



Universal Banking in India: A Comparative Study between ICICI Bank and SBI

Richa Aggarwal^{a*}, Shubhra Garg^b

^aDepartment of Commerce, C.C.S. University, Meerut, U.P., India

^bDepartment of Commerce and Business Administration, M.M.H. College, Ghaziabad, U.P., India

E-mail: richa2820@gmail.com^a, shubhragarggupta@gmail.com^b

Abstract

Banks are the most important part for the modern economy. It is essential for each and every person to meet their financial needs in person or for business. Nowadays, banks provides many banking and financial services of different kinds along with routine banking services of saving and withdrawal under same roof to make the life of the people simpler and easier like insurance, loan, investment, advisory etc. Universal banks can be defined as the banks cum financial institutions which provides vast variety of financial products or services under one shelter that are available in the market. In this paper, we have tried to study as whether people are aware regarding different services or products which their banks offer them and do they know that their own bank is a universal bank or not. Two universal banks ICICI and SBI have been taken.

Key Words: Universal Bank, ICICI Bank, SBI, Financial Institution, Financial Products and Services.

PAPER/ARTICLE INFO

RECEIVED ON: 15/11/2022

ACCEPTED ON: 20/12/2022

Reference to this paper should be made as follows:

Aggarwal, Richa & Garg, Shubhra (2022), "Universal Banking in India: A Comparative Study between ICICI Bank and SBI", *International Journal of Trade and Commerce-IIARTC*, Vol. 11, No. 2, pp: 540-547.

*Corresponding Author

DOI: 10.46333/ijtc/11/2/19

1. INTRODUCTION

Universal Banks can be defined as those banks which provides a wide range of financial services, along with commercial banking services like Mutual Funds, Auto loans, Factoring, Credit Cards, Retail loans, Investment banking, Merchant Banking, Housing Finance, Insurance etc.

In Universal Banking, a big bank operates with an extensive network of branches, provides variety of banking and financial services, participates directly in the Corporate Governance of firms etc. In a nutshell, the term. This concept is most common in European countries. It is a place where all financial products are available under one roof. The topic of universal banking first came up in 2000, when ICICI spoke to the RBI on the timeline and potential choices for becoming such a bank.

2. REVIEW OF LITERATURE

George Benston's (1994) study was the first one in the field of universal bank. The study covered a distinguishing study of European and US. The best performer is Germany when it comes to UB. The reason behind is that, permit was given to all the financial institutions to start their working in all the EC countries. On the contrary, US were having and served by specialised banks. There were primary laws in US like Glass- Steagall Act of 1933 which restricts universal banking in US.

Berger, Allen N. And Gregory F. Udell (1995) found out that when banks become more complex and large in size then they are becoming by and large like a universal banks. They can also decrease the supply of credit to small scale businesses. Thus, with the help of this, Williamson-type of diseconomies can be decreased. The data supported the fact that large banks will not going to provide financial assistance to small scale businesses.

Calomiris (1995) had postulated 3 queries in his paper. These queries were: elaborated Universal Banking, why it is an effective measure for enterprises framework for financial institutes and proof that supports or contrasts the view of universal banking which reduces financing costs for the economy. Universal banking is elaborated as a financial system which is composed of large scale banks and they work in a network.

3. SCOPE OF STUDY

- i. Comparative position of two universal banks i.e. ICICI Bank and STATE BANK OF INDIA is studied in this paper, to understand the difference between the working of both the banks.
- ii. The research would highlight the customer's perceptions and awareness regarding different kinds of products and services which are available in their respective banks.
- iii. 50 ICICI Bank customers and 50 clients of a public sector bank (SBI Bank) participated in the study.
- iv. Only Noida city was used for the sampling for the study.

4. OBJECTIVE OF RESEARCH

- To study the concept of universal banking in India for selected public sector bank i.e. SBI and private sector bank (ICICI).



- To examine the risk exposure of banks.
- To do a comparative study of ICICI bank and SBI as an Universal banks.
- To study the position of banks in terms of the progress made in the direction of Universal Banking.

5. RESEARCH METHODOLOGY

The study is a mixture of exploratory and descriptive research work in which main focus is to do a comparative study between ICICI bank and SBI. The data studied is mainly primary in nature.

6. RESEARCH HYPOTHESIS

H0: There is no significant difference in the working of ICICI bank and SBI as universal bank.

H1: There is a significant difference in the working of ICICI bank and SBI as universal bank.

7. LIMITATIONS OF THE RESEARCH

- For the sake of protecting the privacy of their data, some respondents may not have provided truthful answers.
- Only samples from Noida city were used to gather the primary data needed for the study.
- Non-response from the respondents can be ruled out in primary research.

