

# Strategies for Personal Loan Schemes and its Impact on Borrowers Intension A Comparative Study between State Bank India and HDFC Bank

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## Abstract

Finance is the life blood of trade, commerce and industry. Now-a-days, banking sector acts as the backbone of modern business. Development of any country mainly depends upon the banking system. This research paper basically focuses on various personal loan schemes of banks and their impact on new customer using by statistical tools. The data for this research is collected through primary as well as secondary data by using survey methods.

**Keywords:** Personal Loan Schemes, HDFC Bank, State Bank of India

## Introduction

In simple words, Banking can be defined as the business activity of accepting and safeguarding money owned by other individuals and entities, and then lending out this money in order to earn a profit. However, with the passage of time, the activities covered by banking business have widened and now various other services are also offered by banks. The banking services these days include issuance of debit and credit cards, providing safe custody of valuable items, lockers, ATM services and online transfer of funds across the country / world. It is well said that banking plays a silent, yet crucial part in our day-to-day lives. The banks perform financial intermediation by pooling savings and channelizing them into investments through maturity and risk transformations, thereby keeping the economy's growth engine revving. Banking business has done wonders for the world economy. The simple looking method of accepting money deposits from savers and then lending the same money to borrowers, banking activity encourages the flow of money to productive use and investments. This in turn allows the economy to grow. In the absence of banking business, savings would sit idle in our homes, the entrepreneurs would not be in a position to raise the money, ordinary people dreaming for a new car or house would not be able to purchase cars or houses. In 1839, some Indian merchants in Calcutta established India's first bank known as "Union Bank", but it could not survive for long and failed in 1848 due to economic crisis of 1848-49. Similarly, in 1863, "Bank of Upper India" was formed but it failed in 1913. In 1865, "Allahabad Bank" was established as a joint stock bank. This bank has survived till date and is now considered as the oldest surviving bank in India.

Firstly, the study will assist commercial banks in Kenya identify and monitor the factors influencing agent banking adoption. Those factors relating to institution's ability to provide the conditions conducive to the introduction and acceptance of innovations could be used to map out an institutional framework for adoption.

The research findings will help in monitoring development and growth of agent banking. Secondly, the research will help suggest possible solutions and strategies to the problems in agent banking. Thirdly, the study will contribute to the body of knowledge and to adding information on the banking industry.

### **Review of Literature**

According to Abor, 2005; FTC, 2006 and Eshun, 2009, Automated Teller Machines (ATMs), Direct Deposit and Withdrawal Services, Pay by Phone Systems/Telephone Banking, Point-of-Sale Transfer Terminals, Personal Computer (PC) Banking Services, Internet Banking, Branch Networking, Electronic Funds Transfer at Point of Sale (EFTPoS) and Electronic Cheque Conversion. Eshun (2009) indicate that, ATM and Branch Network are the most popular electronic banking delivery channels in Ghana. Internet Banking, Telephone Banking, PC Banking and EFTPoS, over the years are emerging strongly and its hoped in the years to come, customers are going to patronize them. Laukkanen and Kiviniemi (2010) define m-banking as an interaction through which a customer is connected to a bank via a mobile device. The interaction does not necessarily involve performing transactions such as paying bills and transferring money but can, in its simplest form, be the sending of an SMS (Short message system) for account balance inquiry. Steadman (2011) advocates that technology is the enabling factor that allowed m-banking to emerge. Some scholars even suggested that there are other possible factors that might affect mobile banking adoption (Riquelme and Rios, 2010). Various efforts to extend the technology acceptance model (TAM) by adding variables such as trust (Gu, et al. 2009; Luarn and Lin, 2005), perceived risk (Chung, Kwon, 2009; J.Donner and C.A. Tellez, 2008), perceived uncertainty (Laukkanen, 2007), perceived system quality (Kleijnen et al., 2004, Luarn and Lin, 2005) etc were all found valid in the previous studies. In view of the different constructs being used, this paper extends the TAM by including relative advantages, perceived risk, and personal innovativeness in which these constructs are believed to affect the behavioral intention to adopt mobile banking services. Numerous studies have provided considerable evidence that gender relates to customers' perceptions, attitudes, preferences and purchase decisions (Slyke, Comunale & Belanger, 2002; Mitchell & Walsh, 2004; Fischer & Arnold, 2004; Bakewell & Mitchell, 2006; Kwan, Yeung and Au, 2008; Wan Omar, Ali, Hussin and Rahim, 2009). Schofield & Kubin 2002, the use of Electronic Banking is considerably high and as more and more users sign up for electronic-banking, the maturity as regards remote banking (i.e. banking outside the banking hall) is on the increase. Laforet & Li (2005): conducted a research on "Present and future of Internet Banking in China" and has produced interesting findings in the field of Mobile and Internet Banking. Al-Ashban et al.s (2001), This research paper was designed to investigate customer adoption of telephone-based banking. Generally, the study discovered that 87 percent of the respondents have an education higher than diploma, which was also parallel with the use of the service to be 72 percent during the past three years, 40.2 percent of them having started using tele-banking services less than one years. Other studies by Suoranta and Mittila (2004) and Riivari (2005) claimed that mobile banking were very sophisticated and considered as the newest channels to conduct banking electronically.

