

Universal Banking In India : A Comparative Study Between The Selected Private Sector And Public Sector Banks

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Abstract: Banks are the most important thing for each and every person for their financial needs or business. It is also called the life and blood of the modern economy. These days banks provides so many different kinds of products and services to make the life of the people more easier and simpler in ways of getting financial advices and needs. Universal banks are one of those kinds of financial institution which provides almost all kinds of financial products or services that are available in the market. In this paper, we have tried to analyse whether people are aware of all the services or products which their banks provide them and do they know that their own bank is a universal bank. ICICI and SBI banks have been taken as two universal banks and the data collected are from fifty customers from each banks with random sampling method.

Key Words: Universal Bank, ICICI bank, SBI bank, Financial Institution, financial products and services.

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I. Introduction

As per the World Bank, "In Universal Banking, large banks operate extensive network of branches, provide many different services, hold several claims on firms (including equity and debt) and participate directly in the Corporate Governance of firms that rely on the banks for funding or as insurance underwriters". In a nutshell, the term 'Universal Banking' refers to those banks that offer a wide range of financial services, beyond the commercial banking functions like Mutual Funds, Merchant Banking, Factoring, Credit Cards, Retail loans, Housing Finance, Auto loans, Investment banking, Insurance etc. This is most common in European countries. It is a place where all financial products are available under one roof. So, a universal bank is a bank which offers commercial bank functions plus other functions. The issue of universal banking resurfaced in Year 2000, when ICICI gave a presentation to RBI to discuss the time frame and possible options for transforming itself into a universal bank.

II. Review Of Literature:

Kammath, K.V (2012) "ICICI gearing to become a universal bank" International Journal of Latest Trends in Engineering and Technology (IJLTET) Vol. 1 Issue 1 May 2012, pg 4, ISSN: 2278-621X

He says ICICI envisages a timeframe of 12 to 18 months in converting itself into a Universal Bank. ICICI has received favourable response from Indian investors and FIIs on its move to merge with ICICI Bank and become a universal bank. ICICI was the first one to propagate universal banking as an ideal concept.

Sengla, Renu (2013) "Emerging trends of universal banking" International Journal of Research in Commerce and Management Vol. No. 4 Issue No. 03 (MARCH) ISSN 0976-2183

She claims Universal banking sector as a whole is facing a lot of competition ever since financial sector reforms were started in the country. Walk-in business is a thing of past and banks are now, on their toes, to capture business. Banks therefore, are now competing for increasing their business.

Benston, George J. (1994) "Universal Banking" Journal of Economic Perspectives—Volume 8, Number 3—summer 1994—Pages 121–143

He finds that universal banking can provide considerable benefits and would pose few problems for the economy. Experience and logic indicate that these companies can do many things better than can universal banks. In particular, specialized firms are more likely to handle many important aspects of investment banking.

Khan, S. H. (1998), on "Harmonising the Roles and Operations of Development Financial Institutions and Banks" Regional and Sectoral Economic Studies. AEEADE. Vol. 5-1 (1998) April 2011

He claims Commercial banks were already permitted to enter diversified areas of financial businesses. Therefore, diversification in the Banking sector and the acceptance of Universal Banking concept, as different from narrow banking came to the forefront in the Indian context with the second Narsimham Committee (1998) and later the Khan Committee (1998) reports.

Sensarma (2001), “Challenges of Universal Banking” The Journal of Nepalese Business Studies Vol. VII No.1 December 2010/11

He suspects that the Universal banking leads to a loss in economies of specialisation, Again diversifications of banking activities need not always result in economies of scale and scope especially if banks were not of appropriate size.

Scope of the Study

1. This research highlight the comparative position of two universal banking with the selected private sector banks and public sector banks – ICICI Bank and STATE BANK OF INDIA. To understand the difference between both the working of universal banking and its concept.
2. The research would bring light in the perception of customers towards the awareness about all kinds of products and services which are available in their respective banks.
3. The study of customer perception was done through primary data by providing questionnaire.
4. The study included 50 customers of the private sector bank (ICICI Bank) and 50 customers of public sector bank (SBI Bank).
5. The samples collected for the study was conducted in Jaipur city only.

