

# A Study on Comparative Analysis of Car Loan in SBI

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**Abstract:** *This study conducts a comparative analysis of car loans offered by the State Bank of India (SBI), aiming to provide insights into the various aspects of these financial products. Car loans are crucial financial tools that enable individuals to purchase vehicles, and understanding the nuances of loan offerings is essential for consumers and financial institutions alike. The research examines parameters such as interest rates, loan tenure, processing fees, eligibility criteria, and customer service quality across different car loan schemes provided by SBI. Through a systematic analysis, this study aims to identify the strengths and weaknesses of SBI's car loan offerings, providing valuable information for prospective borrowers and insights for SBI to enhance its loan products and services.*

**Keywords:** Comparative Analysis, Car Loan, State Bank of India (SBI), Banking Sector, Interest Rates, Loan Terms, Customer Satisfaction, Loan Approval Process, EMI Calculations, Financial Services, Market Research, Consumer Preferences.

## I. INTRODUCTION

A car loan is an amount of money taken from a lending provider to purchase a new or used car. The individuals agree to repay the total amount of the loan along with the lending interest rate amount to the lender (often banks) as and when required. Individuals can choose a car from a list of models and manufacturers in India according to their annual income and budget. Presently, a common man can fulfil his dreams of purchasing a car by getting an auto loan. According to your requirements and financial situations, you can get auto loans from a variety of auto financing services such as Mahindra Finance, Tata Finance, Bajaj Finance and State Bank of India loans.

For example, if you are thinking about financing options with SBI, you must first give your information regarding the type of loan to the company. The SBI associates will then get in touch with you to assist with the loan eligibility amount and the different offers and schemes available with their bank. These days, almost everyone has the desire to buy a car which best suits them according to their requirements.

### Benefits of Car Loans

Auto loans have many benefits. Some of the benefits for applying for car financing loans in India are given below:

1. People using a car for their business purpose can claim part of the interest and depreciation charges as expenses against taxable income.
2. Monthly payments can be directly debited from your bank account.
3. If you're paying fixed payments, the terms of the agreement allow for more accurate budgeting and protect you against any interest rate fluctuations.

### Types of Car Loan

Banks offer 2 types of car loans:

1. New car loan,
2. Used car loan.
3. Loan against car.

### **1) New Car Loan**

A new car loan is taken out to purchase new vehicles generally from dealerships. As citizens of India are getting higher pay packages, many salaried and self-employed individuals are looking to get their dream car. There are many banks which provide new car loans with low car loan rates in India. As the financial market fluctuates in India, there may be an increase in the lending interest rate for new car loans. Because of this situation, be careful when it comes to getting an auto loan and plan according to your financial situations and position.

### **2) Used Car Loans**

Used auto loans are taken by the borrower to purchase a used car from either a second hand car dealer or an individual seller. There are a number of lending institutions which provide used car loans in India. Sometimes people can't afford to buy a new car and in such cases, going for a used car is the best option. The amount of money that you can afford per month should also be taken into consideration in order to take the right decision for auto loans from top banks and lenders such as ICICI, AXIS, HDFC, SBI and Bajaj Finance.

### **3) Loan Against Car**

Another car loan option you have is to borrow money and use the vehicle you purchase as loan security. These types of loans basically mean that the lender will be able to claim the car if you cannot pay them back. But this type of loan is convenient if you need a new car right away and have no funds for a deposit. As well as these car loans, there are also car hire schemes that give you the opportunity to lease then buy the vehicle you drive.

There are also a number of car loan providers in India – including banks and car dealerships – which means you can look at a variety of options before you decide when car loan will be both flexible and affordable for you.

### **OBJECTIVES OF THE STUDY:**

1. To study the car loan provided by bank of India to their customers.
2. To study the detailed procedure involved in the sanctioning of car loan.
3. To study the awareness of the car loan among the customer.
4. Make a comparative study of bank of India car loan with other comparative banks.
5. To study the rules and documents required by bank of India

### **SCOPE OF THE STUDY:**

The scope of this particular research is based on the perception of the relevant customers towards car loan . The study helps to understand the comparison between private & public sector banks and how much the parameters can influence the customer in their decision of applying car loan.

- It helps us in gaining independent knowledge about customer perception towards car loan.
- It can provide prospective information to potential customers.
- It helps in evaluating the effects of several parameters while choosing a car financing company.