## Objectives

1. To identify the difference between different income groups, age, gender, occupation, education level and marital status on influence of loan schemes of banks in customer point of view as well as employee side

## Hypothesis

**H<sub>01</sub>.** There is no significant and positive relationship between various demographic factors on influence by loan schemes of banks in customer point of view.

## Research Methodology

### Final Gap of the Research

1. The impacts of various demographic factors on Personnel Loan Schemes of State Bank of India and Housing Development Financing Corporation have not been addressed in any of the studies.

## Main Study

The study was exploratory and descriptive in nature. The data was collected through survey method and relationships between demographic variables were evaluated by using statistical tools.

### i. Sample Design

#### a. Population

The population for the study will included all the banks situated at Gwalior and Chambal division of the Madhya Pradesh.

#### b. Sampling Frame

All individual like customers and employees of banks were sampling frame.

#### c. Sampling Technique

Non Probability, purposive and convenient sampling technique was used to identify the respondents of the study.

## Sample Size

The valid sample size for this study is 215 because total sample questionnaire were 225 distributed but 215 returned with proper response from respondents of Gwalior and Chambal division. The data was collected by the researcher himself after developing rapport with the respondents.

## ii. Secondary Data

Researcher has been collected secondary data from various literatures to various sources such as Research articles and research paper in Journals, Books, Magazines, Reports (Government/Corporate, News Paper, Television in form of print and online through Internet.

## iii. Tools to be Used for Data Collection

Self design questionnaire will be used to measures all the variables. The data will be collected on the scale of 1-5 Likert's scale

## Tools to Used for Data Analysis

Reliability, Normality & Independent Sample T-test

## iv. Software Used for Statistical Analysis

Collected data has been analyzed by researcher himself with the help of different statistical calculations using SPSS software. Statistical package for social science (SPSS) version 20.0 for windows seven will be used for data analysis and hypotheses testing.

## Data Analysis and Results

### Reliability & Normality Test

Cronbach's Alpha test had been applied to calculate reliability of all items of influence by Loan Schemes of bank from the questionnaire. There are two main methods of assessing normality: graphically and numerically. The table below presents the results from two well-known tests of normality, namely the Kolmogorov-Smirnov Test and the Shapiro-Wilk Test.

Test Variables	Reliability		Normality		Items
	Cronbach's Alpha	Guttman	K.S. Value	Shapiro Wilks	
Loan Schemes of Bank	.929	.864	.096	.062	32
Results	Questionnaire were Highly Reliable		Data was normal and no outliers remains		

Obtain values of Cronbach's Alpha and Guttman are 0.929 & 0.864 which is higher than standard value i.e. 0.7, that shows high reliability of the questionnaire, and it can be considered good enough for the present study, the total number of statement have 32 for this study.

In another test in table shows that data is normally distributed with insignificant level of KS & Shapiro Wilks are 0.096 & 0.62 respectively. If it is below 0.05 ( $P < 0.05$ ), the data significantly deviate from a normal distribution.

### Independent Samples Test between perception according gender, age, occupation, income level, education level & marital status and influence by loan schemes of banks by customer.

T-test was applied to find out difference between perception of various demographic factors as test variables and influence by Loan Schemes of Banks as dependent variable by the taking total of all.