Objective of Research

- To study the potential of universal banking in India through selected public sector and private sector banks.
- To study the difference between a universal private sector bank and public sector bank in India.
- To examine the risk exposure of banks.
- To critically examine the existing debate on Universal banking in the context of the samples studied.
- To position a bank in terms of the progress made by it in the direction of Universal Banking.

Hypothesis

H0: There is no significant difference in the working of universal banking in a private sector bank and public sector banks.

H1: There is a significant difference between the working of universal banking in a private sector bank and the public sector bank.

Limitations of the Research

- For the present study, some of the respondents might not have stated honest responses for the purpose of maintaining the confidentiality of their records.
- The primary data required for the research was collected from the samples based in Jaipur city. Although Jaipur city is one of the most important cities in our country, the samples selected from the city cannot be considered as a proper representation of the population of the country.
- In the primary data, non-response cannot be ruled out.

Universe of Study

The objective of the research required the study of customers of the selected Indian universal banks. The universe of study comprised of educated and aware residents of one of the prosperous states of India i.e. Jaipur.

Samples and Sample Design

Universe of the study includes both customers and employees of selected Indian Universal Banks. The study focused on four Indian universal banks:

- (i) One from public sector, (i.e. State Bank of India) and
- (ii) One from private sector, (i.e. ICICI Bank Ltd).

Universe of the study comprised of educated residents in the major cities of Jaipur. The sample was selected on the basis of convenience sampling method.

Sample of the Customers

In total, 100 questionnaires were distributed out of which all the responses were received and were found to be valid for the purpose of conducting analysis in the present study.

III. Data Analysis And Interpretation

Private Sector: ICICI Bank

1. Analysis on the basis of the BANKING AND FINANCIAL services available

Table for ICICI BANK

S.I.NO.	BANKING AND FINANCIAL SERVICES	YES (Knows that the services are provided)	NO (Knows that the services is not offered)	CANNOT SAY(does not whether the bank provides the services or not)
1.	Education loans	44	4	2
2.	Pension payments	45	0	5
3.	Locker facility	49	0	1
4.	Agriculture and Rural Credit	40	2	8
5.	Loan against gold	0	0	50
6.	Housing loans	50	0	0
7.	Loan against shares/debentures	50	0	0
8.	Any NRI services	32	8	10
9.	Wholesale banking services	44	0	6
10.	Tax payment	49	0	1
11.	Project finance	50	0	0
12.	Telephone & Electricity bills payment	50	0	0
13.	Internet banking	50	0	0
14.	Gold banking services	45	0	0
15.	Letter of Credit	39	4	7
16.	Pre-paid cards for payment disbursements (Smart Card)	40	0	10
17.	Microfinance	40	0	0
18.	Credit card	50	0	0
19.	ATM card	50	0	0
20.	Investment banking	45	0	5
21.	Mobile banking	50	0	0
22.	Insurance (Life & General)	46	0	4
23.	Mutual funds	49	0	1

Interpretation: This table shows that whether people are aware of the banking and financial products and services which are been provided by the bank. The above table proves that people are not informed about all the products like loans from gold and gold banking services which have received 0% positive answer whereas the ICICI Bank is providing both the services.

