

## **Effectiveness On Retail Lending System In Bank Of Baroda With Reference To Coimbatore**

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### **ABSTRACT**

*Banks play a predominant role in building the economy of an individual as well as nation. The importance for service sectors has been growing worldwide. In line with the global trend, in the Indian context also, the service sectors have been gaining prominence since the introduction of New Economic Reforms in 1991. Of the various service sector activities, the Cooperative banking in India has greater importance as it forms the lifeline of economic activity of both rural and urban areas. However, the liberalization process has evoked skepticism on the performance of the banks which are on the part of the planners, policy makers and small savers, due to the increased competition faced by these institutions from the public and private domestic banks and the foreign banks. The study findings reveal that, the lending rates of bank of Baroda is less from the customers point of view. There is no significant relationship between the demographic profile rating system, lending rates and awareness of interest rates. It is concluded that, the Interest rate and processing fees have to be monitored. Retail loans such as housing loans, education loans, auto loans, personal loans interest rates has to be revised. Bank must adopt new methodology .It has to promote its product well in the market in order to gain competitive advantage.*

**Keywords:** *Retail lending system, Bank of baroda and Lending rates*

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Date of Submission: 06-02-2023

Date of acceptance: 17-02-2023

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### **I. INTRODUCTION TO THE CONCEPT OF THE STUDY**

Banks play a predominant role in building the economy of an individual as well as nation. The importance for service sectors has been growing worldwide. In line with the global trend, in the Indian context also, the service sectors have been gaining prominence since the introduction of New Economic Reforms in 1991. Of the various service sector activities, the banking services in India has greater importance as it forms the lifeline of economic activity of both rural and urban areas. However, the liberalization process has evoked a new role on the performance of the banks on the part of the planners, policy makers and small savers, due to the increased competition faced by these institutions from the public and private domestic banks and the foreign bank.

Banking services are offered to the general public. Retail lending services are a group of financial services that includes installment loans, residential mortgages, equity credit loans, deposit services, and individual retirement accounts. Retail lending includes loans for automobile purchases, home purchases, medical care, home repair, vacations, and other consumer uses. In contrast with Wholesale Banking or corporate banking, retail banking is a high volume business with many service providers competing for market share.

Retail lending has taken a prominent role in the lending activities of banks, as the availability of credit and the number of products offered for retail lending have grown. Retail lending may take the form of installment loans, which must be paid off little by little over the course of years, or non-installment loans, which are paid off in one lump sum.

### **STATEMENT OF THE PROBLEM**

The special features of retail lending is to attract the customers about their retail products and the implementation of the service offered. Retail lending system studies the gaps in the service offered to various customers. The problem in retail lending is where bank to bank provide different schemes and different norms for the eligibility of the applicant in providing loans. For small borrowers it is difficult to get ITreturns.To get the approval ,documents from state government is also difficult. The present study focuses on the lending rates products and services offered in bank.

### OBJECTIVES OF THE STUDY

- To understand the lending rates on products and services provided by Bank of Baroda.
- To study the opinion of the customers regarding the lending rates.
- To give suggestions from the above findings.

### SCOPE OF THE STUDY

The study is conducted to analyse the retail lending schemes in bank of baroda. The study is collected through primary data from the customers through questionnaire and secondary data in the form of reports, websites, magazines.

### RESEARCH METHODOLOGY

- Type of the study - Descriptive study
- Sampling Method - Convenience Sampling method
- Sample Size - 120 Customers
- Data collection - Questionnaire
- Tools for analysis - Percentage analysis, Chi Square

### LIMITATIONS OF THE STUDY

- Questionnaire has its own limitations.
- The results will be applied only to Bank of Baroda not to other Banks.
- Lending rates may change in future.

