☞ Salary structure
- ☞ Turnover (turnover/employee)
- ☞ Load of work/ employee

Working system flow :

Work done manually take quite a lot of time to be completed. The time taken becomes much longer when the number of transaction to be undertaken is more, this create chaos for both the customer and the employees. If the employees were provided with better technology example computers works would be done in minimum time with minimum efforts. This will not only reduce the chaos and frustration of the employees and customers, it will also ensure more efficiency and the bulk of work done would also increase. Appropriate technology should be used to modernize the banking system within involve extensive computerization and electronic system. The result of such computerization and electronic system would be complete convenience for the customer as they would be able to enquire and transact upon their accents form their own offices and desk in an online fashion.

Employee's empowerment :

The employees are an integral part of any business concern. Their importance in the case of banking companies is all the more important since there is a direct contact or interaction of the employees with the consumers. It is their conduct which will decide whether the customer will deal with the same bank or go for any other bank. Therefore a lot of care has to be taken right from the recruitment of the employees till their final training and motivation. The employees should be recruited solely on the basis of their academic qualifications as well as by the way they deals or tackles the customer that is the recruitment should be bias free. While training the employee's effort should be made to upgrade the hidden talents of the employees. They should be made aware that there position is of prime importance for the bank and they are directly responsible for the success or failure of the bank. Once they have been recruited there performance should be judged in order to find whether their conduct is according to the setup conduct and if it is not further molding could be undertaken. Sometime even after an effective recruitment and training programme the employees tend to loose control over situations, for avoiding such situations time to time motivation should be undertaken.

Organization structure :

Organization structure refers to the systems of superior subordinate relationship in a company. A proper organizational structure ensures proper flow of communication within the organization. Thus the policies made at higher level of the bank reaches uninterruptedly to its staff having sound organizational structure. A sound organizational structure has the right personnel at right place at the right time. In a competitive world of today, an organization have a proper organizational structure has more bright changes or survival to those having poor organizational structure. Subordinates should be given enough opportunities along with responsibilities so that they can discharge their responsibility with ease and comfort.

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Salary structure :

The salary of the bank be so designed that each employee receives the salary according to his ability and performance. Salary should not only included monetary incentives it should also include non-monetary incentives like telephone facilities, car facilities, house facilities. The employees should not feel that what is being paid to them is not according to their expectation or what they actually deserve. It should be ensured that the salary paid is equal or more than the salary for jobs in similar institution and not less than that.

Turnover (Turnover/Employees) :

The basic aim of the banking industry is to provide satisfactory services to its customer. The efficiency of a bank is judged by its customer in relation to the courtesy extended and the speed and accuracy with which transactions are completed. Thus the employee's recruitment should be competent enough to carry out their job according to these guidelines. The customer dealing of the employees shows the quality of the bank and affects the management efficiency and strength.

Load of work on employees :

Sometimes even after employee's empowerment, better salary structure, better organizational structure, the work is not satisfactory. When this happens, it should be seen that the employees are trusted with reasonable degree of workload. This is so because workers may be suffering due to improper and overload of work. The employees should be given only that much of work which is possible for a normal person in normal course of time. The placement of the employees should be such that each employee has a predetermined position and a systematic procedure is being followed for the transactions. The work should be so divided among employees that there is equal distribution of work. Sometime it is been seen that an extra load of work emerges at the time of closing of the accounts of the bank for avoiding such situation provisions should be made before hand.

EXTERNAL ENVIRONMENT :-

- ☞ Political environment
- ☞ Reserve Bank of India (R.B.I.)
- ☞ Market environment
- ☞ Competition
- ☞ Customer

Political environment :

With the liberalization of the banking sector there is not much political influence left in the internal functioning of the bank, particularly nationalized bank. But if the government is seen as a political body and because it formulates the annual budget and the finance bill, we can say that there is some amount of political effect. But as such this would affect the industry as whole and not individual banks. Even the five-year plans and GDP estimates which the government prepares have an effect on the policies of the bank.

Reserve Bank of India :

No other institution has greater effect on the policy making on functioning of the banking sector as the Reserve Bank of India has. RBI was formed with the intention of controlling and regulating the banks in India. Now with the more emergences of foreign banks the RBI is given more influx power to check the antecedents, their functioning and their portfolio before starting their business in the country. Normally with cash reserve ratio, liquidity ratio and inter bank ratio, the RBI tries to control the general. Functioning of the bank. It also evaluates new bank, which wants to open up on matter regarding mergers, amalgamation and take over in the banking sector.

Market environment: Another factor, which has a direct effect on the banking sector, is the market. The general state of the money market to a great extent decides the policies of the bank. In a bullish market the bank generally tries to put a ceiling on an interest rate and try to recover loans which have been granted. To stabilize the market they may even for a time period discourage loans and encourage deposits. In an opposite scenario when there is scarcity in money market then the bank may liberalize the interest rate and try to provide loans at cheap rates. In case of inflationary situation in the market, the bank tries to influx money into the market in the form the liberal loans.