IV. Table For SBI Bank

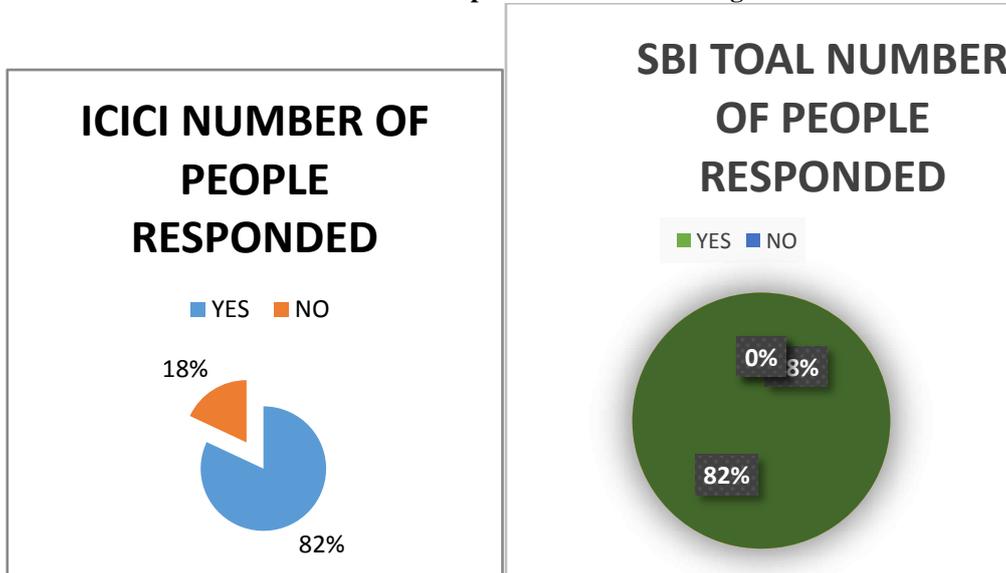
Analysis on the basis of BANKING AND FINANCIAL SERVICES available

S.I.NO.	BANKING AND FINANCIAL SERVICES	YES (Knows that the services are provided)	NO (Knows that the services is not offered)	CANNOT SAY(does not whether the bank provides the services or not)
1.	Education loans	50	0	0
2.	Pension payments	50	0	0
3.	Locker facility	50	0	0
4.	Agriculture and Rural Credit	44	0	6
5.	Loan against gold	0	0	50
6.	Housing loans	50	0	0
7.	Loan against shares/debentures	50	0	0
8.	Any NRI services	46	0	4
9.	Wholesale banking services	48	0	2
10.	Tax payment	48	0	2
11.	Project finance	49	0	1
12.	Telephone & Electricity bills payment	50	0	0
13.	Internet banking	50	0	0
14.	Gold banking services	0	19	31
15.	Letter of Credit	23	12	15
16.	Pre-paid cards for payment disbursements (Smart Card)	23	15	12
17.	Microfinance	22	8	20
18.	Credit card	50	0	0
19.	ATM card	50	0	0
20.	Investment banking	46	1	3
21.	Mobile banking	50	0	0
22.	Insurance (Life & General)	50	0	0
23.	Mutual funds	45	5	5