### **NEED FOR THE STUDY**

1. Presently all car financing companies are giving very attractive schemes to their customers and this study is aimed at, what is in the mind of customers with reference to the applying for car loans in SBI.
2. At several Banks, they realize that owning a car has increasingly become a necessity. But they also realize that the price tag of the dream car may be just outside the immediate grasp. Car Loans are just to give what customers need to bridge the gap.

### **SWOT ANALYSIS OF STATE BANK OF INDIA**

#### **STRENGTHS**

- Better domestic position
- It has the very large network in India

- Very strong Capital position
- It has the better goodwill in the market
- Itself it has the separate act. And special privilege
- Strong economic growth would generate higher demand for funds
- It provides a wide variety of services to their customers includes, investment banking, online banking, stock broking and rural banking
- It has the strong brand name among customers
- Strong backing from the government

#### **WEAKNESS**

- Lack of modernization
- It has the high margin of non-performing assets, repayment of loan issues
- Compared to other private banks and foreign banks the customer waiting period is long
- Loss of market shares, because of delay in technology up-gradation
- Bad debts is the main problem of unable to resolve bad debts and non-repayment of loans

#### **OPPORTUNITIES**

- Global expansion in that especially in rural areas
- Reduce transaction cost by merging with associated banks
- Restructuring with the challenges of the new financial environment
- Growth of per capita income and indicates a growing economy
- Borrowing capacity of the customer is increasing
- Through the help of technologies that is mobiles, internet, computers the services of online banking is increasing
- Banks become more relevant with demonetisation and digitization, it increase the no. of banks accounts and credit card usage

#### **THREATS:**

- Threats of cyber will effect on bank image and information theft & security
- Reduce in market shares of SBI, If the consolidation among private banks
- Effect on operation when giving licenses by SBI for new banks
- Foreign banks that have advanced product in their business

## **II. REVIEW OF LITERATURE**

Banking developments greatly contributed to economic development of the country. A positive relationship between financial sector development and economic growth was established by economists in various empirical studies. In pre-reform period, the commercial banks and other financial institutions were operating in stable environment with little or absence of competition. But in the reform period remarkable changes took place in banking industry. During liberalised era, banking industry entered new phase and became globally competitive. It has to fulfill both social and national objectives. In wake of these changes it is necessary to study the performance of the banks. State Bank of India, being the oldest and largest commercial bank of the country, contributed remarkably to the development of Indian banking industry. Therefore it is essential to study the performance of State Bank of India and its associates in the changed and competitive environment. As per the topic of the research “A study on comparative analysis of car loan” an attempt has been made to study the different studies in this field to assess the performance of banks in India.

### **1. Impact of COVID-19 on the Financial Performance of SBI Bank by Raut and Gupta (2021)**

This study analysed the impact of the COVID-19 Pandemic on the financial performance of SBI bank during the year 2020. The researchers used financial ratios such as ROA, ROE, NIM, and Asset Quality to evaluate the bank's financial performance. The study found that SBI bank had a decline in its financial performance during the

**2. Mishra et al. (2021)** conducted a study on the financial performance of SBI. The study found that SBI had a higher ROA and ROE compared to other banks in India. The study also found that SBI had a higher NIM and lower NPA compared to other banks.

**3. Chakraborty and Debnath (2021)** conducted a study on the impact of financial inclusion on the financial performance of banks in India, including SBI. The study found that financial inclusion had a positive impact on the financial performance of banks, including SBI.

**4. Nayak and Singh (2020)** conducted a study on the financial performance of Indian banks during the COVID-19 pandemic, including SBI. The study found that the pandemic had a negative impact on the financial performance of banks, including SBI. However, SBI's financial performance was relatively better compared to other banks due to its strong digital infrastructure.

**5. PATEL BHAVESHKUMAR K (2020)**, study the financial performance of SBI bank, this study is based on secondary data that has been collected from annual reports of the SBI bank, books, newspapers, magazines, journals, documents, research papers, websites, and other published information. It is major part of total banking system in India. SBI is the India's largest commercial bank in terms of assets, deposits, and employees. This study main objective is to find out the profitability, liquidity ratios and solvency ratios to measure the financial health of SBI bank. The market position of SBI is better. Financial analysis is used to find the banks position in maintaining the day-to-day operations. This study is focused to evaluating the performance of SBI bank. The various ratios under the above category were collected and it is found that there is a significant growth in the year 2020. SBI have more profitability because it enters into the industry as well as commercial market also and regularly it improving the service quality level. In this highly competitive global environment, it is imperative for the SBI bank to show outstanding performance in various parameters.