### DATA ANALYSIS AND INTERPRETATION

#### Demographic variables of the respondents

Demographic variables	Particulars	No of Respondents	Per cent
Gender	Male	69	58
	Female	51	42
	Total	120	100
Age	20-25	51	44
	25-30	57	45
	30-35	9	8
	35-40	2	2
	Above 45	1	1
	Total	120	100
Occupation	Salaried	58	48
	Business	45	38
	Professional	13	11
	Others	4	3
	Total	120	100
Educational Qualification	Upto12th	39	33
	UG	58	48
	PG	19	16
	Others	4	3
	Total	120	100
Income	Below 5000	40	34
	Rs.5000-10000	40	34
	10000-15000	20	16
	Above 15000	20	16
	Total	120	100
Place of Living	Urban	54	46

	Semi urban	40	33
	Rural	26	21
	Total	120	100
Marital Status	Married	50	42
	Unmarried	70	58
	Total	120	100

It can be inferred from the above table shows that majority of the respondents 58% are male customers and 42% female customers. 57% are at the age group between 25-30 years and 1% are above 30 years. 48% are salaried employees, 38% are business people, 11% are professionals and 3% other categories. 48% are been educated up to UG, 33% are educated upto 12<sup>th</sup>, 16% are educated upto PG and 3% are illiterates. 34% below 5000, 34% between 5000-10000, 16% lies between 10000-15000 and above 1500. 46% in urban areas, 33% in semi urban areas and 21% located in rural areas. 58% are unmarried and 42% respondents are married.

**Opinion of Respondents with the benefits received**

Benefits received	No. of respondents	Mean	Rank
Convenience	4	3.0917	2
Better advice	36	3.7417	4
Assurance	3	4.0417	7
Tangibility	9	4.6833	9
Empathy	3	5.575	3
Efficient service	47	5.8	1
Quick resolution to queries	2	6.1417	10
Fast money transaction	1	6.8417	5
Easy withdrawal of money	4	7.575	8
Safety lockers	11	7.2333	6

The above table shows that majority of the respondents 47% ranked as efficient followed by convenience, empathy, better advice, fast money transaction safety lockers, assurance, easy withdrawal of money, tangibility.

**Relationship between demographic profile with rating system**

**H<sub>0</sub>** : There is no significant relationship between demographic profile and Rating system

**H<sub>1</sub>**: There is significant relationship between demographic profile and Rating system

**Relationship between Demographic profile with rating system**

Particulars	X <sup>2</sup>	P value	Result
Gender	10.195	.037	Accept
Occupation	12.122	.436	Accept
Income	17.378	.076	Accept
Place of living	7.527	.481	Accept
Marital status	5.487	.241	Accept

There is no significant relationship between demographic profile with rating system

**Relationship between the Demographic profile with Awareness of interest rates**

Particulars	X <sup>2</sup>	P value	Result
Gender	.444	.555	Accept
Occupation	11.354	.060	Accept
Income	3.878	.144	Accept
Place of living	8.117	.077	Accept
Marital status	.134	.714	Accept

There is no significant relationship between demographic profile with Awareness of interest rates.

## **II. FINDINGS**

- Majority (58%) of the respondents are Male
- Most (48%) of the respondents are under the age group of 20-30
- Most(48%) of the respondents are salaried employees
- Most(48%) of the respondents are UG Graduates
- Majority(48%) of the respondents are under the salary group of 5000-10000
- Majority(46%) of the respondents are living in urban areas
- Majority (58%) of the respondents are married
- Majority(58%) of the respondents are current account holders followed by most(29%) of the respondents are savings account holders
- Most (47%) of the respondents are having a/c for 5-10 years
- Most(40%) of the respondents are having a/c are having account < 5years.
- Most(44%) of the respondents opined for ration cards.
- Most (40%) of the respondents opined for birth certificate.
- Majority(54%) of the respondents inferred that there is no reduction in interest rate during festival season
- Most (46%) of the respondents inferred there is reduction in interest rateduring festival season

## **III. RECOMMENDATIONS**

- Interest rate and processing fees have to be monitored.
- Retail loans such as housing loans, education loans, auto loans ,personal loans interest rates has to be revised.
- Bank must adopt new methodology
- It has to promote its product well in the market in order to gain competitive advantage.

## **IV. CONCLUSION**

The conclusion of the study is that, the lending rates of bank of Baroda is less from the customers point of view. There is no significant relationship between the demographic profile rating system, lending rates and awareness of interest rates. It is concluded that, the Interest rate and processing fees have to be monitored. Retail loans such as housing loans, education loans, auto loans, personal loans interest rates has to be revised. Bank must adopt new methodology .It has to promote its product well in the market in order to gain competitive advantage.

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