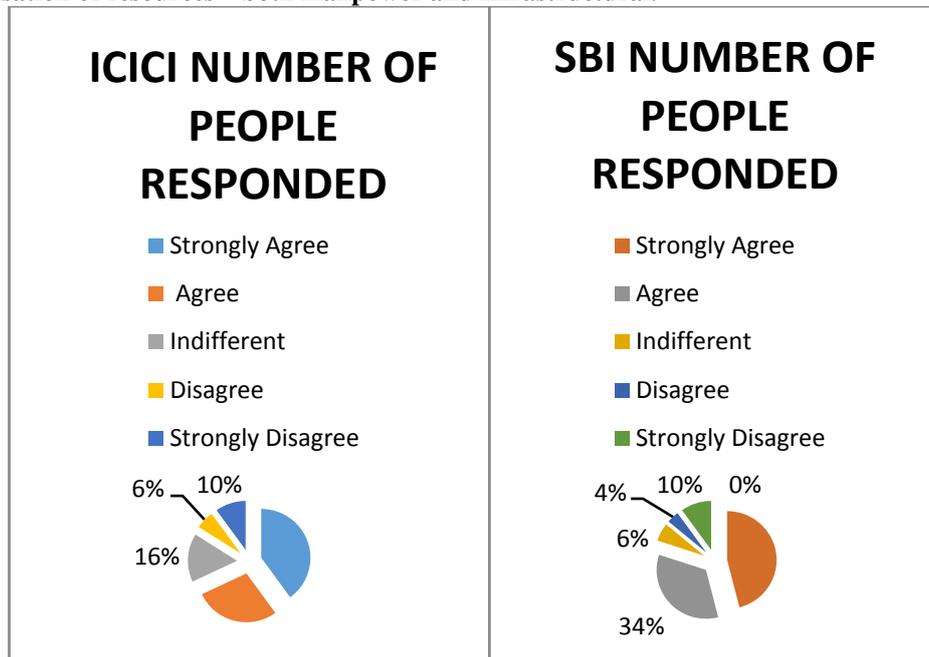
Interpretation

According to the above table it clearly shows (as the customers selected were mostly less educated comparatively to the customers of ICICI BANK), that even though being the customers of one of the most popular bank in India the customers still aren't aware of the services and products provided by the bank.

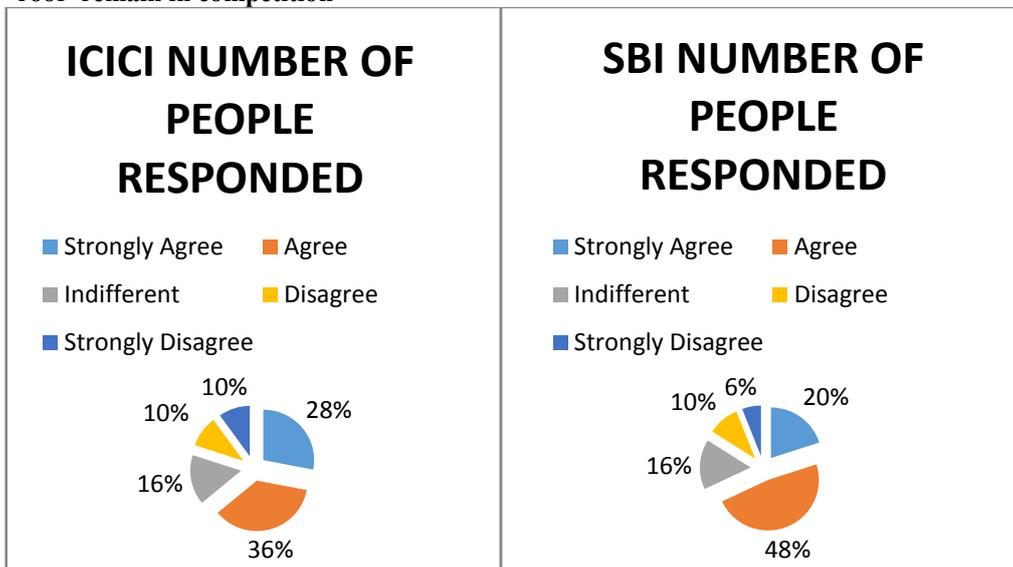
2. Analysis on the basis of awareness on the concept of Universal Banking



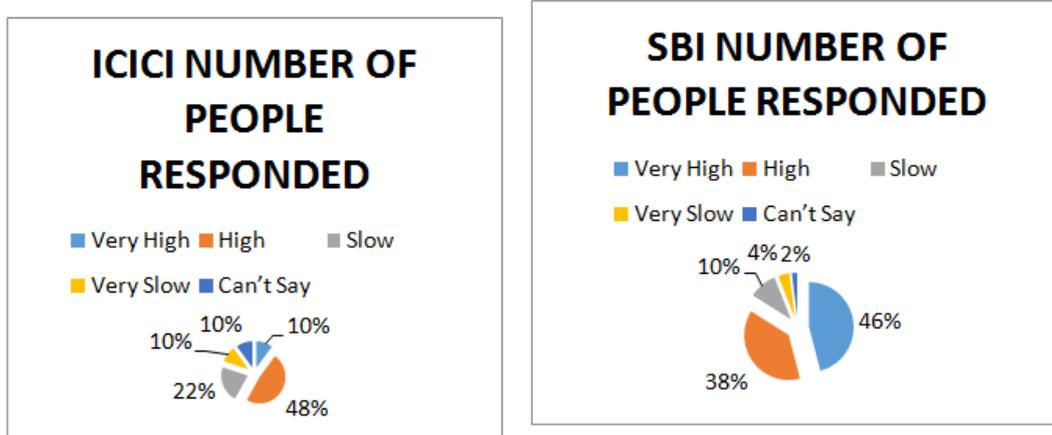
2. Analysis on the basis of diversifies services being provided by the bank will help in optimum utilisation of resources – both manpower and infrastructural.