**6. Financial Performance of SBI Bank after Merger with Associate Banks by Singh and Sahu (2019)** This study analysed the financial performance of SBI bank after its merger with five associate banks in 2017. The researchers used various financial ratios such as ROA, ROE, NIM, and Asset Quality to evaluate the bank's financial performance. The study found that SBI bank had a significant growth in terms of assets, deposits, and loans after the merger. The researchers concluded that the merger had a positive impact on the financial performance of SBI bank.

**7. Gupta and Bhatia (2019)** analysed the financial performance of Indian public sector banks, including SBI, using a composite scorecard approach. The study found that SBI had a higher score compared to other public sector banks, indicating better financial performance.

**8. Shabbir et al. (2018)** conducted a study on the impact of corporate governance on the financial performance of banks in India, including SBI. The study found that good corporate governance practices had a positive impact on the financial performance of banks, including SBI.

### **III. RESEARCH METHODOLOGY**

According to John Best, "Research is systematic activity Directed towards discovery and the development of an organized Body of knowledge. Research is a process of systematic and in-depth study of any Topic or subject backed by collection, compilation, presentation, and interpretation of relevant data. A research design is the Specification of the methods and procedures for acquiring the Information needs to structure what information is to be collected from which sources and by what procedures. Research design is Needed because it facilitates the smooth sailing of various Research Operations, thereby making as efficient as possible. In simple words It refers to the process of research.

#### **3.1 Research Design**

It is the overall plan or program of research. A researcher Depending upon the topic of the study may choose explorative, diagnostic, descriptive or experimental studies. The research is of Descriptive type.

##### **Any research design performs two major functions**

- Preparing a structure plan outlining various methods and Techniques required in conducting the research.
- Making sure that these method and techniques are Suitable for the research. It also ensures that these Techniques will help in finding objective, precise, and Suitable answers to the research questions. According to Derringers, this function is called "control of variance".

**Sampling Design:**

As soon as the design research is selected, the next task is to Select the sample design. Sample design sets a platform for Effective data collection and analysis. A sample design responsible for the effective selection of research samples. Selecting sample Design affects many aspects related to the research work. Hence, Selection of suitable sample design should be carefully performed.

**Data Sources:**

Data is collected from both primary and secondary data.

**Primary Data:**

This refers to the first – hand information collected directly by The researcher. A questionnaire was given to the customers to Collect primary data. The total number of respondents was 100.

**Secondary Data:**

Data, which are not originally collected but rather obtained From published sources, are known as secondary data. This data Was collected from company records journals.

**Data Collection Tools:**

Structured questionnaire is used here as the instrument to Collect the data. Sampling Size The sample size of study is 100.

**3.2 Research Tools**

Research tools are statistical techniques used for data analysis and to arrive at certain conclusions. The tools used for this project is, percentage analysis.

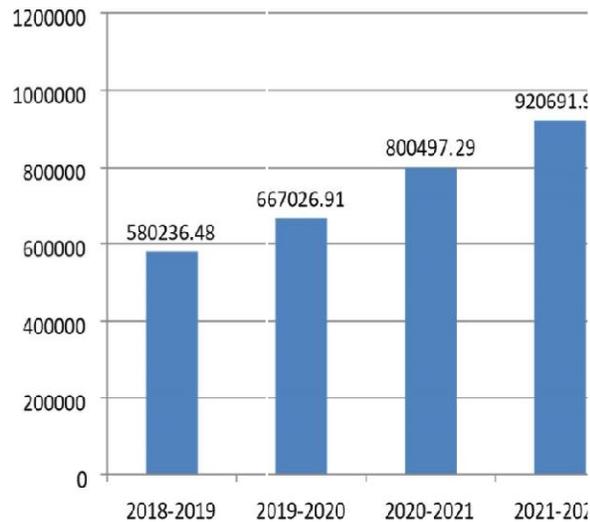
**Percentage Analysis**

It refers to a special kind of ratio. Percentage is used in making comparison between two are more series of data. Percentages are used to determine relationships between the series of data. Finding the Relative Differences Become Easier through Percentage.

