

“A Study of Customer Perception towards Credit Appraisal Policy”

Dave Nilam Vijay kumar

Assistant Professor, B. L. Parikh College of Business Administration, Gujarat

ABSTRACT

Banking system is a pillar of economic. It plays a very important role in the development of economic condition of any country. Today, the world is looking towards India a prospective dominant player in the world’s markets. The banking system is one of the fastest growing sectors in India. Banking system in India is basically originated in the 18th century. The word ‘Bank’ is originally derived from the French word ‘Bancus’ or ‘Banque’. The primary objectives of the current study are to study about the private sector banks and to understand the customer perception towards home loan.

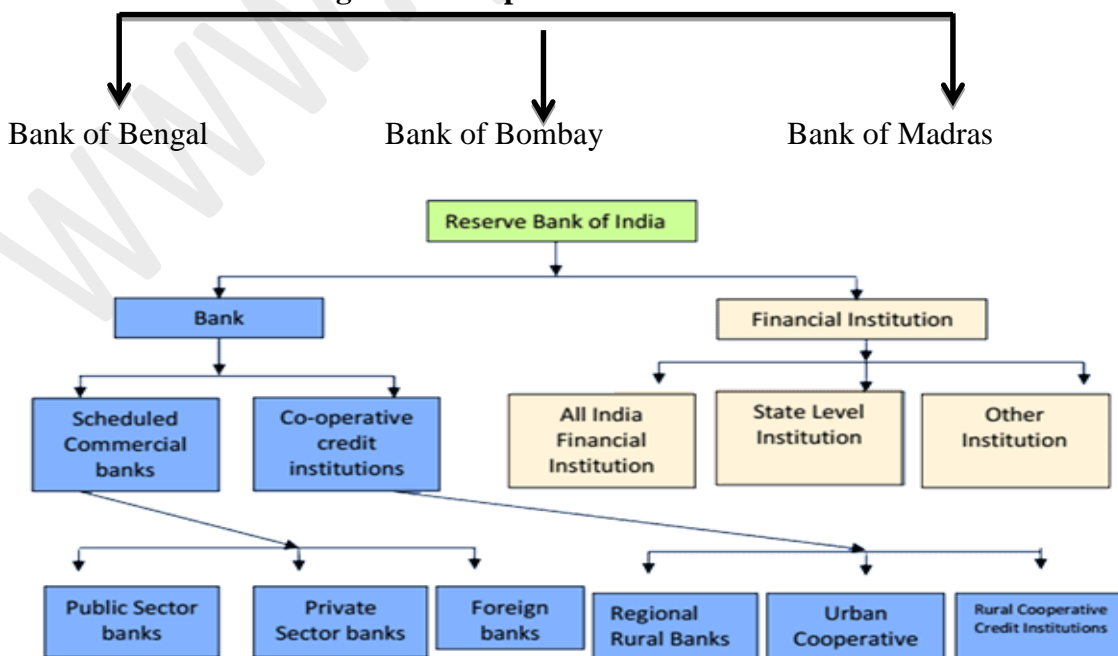
KEYWORDS: Credit Appraisal Policy, Private Banks, Customer Perception and Gujarat.

INTRODUCTION

Banking system is a pillar of economic. It plays a very major role in the progress and development of economic condition of any country. Today, the world is looking towards India a prospective dominant player in the world’s markets. The banking system is one of the fastest growing sectors in India. Banking system in India is basically originated in the 18th century. The word ‘Bank’ is originally derived from the French word ‘Bancus’ or ‘Banque’. In the year of 1809, 1840 and 1843, the three banks were established namely Bank of Bengal, Bank of Bombay and Bank of Madras. These banks were set up in Calcutta, Bombay and Madras.

Figure: 1.1

Figure: 1.1 Imperial Bank of India



In the Indian banking system, banks are generally divided in to two different categories. First are Commercial banks and second are co-operative banks. In India, State Bank of India is one of the largest and oldest bank which is originated in the Bank of Calcutta in June 1806.