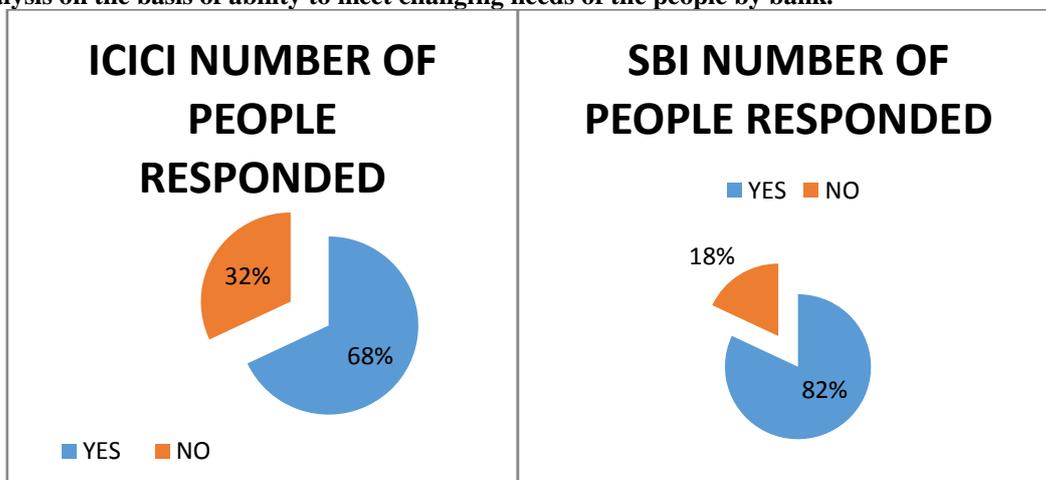
3. Analysis on the basis of a bank who provides all kind of banking and financial services under ‘one – roof’ remain in competition



5. Analysis on the basis of the degree of fast and efficient customer services of the bank.



6. Analysis on the basis of ability to meet changing needs of the people by bank.



V. Findings

In this descriptive analysis it is clearly seen that the awareness about the concept of universal banking is seen less in public sector banks. It may be possible that people know about the products and services provided by the bank but they are not aware that universal banking term exists. Then the concept of providing all services and products 'under one-roof' is not applicable when the bank have different subsidiaries for it according to the customers. The customer satisfaction was also seen more in the private sector bank more due to it being more customer oriented and more trained and polite personnel.

VI. Conclusion

In this study it is found that due to less knowledge about the term 'universal banking' people are not even aware about the products and services of their own bank. Due to this negligence the banks can also lose customers on this aspect. Hence the importance should not only be given to the profit orientation but also to provide better services to the customers. The hypothesis was also proved but the only difference was of the customer satisfaction which can be taken for further studies. The private sector banks are more customer oriented and are promoting their products and services well comparatively to that of public sector banks. Regardless of the type of customers, the bank should be proved useful for every kind of need for the customers which is the major objective of being called the 'universal bank'

VII. Suggestions

Firstly, the concept of universal bank is not given much importance but every bank is now trying to duplicate the universal banks thus actually deteriorating its name. The customers are to be made aware of such concept. **Secondly**, the customer satisfaction always have a different concept and especially when it comes to universal bank. A statistical analysis should be taken once for all universal bank to improve customer satisfaction. **Thirdly**, a universal bank who provides all kinds of products under one roof is merely taken as a hoax. The institution should work hard on this purpose because as the concept of universal bank would be implemented properly, the institution can not only benefit the customer but such a bank can be helpful in bringing the economic status of the country to the next level.

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