

# A Study on Comparative Services of Private Bank and Public Bank” (State Bank of India (SBI) & ICICI Bank) at Mahad-Raigad

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**Abstract:** Public Sector Banks (PSBs) are a major type of bank in India, where a majority stake (i.e. more than 50%) is held by the government. The shares of these banks are listed on stock exchanges. The private sector enterprise is an organisation which is owned, managed & controlled by private individuals or a group of individuals or both. This is also engaged in business activity but with the motive of profit maximisation rather than public service like in case of public sector enterprise. The merger of the loss making New Bank of India with the profitable ICICI BANK was the first instance of merger of two public sector commercial banks. Corporate world have been merging to gain synergies in their operations, derive economies of scale and offer one-stop facilities to more demanding clientele. Hence, the desire to grow quickly through mergers, rather than through the slow path of normal expansion in business it is important to improve the competitiveness and quality of the services sector in order to enhance its efficiency. The present comparative study focuses on the merger of public and private sector banks in India specially merger events relating to Bank of Baroda, Punjab National Bank, HDFC Bank and ICICI Bank. It also examines the only aspect of such merger(s) in terms of valuation of banks before and after merger and find out the result that which sector gained more value through merger in India. **KEYWORDS:** Merger and Acquisition, Valuation of Banks, Public and private sector banks.

List of Some Public Banks in India:

• Bank of Baroda • Bank of India • Bank of Maharashtra • Canara Bank • Central Bank of India • Indian Bank • Indian Overseas Bank • Punjab National Bank • Punjab and Sindh Bank • Union Bank of India • Uco Bank • State Bank of India

List of Some Private Banks in India:

• Axis Bank • Bandhan Bank • CSB Bank • City Union Bank • DCB Bank • Dhanlaxmi Bank • Federal Bank • HDFC Bank • ICICI Bank • IndusInd Bank • IDFC FIRST Bank • Jammu & Kashmir Bank • Karnataka Bank

**Keywords:** Bank

## I. INTRODUCTION

### INDUSTRY PROFILE OF STATE BANK OF INDIA (SBI)



The evolution of State Bank of India can be traced back to the first decade of the 19th century. It began with the establishment of the Bank of Calcutta in Calcutta, on 2 June 1806. The bank was redesigned as the Bank of Bengal, three years later, on 2 January 1809. It was the first ever jointstock bank of the British India, established under the sponsorship of the Government of Bengal. Subsequently, the Bank of Bombay (established on 19 April 1840) and the

Bank of Madras (established on 1 July 1843) followed the Bank of Bengal. These three banks dominated the modern banking scenario in India, until when they were amalgamated to form the Imperial Bank of India, on 27 January 1921. An important turning point in the history of State Bank of India is the launch of the first Five Year Plan of independent India, in 1951. The plan aimed at serving the Indian economy in general and the rural sector of the country, in particular. Until the plan, the commercial banks of the country, including the Imperial Bank of India, confined their services to the urban sector. Moreover, they were not equipped to respond to the growing needs of the economic revival taking shape in the rural areas of the country. Therefore, in order to serve the economy as a whole and rural sector in particular, the All India Rural Credit Survey Committee recommended the formation of a statepartnered and state-sponsored bank. The All India Rural Credit Survey Committee proposed the takeover of the Imperial Bank of India, and integrating with it, the former state- owned or state-associate banks. Subsequently, an Act was INTRODUCTION 10 passed in the Parliament of India in May 1955. As a result, the State Bank of India (SBI) was established on 1 July 1955. This resulted in making the State Bank of India more powerful, because as much as a quarter of the resources of the Indian banking system were controlled directly by the state. Later on, the State Bank of India (Subsidiary Banks) Act was passed in 1959. The Act enabled the State Bank of India to make the eight former State- associated banks as its subsidiaries. The State Bank of India emerged as a pacesetter, with its operations carried out by the 480 offices comprising branches, sub offices and three Local Head Offices, inherited from the Imperial Bank. Instead of serving as mere repositories of the community's savings and lending to creditworthy parties, the State Bank of India catered to the needs of the customers, by banking purposefully. The bank served the heterogeneous financial needs of the planned economic development.