**IV. DATA ANALYSIS AND INTERPRETATION**

Loan and advances sanction by State bank of India in past 5 years.

| <b>Particulars</b> | <b>Loans and Advances<br/>(Amt in cr...)</b> |
|--------------------|--|
| 2018-2019          | 580236.48                                    |
| 2019-2020          | 667026.91                                    |
| 2020-2021          | 800497.29                                    |
| 2021-2022          | 920691.91                                    |
| 2022-2023          | 1093508.58                                   |



**Interpretation:**

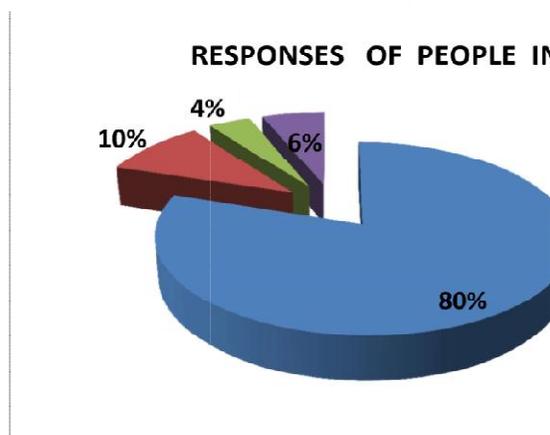
From year 2018-2019 the loan and advances has been increased by 14%. In year 2019-2020 increased by 20%. In year 2021-2022 increased by 15%. And in year 2022-2023 increased by 18.7%. There is a rapid growth in loans and advances that shows the State Bank of India is helping the financial needy people by providing loans and advances at the low rate of interest.

**GRAPHICAL REPRESENTATION OF DATA**

Note: Number of People ‘( )’

Q1. On which bank you depend for your regular transaction?

|                           |   |
|---------------------------|---|
| <b>SBI</b>                |   |
| <b>ICICI</b>              |   |
| <b>HDFC</b>               |   |
| <b>OTHER</b>              |   |
| <b>TOTAL NO OF PEOPLE</b> | 1 |

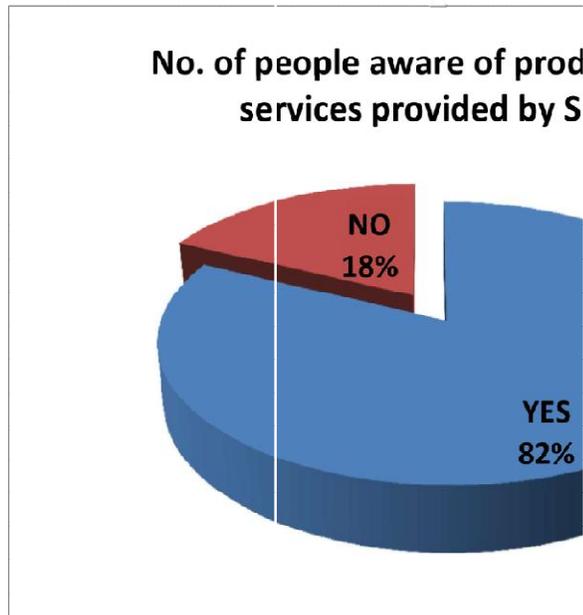


**Interpretation:**

It has been observed that approximately 80% correspondents are using the service of SBI for their daily transaction, around 10% of people are using ICICI Bank for their transaction and only 4% & 6% of people are using HDFC & other Bank service respectively in Bangalore. It also shows that SBI have the highest market position in Bangalore as per my sample.

Q2. Are you aware of products & services provided by SBI?

|                           |            |
|---------------------------|------------|
| <b>YES</b>                | <b>82</b>  |
| <b>NO</b>                 | <b>18</b>  |
| <b>TOTAL NO OF PEOPLE</b> | <b>100</b> |