Competition :

With globalization and liberalization policies the banks are having severe competition. Particularly the private banks and foreign banks have given a tough competition to the nationalized banks. The private banks and foreign banks are providing with better facility and customer satisfaction as a result of which they are able to attract more and more consumers. Being aware of this fact the nationalized banks are now coming up with better facilities.

Customers:

Customers are the lifeblood of a bankers system. They are the elements, which maintain the circulation of money in the system. It is through the deposits made by the customers that the bank is able to give loans to the individuals and the concerns. The main earnings of the banks are through the interest which they receive on the loans taken by the customers. The number of customers a bank has to a large extent determines the attractiveness of the bank. Bank on their part try to maintain better facilities and customer care services.

Customers can be classified in to two major groups firstly those who deposit their saving in the banks. Those deposits saving can either be individual customer or organizations, industry etc. Similarly those taking loans can either be individual customers or industry or organization. The customer will prefer such bank for depositing their saving which provides better facilities, better return on investment and better customer care. Taking of loan from a particular bank is decided by the availability of such loans, interest rate and customer care.

EXPECTED OUTCOME FROM THE RESEARCH

- Customer's expectation about services, products, flexibilities etc.
- Comparative analysis about the rate of interest, product and services, facilities of SBI and major ICICI banks (including use of I.T. and Computerization)
- Market penetration by ICICI banks and its effect on SBI.
- Though PEST and SWOT analysis we can come to know about the surrounding external environment to banks (like political, economics, social and technological) for developing long range as well as short-range policies. Through SWOT analysis future opportunities and threats can be predicated/forecasted along with the existing strength and weakness of the SBI.

OBJECTS OF STUDY

1. To compare rate of interest facilities along with the working pattern of ICICI bank as compared to that of SBI
2. To study market penetration of ICICI bank as compared to that of SBI.
3. To study customer perception about:
 - (i) Services provided by ICICI as compared to SBI.
 - (ii) Rate of interest of ICICI bank as compared to that of SBI.
 - (iii) Rate of Interest on loan.
 - (iv) Loan facilities and its easy availability.
 - (v) Present facilities and other expectation.
 - (vi) PEST for overall banking industry.
 - (vii) SWOT for SBI over other private banks.

HYPOTHESIS

- 1) S.B.I. and ICICI bank provide attractive interest rate on amount deposited and affordable interest rate on amount taken as loan.
- 2) As services provided by SBI is very old and thus general public know more about it so SBI has higher market penetration as compare to ICICI bank.
- 3) Although ICICI bank is new to the banking world it provides better and more services as compared to SBI.

Research Methodology

In this research study statistical tools were used for analyzing and interpretation of the data. The significance of the result is also tested by statistical tools for reliability. The main statistical tools used are Chi square test, mean correlation, T-test and regression. All these statistical tools are applied in appropriate places in this study. The major portion of study is base on primary data. The primary data are collected through questionnaire for the efficiency and reliability of the study. Two types of questionnaire have been prepared one from the customer point of view carrying 30 questions. The study is analyzed taking 50 respondents of various categories as a universal sample that is questionnaire is filled up by different respondents who are having their accounts in SBI and ICICI bank.

SCOPE OF THE STUDY

This study is helpful for both private as well as for nationalized bank it helps to improve the market share and also help the private bank to compete with the nationalized bank (SBI).

This study is also helpful for the customer or general mass, they will become aware of the facilities provided by the bank and thus will be benefited by availing or making use of the better facilities without any risk.

Employees Perception Of Political, Economical, Social And Technological Influence In ICICI Bank And SBI Bank

An effort has been made to know the extent to which SBI and ICICI banks are influenced by the political, economical, social and technological factors. Changes are taking place in the environment in which these banks perform their functions. For this purpose the point of view of the employees has been taken into consideration keeping in view the fact that the employees are the one having a reliable information regarding the responses, behaviour and conduct of the bank with regard to the political, economical social and technological factors. The employees opinion have been taken by putting forward certain questions relating to the effect these factors have on the functioning like for knowing the effect of political environment of the bank.

Separate questions have been put forward for each of these. The employees are questioned whether the government policies affect the working of their bank or whether the political instability in the country have any effect on the functioning of the bank. For knowing the effect of economical environment, the employee's opinion regarding the role played by their banks in the economic development of the country is take in to consideration they are also being questioned whether the economic instability effects the functioning of their bank. In order to know the social contribution of the banks the employees are questioned regarding the role played by their bank in the social development of the country.

The fourth and the major factor relating to the employees and the overall functioning of the bank is about the technological advancement of the bank, and, to find the extent to which this factor has an influence on its employees. The employees are questioned about the type of technology undertaken by the bank and also their opinion regarding the most needed part of the bank as far as technology is concerned.

The employee's opinion has also been taken regarding their type of training and development provided to them and whether they are being provided sufficient training on the technological front or not.

SWOT ANALYSIS

ABOUT SWOT ANALYSIS This analysis has been done to bring into light the strength, weakness, opportunities, and probable threats facing SBI and ICICI bank.