#### **INDUSTRY PROFILE OF ICICI BANK**



ICICI Bank started as a wholly owned subsidiary of ICICI Limited, an Indian financial institution, in 1994. Four years later, when the company offered ICICI Bank's shares to the Public, ICICI's shareholding was reduced to 46%. In the year 2000, ICICI Bank offered made an equity offering in the form of ADRs on the New York Stock Exchange (NYSE), thereby becoming the first Indian company and the first bank or financial institution from non-Japan Asia to be listed on the NYSE. In the next year, it acquired the Bank of Madura Limited in all-stock amalgamation. Later in the year and the next fiscal year, the bank made secondary market sales to institutional investors. With a change in the corporate structure and the budding competition in the Indian Banking Industry, the management of both ICICI and ICICI Bank were of the opinion that a merger between the two entities would prove to be an essential step. It was in 2001 that the Boards of Directors of ICICI and ICICI Bank sanctioned the amalgamation of ICICI and two of its wholly-owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited, with ICICI Bank. In the following year, the merger was approved by its shareholders, the High court of Gujarat at Ahmadabad as well as the High Court of Judicature at Mumbai and the Reserve Bank of India.

#### **STATEMENT OF THE PROBLEM:**

The research statement studied is entitled. A Comparative study of Private and Public Bank on State Bank of India and ICICI Bank of Mahad. The present study force on the analyses performance of Comparative study of State Bank of India and ICICI Bank Mahad. To analyze the business model of the ICICI Bank.

#### **II. REVIEW OF LITERATURE:**

Effect of IT based services on customer satisfaction in banking industry": Sachin Mittal and Rajnishjain (2010) In this research paper is basically a literature review of banking industry and effect of IT based services on customer satisfaction. The study highlights customer satisfaction levels among young customers in banking industry. A survey indicates the gap between customer's expectations and perception with respect to IT based banking services. Findings

indicated need to improve the IT based services for enhancing customer satisfaction. “A study of Demographics and customers satisfaction in internet banking”, Kumbhar and Vijay (2011) This study is examined the relationship between the demographics and customers satisfaction in internet banking. It also found out relationship between service quality and customer satisfaction as well as satisfaction in internet banking service provided by the public sector bank and private sector banks. The study found out that overall satisfaction of employees, businessmen and professionals are higher in internet banking services. Also it was found that there is significant difference in the customers perception in internet banking services provided by the public and private sector banks. “Internet banking, consumer adoption and Customer satisfaction: Andrew Muslime and MalingaRamadhan (2011) Internet banking is where customer can access his or her bank account via the internet using pc or mobile phone and web-browser. Internet banking service as banking service that allows customers to access and perform financial transactions on their banks accounts from their computers with internet connection. 52 Internet banking has advantages for banks to maintain competition, to save costs, to enhance mass customization, marketing and communication activities and to maintain and attract consumers. Internet banks serve also as gateways offering identification and authorization services to a number of third party service providers. Internet banking helps banks in cost saving, increase customer base, enable mass customization for e-business service, extend marketing and communication channel, search for new innovation services and explore and development of non-core business. “Acceptance of E-Banking among adult customers. An Empirical Investigation in India” Dixit, Neha and S.K.Datta (2010) Internet Banking is a form of self service technology. The number of internet users have increased dramatically, but most of them are reluctant to provide sensitive personal information to websites because they do not trust e-commerce security. This paper investigates the factors which are affecting the acceptance of e-banking services among adult customers and also indicates level of concern regarding security and privacy issue in Indian context. Also a reason, of not accepting online banking by adult customers is no training or guidance from the bank’s side. The result of this study viewed that adult customers are more reluctant to join new technologies or methods that might contain little risk. It is also important to note that some adult customers are interested in online banking; however, they do not possess the necessary computer literacy to conduct it. In addition banks should design the website to concern security and privacy issues. “A study on electronic banking and customer satisfaction” Bismarck Amiya and Eric Ashley (2015) E-banking encompasses the provision of banking services and products by banks to their customers through electronic medium. E-banking covers both computer and telephone banking. For many banks, inclination to e-banking services improves customers to the Bank. The adoption of ebanking is also seen as a new method of expanding customer base and to also counteract the aggressive effort made by traditional banking institution. 53 E-banking allows customers to inquire information and carry out most banking services such as account balance inquiry, bill-payments and inter-account transfers through the Internet. E-banking therefore, includes systems that enable financial institutions customers, individuals and business to access accounts, transact business and obtain information or financial products and services through public or private networks. Recent growth in technology and innovative has fast-tracked the desire of customers of banks for exceptional services to meet the current trend of technological advancement. Contemporary studies on e-banking acknowledges that factors that drive customer satisfaction are security design, availability, convenience and reliability being the most influence factors of e-banking on customer satisfaction. E-banking availability is recognized as the ability of users to access banking information and services from the web. Customers can access e-banking services only when the service is available

**OBJECTIVES OF THE STUDY:**

- To study the comparative study of Private and Public bank.
- To know about the customer reference among ICICI and SBI Bank.
- To analyze the financial performance of both the banks.
- To compare both the banks on the basis of their financial performance.
- To give suggestion to improve the services.