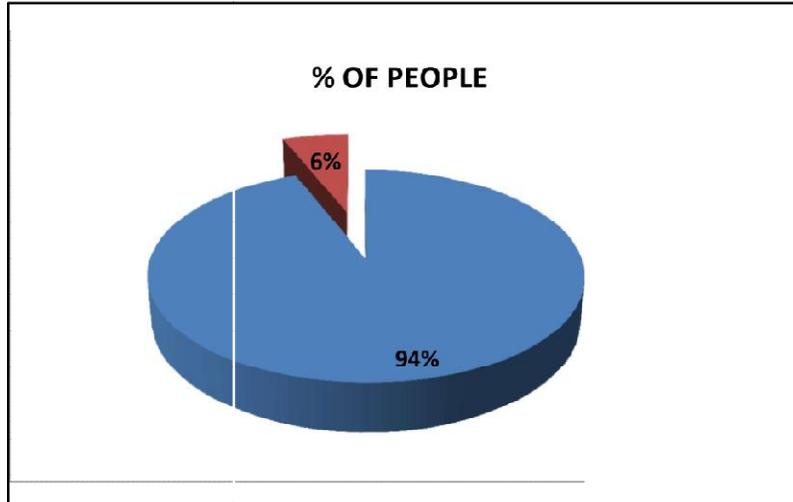


**Interpretation:**

From the above data it is clear that most of the customers (around 82%) of Bangalore have the idea about the product & services of SBI, the rest 18% have the idea about the product they are using. In this 18% most of the people are from typical rural area.

Q3. If yes are you aware of the advance products (Loan segments) of SBI?

|                           |            |
|---------------------------|------------|
| <b>YES</b>                | <b>94</b>  |
| <b>NO</b>                 | <b>6</b>   |
| <b>TOTAL NO OF PEOPLE</b> | <b>100</b> |

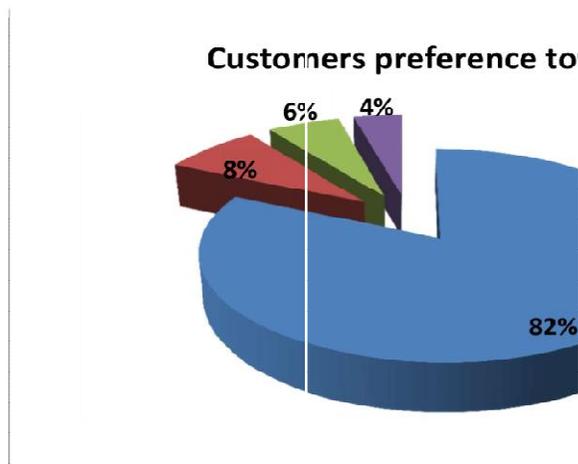


**Interpretation:**

It is clear that most of the people have the idea about the advance product of SBI. Almost all the 95% people who have the idea about the advance product are the user of SBI product & service.

Q4. Which bank you prefer for taking loans?

|                    |  |
|--------------------|--|
| SBI                |  |
| ICICI              |  |
| HDFC               |  |
| OTHER              |  |
| TOTAL NO OF PEOPLE |  |



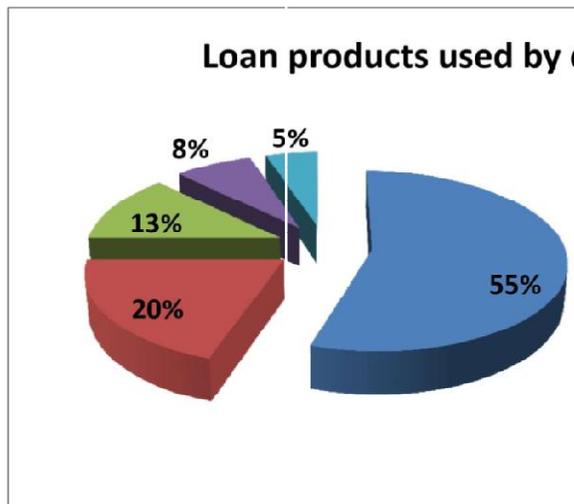
**Interpretation:**

According to my sample size 82% of people prefe

people prefer ICICI, HDFC or OTHER Bank for loan because they have their account in different bank & it is easier for them to get loan from their bank & it easier for them to pay the interest because it is less as compare to another bank because they are the customer of that bank.