SWOT ANALYSIS FOR SBI

STRENGTH

This SBI has the largest number of branches which is one of its biggest strength. The bank has the largest customer base that is it provides its services both in urban and rural areas. It is only SBI, which caters to the need of rural customers, which the private banks are unable or unwilling to do. Moreover being a nationalized bank people has more faith on SBI as compared to other private banks.

WEAKNESS

This major weakness of the bank is that the adoption of technology is very slow. Besides this the customer care is also not satisfactory. The employees are not so quick in providing services and the customers find it time consuming.

OPPORTUNITIES SBI needs to adopt better technology in order to give tough competition to the private banks, which are quite ahead of SBI as far as use of modern technology, is concerned. It should also switch to better ATM facilities. One of the things, which it can opt, is to tie up with companies for payment account.

STRENGTH This major threat to SBI is the private banks, which have proved to satisfy the customer to a greater level as compared to SBI. It also faces the threat of foreign bank. Besides this the falling interest rates are also proving to be a hindrance in the part of success of the SBI.

SWOT ANALYSIS FOR ICICI BANK.

STRENGTH:

The ICICI bank is the biggest private bank & no other private bank has become as successful as the ICICI bank. By providing better and efficient services they have attracted quite a lot of customers in the whole country. The bank has the largest number of ATM, as a result of which the consumers are totally satisfied. The bank extensively uses advance technology and as a result is able to have efficient and prompt functioning.

WEAKNESS

The main weakness of this bank is that its reach is limited to urban areas only. The bank does not reaches rural areas and the customer they are not able to get the services of these banks. Since they do not take the extra burden to come to urban areas to get the services of these banks. Hence the rural customer goes for SBI and other nationalized banks, which are present in rural areas. Besides this the customer has less faith on ICICI bank since it is a private bank.

OPPORTUNITIES

In order to be more successful the bank should switch to better ATM facilities. One of the most needed parts of the bank is application of new generation technology for rural areas. The bank should go for more and more tie up with companies for payment accounts.

THREATS

One of the major threats of the ICICI bank is the foreign banks. The other major threat is the falling interest rate. The competitive approach of the nationalized banks is another threat, which is to be considered.

FINDINGS :

1. **SBI and ICICI bank provide attractive interest rate on amount deposited and affordable interest rate on loan taken.**

We have found that the main reason for opting for SBI and ICICI of most of the customers is the attractive rate of interest provided by these banks.

Quite a lot of customers are driven towards this bank because of higher interest rate given by these banks. Out of the customers who have their account in SBI and ICICI majority of them are satisfied with the interest rate on amount deposited and loan taken. This makes it quite clear that both these banks do provide attractive interest rates. Therefore our first hypothesis is that: - Both SBI and ICICI bank provides attractive interest rate on amount deposited and affordable interest rate on loan taken, is significant because the customers are satisfied and one of the main reason why they go for this bank is the higher rate of interest.

2. **As service provided by SBI is very old and thus general public know more about it so SBI had higher market penetration as compared to ICICI bank.**

The market penetration of SBI has been more in the past years as it is the oldest bank in India. The customers are spread all over the country whether it is rural area or urban area. As against this the ICICI is the new bank and the public knows less about it as result it has a low market penetration but at the same time its growth rate is quite high as compared to that of SBI.

So we see that although market penetration of SBI is high as compare to ICICI, growth rate of ICICI is higher that SBI.

3. **Although ICICI is new to the banking world it provides better and more services as compared to SBI.**

It was clear from the study that the ICICI bank provides better and more services, for instance, majority of customers of ICICI bank said that their bank provided door-to-door banking facility as well as anywhere banking facility while not a single customer of SBI said that their bank provides so. When asked about the ATM facility and phone banking facility the number of satisfied customer are more in case of ICICI bank then SBI bank. Same is the case with demat facility and credit card facility that is we found that number of satisfied customer is more in case of ICICI then SBI.

Similarly when asked about the paper work required for opening an account majority of the customers of SBI said it was time consuming while majority of the customer told it was prompt and convenient.

Although ICICI bank is new to the banking world it provides better and more services as compared to SBI.

SUGGESTIONS

SUGGESTIONS FOR SBI :

1. From our survey it was revealed that the bank should adopt advanced technology to be more efficient in its working.
2. It should also pay some attention to the way the customers are being handled. It should try to satisfy the customers by dealing with them in a better way.
3. The employees should see that the work is not much time consuming, and they should provide prompt services.
4. IT should switch to better ATM facility.
5. It should try to provide door-to-door facility.
6. The SBI should introduce new and more attractive policies for its consumers.

SUGGESTIONS FOR ICICI BANK ARE :-

1. The ICICI bank should try to make its reach to rural area also. It should see that the rural customers are also included in its consumer base.
2. The bank should adopt methods like mass advertisement to improve its brand value so that people get to have faith on them.
3. The bank should mould its activities in such a way so that it could give a tougher competition to SBI and other private banks.

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