**HYPOTHESIS OF THE STUDY:**

- H0-There is no difference between financial performance of both the banks.

- H1-There is difference between financial performance of both the banks
- H0-There is no difference in satisfaction level of customers in public and private banks.
- H1-There is difference in satisfaction level of customers in Public and Private Banks.

### **SCOPE OF THE STUDY**

This study helps to identify customer perceptions about the public and private sector banks. Then to compare the private and public sector banks on the Basis of the quality of services. The penchants and primacies towards types of services provided by public and private sector banks. Enhancing the knowledge of banking industry. Study the causes influencing the choice of a bank for availing services. Study the difficulties faced by clientele.

### **LIMITATIONS OF THE STUDY**

Errors while making calculation are likely to creep in  
The biggest limitation is the time  
The respondents can be biased in supporting a particular Bank.

## **III. RESEARCH METHODOLOGY**

### **MEANING OF RESEARCH**

Research in common parlance refers to a search of knowledge. One can also define research as a scientific & systematic search for pertinent information on a specific topic. Infact, research is an art of scientific investigation. The advanced learner dictionary of current lays down the meaning of research as a ‘careful investigation as inquiry especially through search for new facts in any branch of knowledge.’ Redman & Mory define it as a ‘systematic effort to gain knowledge.

### **RESEARCH DESIGN**

The study is descriptive in nature and this attempt to make to evaluate the Comparative study of private and public bank on state bank of India and ICICI Bank of Mahad. It specifies the details of the procedure necessary for obtaining the information needed to structure or to solve the research problem. The type of research design used by me is Qualitative research here I focused on the Understanding and expectations of the respondents. A major chunk of my research was based on the conclusive research design.

### **PRIMARY DATA**

Primary data is the data which is gathered originally for a certain purpose. It is data that is collected by a researcher from first-hand sources, using methods like surveys, interviews, or experiments. It is collected with the research project in mind, directly from primary sources. These are the data which are collected from some primary sources. i.e., a source of origin where the data generate. These are collected for the first time by an investigator or an agency for any stastical analysis. Primary data can be collected in a number of ways. However, the most common techniques are self-administered surveys, interviews, field observation, and experiments. In this study primary data is collected through questionnaire. For this study questionnaire were answered by bank manager and personnel observation limited to an area.

### **SECONDARY DATA**

The data which are used in an investigation, but which have been gathered originally by someone else for some other purpose are known as secondary data. It refers to data which is collected by someone who is someone other than the user. This data is gathered from studies, surveys, or experiments that have been run by other people or for other research. These are the data which are collected from some secondary source i.e.; the source of reservation storage where the data is collected by one person and used by other agency. Secondary data for this research was collected through Internet, various books, magazines and several research papers.

**DATA ANALYSIS**

The collected data will be analyzed by using statistical tool and techniques. In this project I used the Ms. Word, Ms. Excel, Ms. Powerpoint, Charts and diagram, etc.

**SAMPLE SIZE**

The sample size of this study is 100 and questionnaire method is used for data collection. We personally met the respondents inside and outside the banks. For secondary data we take into consideration the journals and publication issued at different sites on internet. For latest information we also visited State bank of India and ICICI Bank personally. The information was collected and analysis according to respondent socio economic background, included the factor of education, age, income, marital status, etc.

**SIGNIFICANCE OF THE STUDY**

The research also revealed that there is a significant difference in relationship quality offered by Public and Private sector banks. The research has a wide range of applications. The research will be useful for the bankers and helps to better manage the customers.

**IV. CONCLUSION**

The overall analysis of table reveals the fact that the private sector banks provided positive returns whereas Public Sector Bank (PSB) like State Bank of India, provided negative returns. The major reasons for negative returns of PSB might be that PSBs are still conservative banks. But in the case of ICICI Bank, which follows an aggressive policy, the event got discounted within a shorter duration and with positive returns. It is important for Indian banks to improve competitiveness and quality of the banking system to bring efficiency in the performance. Merger banks need to communicate or publicize about merger proposal with a view to getting the consent of their shareholders.