**H<sub>0</sub>1.1.** There is no relationship between male and female bank customer on influence by loan schemes of banks.

**H<sub>0</sub>1.2.** There is no relationship between married and unmarried bank customer on influence by loan schemes of banks.

**H<sub>0</sub>1.3.** There is no relationship between 20year to 40 years and 41 years to 60 years old bank customer on influence by loan schemes of banks.

**H<sub>0</sub>1.4.** There is no relationship between APL (Above 100000/year) and BPL (Below 100000/year) bank customer on influence by loan schemes of banks.

**H<sub>0</sub>1.5.** There is no relationship between upto 12<sup>th</sup> and UG/PG passed bank customer on influence by loan schemes of banks.

S.	Test Variable	N	Std. Dev.	Std. Error	F	T-Value	Sig.	Results
Gender	Male	129	20.49186	1.35414	<b>12.066</b>	<b>2.764</b>	<b>.045</b>	<b>Null Rejected</b>
	Female	86	20.25463	1.48514				
Marital Status	Married	146	20.93432	1.26010	<b>32.719</b>	<b>6.310</b>	<b>.001</b>	<b>Null Rejected</b>
	Unmarried	069	19.15827	1.62498				
Age Groups	20y–40y	116	19.74832	1.18871	<b>10.636</b>	<b>2.687</b>	<b>.049</b>	<b>Null Rejected</b>
	41y–60y	99	21.60827	1.83279				
Income Level	APL	191	20.26765	1.14927	<b>12.021</b>	<b>2.377</b>	<b>.006</b>	<b>Null Rejected</b>
	BPL	24	20.78076	2.03772				
Occupation	Upto 12 <sup>th</sup>	110	14.88802	1.37055	1.282	.807	.420	Null Accepted
	UG/PG	105	12.64185	1.23372				

**Test -1:** Value of F is 12.066 (<0.05) with significant level which means equal variances assumed. Value of T is 2.798 which significant at 0.045 levels. It means there is significant difference between perception of Male and perception of Female individuals on influence by loan schemes of bank..

**Test -2:** Value of F is 32.719 significant level of (P>0.05) which means equal variances assumed, and the value of T is 6.310 which is significant at 0.001 levels. It means there is no similarity between married and unmarried individuals on influence by loan schemes of bank.

**Test -3:** Value of F is 10.636 significant level of (P<0.05) which means equal variances assumed and value of T is 2.687 which is significant at 0.049 levels. It means there is no similarity of perception of 20y–40y and 41y–60y old individuals on influence by loan schemes of bank.

**Test -4:** Value of F is 12.021 significant level of ( $P < 0.05$ ) which equal variances assumed and the value of T is 2.377 which is significant at 0.006 levels. It means there is difference perception of APL and BPL financial background individuals on influence by loan schemes of bank.

**Test -5:** Value of F is 1.282 insignificant level of ( $P > 0.05$ ) which means equal variances assumed and the value of T is 0.807 which is insignificant at 0.807 levels. It means no significant difference between upto 12 passed and UG/PG degree holder individuals on influence by loan schemes of bank.

## Findings and Conclusion

Cronbach's Alpha test had been applied to calculate reliability of all items of Loan Schemes of bank from the questionnaire. It is considered that the reliability value more than 0.7 is good. Obtain insignificant value i.e. 0.096 is quite higher than to level of significance indicating that data is normal. The influence by loan schemes of banks according to male and female is totally difference proved by t-test, it means male and female are looking all schemes of personal loan in different manner to each other. Second T-test proved the think of married man as well as women is very different to unmarried men and women; because of responsibility the married men and women have lots of responsibility than unmarried. Third T-test is to find out difference between young and older age people towards loan schemes and find total different results to each, it mean the young are looking these schemes in different manner than older. Fourth T-test was applied to find out difference between perception of APL and BPL bank customers for Loan Schemes of Banks. The all income groups' family deals with banks, and there is no similarity between perceptions of both individuals on Loan Schemes of Bank. And the last T-test was clear indicating that there is no similar perception of only school passed educated as well as graduate/post graduate individuals towards influence by loan schemes of bank. Hence the null hypotheses no. 1.1, 1.2, 1.3 and 1.4 were rejected by the independent sample t-test results and null hypothesis no.1.5 was accepted same.

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