REVIEW OF LITERATURE

Chawla (1988) analyzed the development and growth of banking activities after nationalization especially in the Punjab state during the period 1969-83. The study found that nationalization of major commercial banks in 1969 made a highly positive impact on deposit mobilization, credit deployment and branch expansion in the state. Although inter-district disparities continue to exist, yet a trend was noticed for reduction in these disparities. The performance of banks in relation to schemes and programmes initiated for upliftment of weaker sections after nationalization both in quantitative as well as qualitative terms was found to be unsatisfactory. The researcher observed that within priority sector the relatively well-off have got the maximum benefits, whereas the poor have remained credit starved.

Vashisht (1987) evaluated the performance of public sector banks on the basis of branch expansion, deposits, credit, priority sector advances, differential rate of interest (DRI) advances and net profit over the period pertaining to 1971-83. For the study purpose, the researcher ranked the banks as excellent, good, fair and poor by using composite weighted growth index. The study ranked Indian Overseas Bank on the top and Dena Bank on the bottom among the banks taken under study. The researcher suggested the development of marketing strategies for deposit mobilization, profit planning and SWOT analysis in order to improve the performance of public sector banks.

Singh (1992) carried out a comprehensive study to analyze the trends in the productivity of the Indian banking industry since nationalization of 14 major banks in 1969 till the year 1985. The State Bank of India and its subsidiaries along with the banks nationalized in 1969 were considered for analysis. He performed cross-sectional and inter-temporal analysis on the basis of 17 indicators. The indicators were: deposit per employee; credit per employee; business per employee; establishment expenses per employee; spread per employee; deposit per branch; credit per branch; business per branch; total earnings per branch; total expenditure per branch; total earnings as percentage of total credit; establishment expenditure as percentage of total expenditure; establishment expenditure as percentage of total earnings; volume of business per Rs. 100 of establishment expenses; and volume of business per Rs. 100 of total expenditure. The results provided that all the banks under study showed improvement in their productivity except that UCO Bank, which showed decline in productivity from all angles. He suggested that banks should monitor the productivity and its growth on the basis of key indicators identified by him. All banks should create productivity cells. These cells should develop and implement productivity improvement programmes. He further suggested that the information relating to productivity should become a part of the annual reports of banks.

Sanjeev (2006) evaluated the efficiency of banks in India from the year 1997 to 2001. The study was conducted by using DEA Model, and to evaluate the efficiency of banks these were categorized as public sector banks, private sector banks and foreign banks. The study was based on the hypothesis that the efficiency of commercial banks has improved during the reforms period, public sector banks to be less efficient, more competition to banks due to liberalization

and deregulation and negative relationship between efficiency and non-performing assets of the banks. Based on these assumptions the study highlighted that the banks should be free to decide the level of deposits and interest rates. Loan appraisal and monitoring of banks should be strengthened along with upgrading of banking technology. The banks should adopt suitable measures to reduce wastages and to reduce the operating cost.

Archana Mathur (1988) in her article “Customer Service in Public Sector Banks: A Comparative Study” studied the problems faced by customers with regard to delayed service, lack of proper guidance and customer discrimination made by bank staff. She suggested that the banks could solve all such problems if they go in for automation, and the discrepancies made by bank staff could be reduced to a great extent.

Biswan.Bhattacharya (1991) made a study to find out the reason for the poor quality of customer service in banks. The result showed that more than fifty per cent of the customers who made complaints cited inefficient service as the main cause. The delay in encashment of cheque was the next reason for customer complaints. The study pointed out that there was considerable delay in the service rendered which resulted in total dissatisfaction among customers.

Objectives of the present study

1. To study about the private sector banks.
2. To understand the customer perception towards home loan.

Hypothesis of the study

1. There is no significant relationship between practices of credit appraisal policy by selected banks of Banaskantha District and customer perception.

Research Methodology

Research Design

In the current study, researcher has applied descriptive type of research design. This method apply by researcher to identified the variables and analyze it.

Sampling Design

Population of the Study

In the current study, the selected area of banaskantha district and their customers are selected as a population of the study.

Sampling Frame

Researcher has used telephone directory, map and websites as a sampling frame to identify the numbers or addresses of respondents.

Sampling Unit

The customers who visit the bank frequently are the primary unit of research.

Sample Size

In the present study, 200 samples are collected.

Sample Elements

The present study is carried out in the selected areas of banaskantha district.