Q.5 Which loan product of SBI you have used?

|                    |     |
|--------------------|-----|
| HOME LOAN          | 55  |
| EDUCATIONAL LOAN   | 20  |
| CAR LOAN           | 13  |
| PERSONAL LOAN      | 8   |
| OTHER              | 5   |
| TOTAL NO OF PEOPLE | 100 |

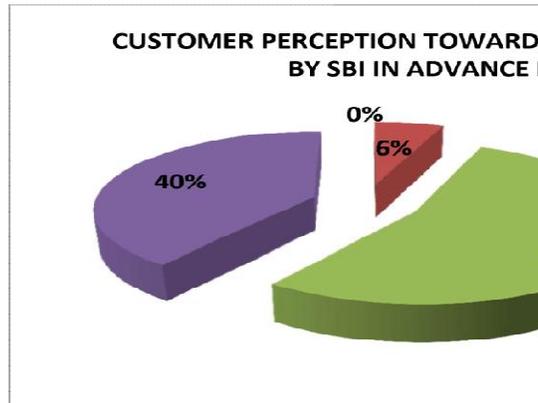


**Interpretation:**

From the sample size 82% of people are using the SBI loan product. From the 40 people 55% of people took home loan from SBI. 20% of people took education loan for their children, 13% of people took car loan from SBI. Some of the customer took 2 type of loan from SBI like both car & educational loan and home & car loan. 8% of people took personal loan. And 5% of people took other loans.

Q6. What do you feel about the services providing by SBI in advance product?

|                     |      |
|---------------------|------|
| Bad                 | 0    |
| Satisfactory        | 6    |
| Good                | 54   |
| Excellent           | 40   |
| TOTAL NO. OF PEOPLE | 1000 |



**Interpretation:**

From this it is clear that the service provide by SBI in its advance product is good in between the customer. All of them satisfy with the product provide by SBI. 55% of people said that the service provide by SBI is good & 43% said it is excellent & just 2% of people said that it is satisfactory.

**V. FINDINGS**

- From this project it is found that SBI advance product having the 1St place in the market at Bhubaneswar, there is a great opportunity to compete with ICICI Bank & to retain its
- Customer by fulfilling the requirement of customer in SBI advance product.
- It has been observed that approximately 85% correspondents are using advance
- Product of SBI and 15% are not using any type of advance product of SBI in Bhubaneswar.
- All of SBI customers are satisfied with the services provided by the bank.
- Many of these customers satisfied with the low interest rate and longer repayment Period of the advance product.
- Most of the customers at Bhubaneswar prefer to take loan from SBI.
- Approximately 43% of advance product users said that the service of SBI in advance
- Product is excellent.
- A response from customer care is so clear & good.
- Many customers have no time to call customer care so that they are not able to know About the service & features of SBI advance product.
- Most customers are shifted from other bank’s advance product to SBI because of Hidden charges, high interest rate, less repayment period.
- Government employees are more concern than private employees for advance product.

**VI. SUGGESTION & RECOMMENDATION**

- Customer awareness programme is required so that more people should attract towards advance product.
- If there are any kind of hidden charges than that must disclose to customer before giving loan to them.
- SBI must take some steps so that customers can get their loan in time. Like phone verification by customer care that one customer is got their loan on time or not .It must be before a certain date so necessary steps can be taken.
- SBI should more concern about physical verification rather than phone verification so it will avoid fraud or cheating.
- Advance product selling agents must not give any type of wrong information regarding advance product.
- For the better service new offers would be require.

- SBI customer care should more concern about the fastest settlement of customer problems.
- Before deducting or charging any monetary charge SBI must consult with customer.
- Agents should be trained, well educated & proper trained to convince the people about different advance product.
- It is the duty of the bank to disclose all the material facts regarding advance product, like interest charged, repayment period, other types of charges, etc.
- Special scheme should be implemented to encourage both customer and agents.
- The bank should increase the period for repayment of loan.
- SBI should more focus on Retaining existing customers.
- SBI must focus on Segmentation based on customer knowledge Product offering based on customer demand.
- SBI must take feedbacks of customers regarding features & services.

### VII. CONCLUSION

From the analysis part it can be conclude that customers have a good respond towards SBI. SBI is in 1st position having large number of customers & providing good services to them. The bank has a wide customer base, so the bank should concentrate on this to retain these customers.

In present scenario SBI is the largest advance product issuer in India. Within a very short period of time the achievement made by SBI is excellent, what a normal bank cannot expect, but it is being done by SBI. It happens due to employee dedication towards the organization, fastest growing Indian economy, & brand image.

To be the largest advance product issuer, SBI should focus on-

Launch Innovative product

Customized advance products

Better customer services

Fastest customers problem solving techniques

Customer retention

A part from all the above, SBI believe in providing good customer services to their customers which is a key factor for success in future.

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