Sampling Techniques

Researcher has used convenient sampling techniques.

Data Collection Instrument

The data were collected through personal observation and a structured questionnaire.

Tools of Data Collection

Primary Data:

The primary data were collected through structured questionnaire.

Secondary Data:

The secondary data for the current study have been collected through books, reports and journals.

Analysis and Interpretation of Data

The data collected were tabulated and analyzed by using SPSS. Frequency distribution, and ANOVA (F test) were applied to examine the hypothesis.

Data Analysis and Interpretation

Table:1.1 Do you own a residential house?

		Own House			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	192	97.0	97.3	97.3
	No	8	2.7	2.7	100.0
	Total	200	99.7	100.0	
Missing	System	1	.3		
Total		201	100.0		

Interpretation:

From the above table, it is revealed that out of 200 respondents, 192 respondents have their own house.

Table:1.2 Are you aware about Private Sector Banks?

		Aware PSB			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	200	99.7	100.0	100.0
Missing	System	1	.3		
Total		201	100.0		

Interpretation:

Customers of Banaskantha District are fully aware about the private sector banks. The above data revealed that out of 200 respondents all are aware with private banking system.

Table: 1.3 Have you ever taken a home loan from banks?

Home Loan Taken

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	162	84	54.0	54.0
No	38	16	46.0	100.0
Total	200		100.0	
Missing System	1			
Total	201	100.0		

Interpretation:

The table number 1.3 revealed that out of total 200 respondents 162 has taken home loan and remaining 38 did not have loan.

Table: 1.4 Which bank do you prefer to purchase home loan?

Prefer to purchase home loan

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Public sector banks	122	61	74.0	74.0
Private sector banks	78	39	26.0	100.0
Total	200		100.0	
Missing System	1			
Total	201	100.0		

Interpretation:

Out of 200 respondents, 122 respondents are preferred to purchase home loan from public sector banks and remaining are from private sector banks.

Hypothesis:1.5H04: There is no significant relationship between practices of credit appraisal policy by selected banks of Banaskantha District and customer perception.

Table: 1.5

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.051 ^a	.003	.000	.40778

a. Predictors: (Constant), Credit Appraisal Policy of selected banks

This table provides the *R* and *R*² values. The *R* value represents the simple correlation and is 0.51 (the "**R**" Column), which indicates a high degree of correlation. The adjusted *R*² value was 0.03. *R*² value (the "**R Square**" column) indicates how much of the total variation in the dependent variable, entertainment facility was explained by the independent variable. The next table is the ANOVA table, which reports how well the regression equation fits the data (i.e., predicts the dependent variable) and is shown below:

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.174	1	.174	1.077	.196 ^a
	Residual	40.078	198	.158		
	Total	40.162	199			

a. Predictors: (Constant), Credit Appraisal Policy

b. Dependent Variable: Customer Perception

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.256	.123		21.633	.000
	Credit Appraisal Policy	-.040	.033	-.051	-1.037	.286

a. Dependent Variable: Customer Perception

RESULT

The above table of single linear regression analysis explained that the (B) is -0.50 and p value is 0.50 which is higher than significance value 0.05, so the null hypothesis is accepted and alternative hypothesis is rejected. There is no significant relationship between practices of credit appraisal policy by banks and customer perception.

Table: Summary of practices of credit appraisal policy by banks and customer perception.

Hypothesis Statements		Results
H04	There is no significant relationship between practices of credit appraisal policy by selected banks of Banaskantha District and customer perception.	Accepted

Overall Result:

The above table disclosed that there is no significant relationship between practices of credit appraisal policy by banks and customer perception.

CONCLUSION

Today, the banking structure is going to be changed. Banks should provide the best facilities to their customers. The table revealed that out of total 200 respondents 162 has taken home loan and remaining 038 did not have loan. Out of 200 respondents, 122 respondents are preferred to purchase home loan from public sector banks and remaining are from private sector banks. The above table of single linear regression analysis explained that the (B) is -0.50 and p value is 0.50 which is higher than significance value 0.05, so the null hypothesis is accepted and alternative hypothesis is rejected. There is no significant relationship between practices of credit appraisal policy by banks and customer perception.

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