8. SAMPLE OF THE CUSTOMERS

100 questionnaires were distributed and responses are studied from the data collected.

9. DATA ANALYSIS AND INTERPRETATION

I. Analysis of ICICI bank and SBI on the basis of the BANKING AND FINANCIAL services available

Table: 1, for ICICI Bank

SI 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 Share/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.	Internet Banking	50	0	0
22.	Insurance (Life & General)	46	0	4
23.	Mutual Funds	49	0	1

Source: iosrjournals.org, Universal Banking in India: A Comparative Study between the Selected Private Sector and Public Sector Banks. (Author: Ruchi Jain and Ardra R Nair).

Interpretation: This table demonstrates whether or not individuals are aware of the banking and financial services and products offered by the bank. The above table demonstrates that not all items, such as loans secured by gold and gold banking services, which received 0% in favour of them while being offered by ICICI Bank, are known to the public.

Table: 2, for SBI Bank

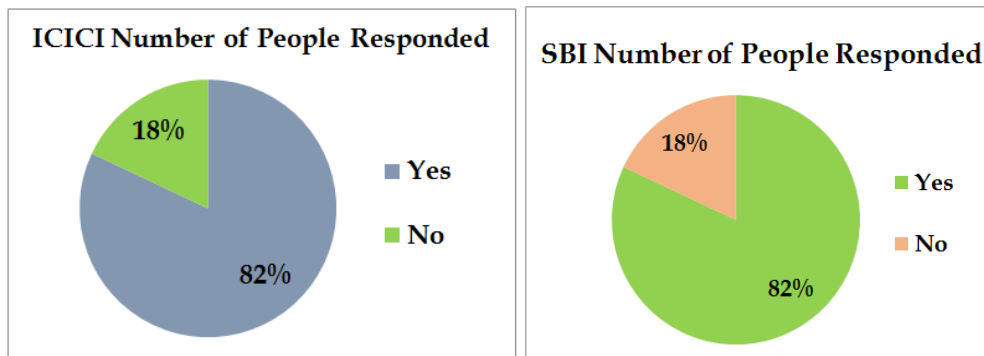
SI No.	Banking and Financial Services	Yes (Knows that the services are Provided)	NO (Knows that the services is not offered)	Cannot Say (does not whether the bank provides the services or not)
1.	Education Loans	50	0	0
2.	Pension Payments	50	0	0
3.	Locker Facility	50	0	0
4.	Agriculture and Rural Credit	44	0	6
5.	Loan against Gold	0	0	50
6.	Housing Loans	50	0	0
7.	Loan against Share/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	23	15	12

	disbursements (Smart Card)			
17.	Microfinance	22	8	20
18.	Credit Card	50	0	0
19.	ATM Card	50	0	0
20.	Investment Banking	46	1	3
21.	Internet Banking	50	0	0
22.	Insurance (Life & General)	50	0	0
23.	Mutual Funds	45	5	5

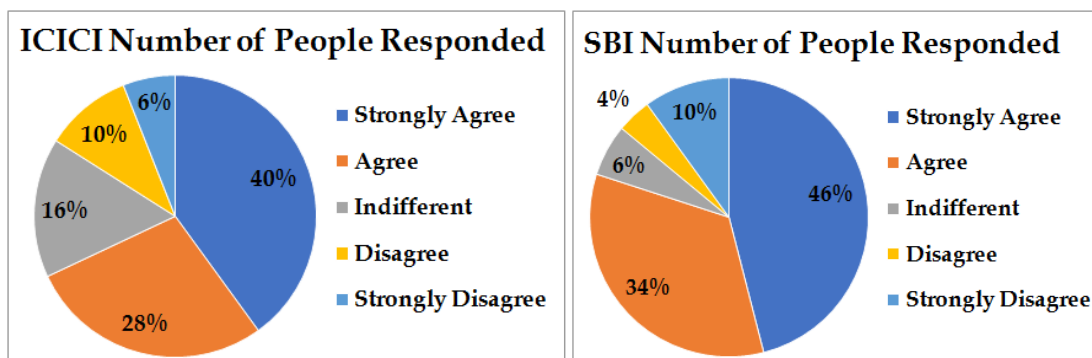
Source: iosrjournals.org, Universal Banking in India: A Comparative Study between the Selected Private Sector and Public Sector Banks. (Author: Ruchi Jain and Ardra R Nair).

Interpretation: The aforementioned table clearly demonstrates that despite being clients of one of India's most well-known banks, the consumers still aren't aware of the services and products offered by the bank (as the clients chosen were primarily less educated than the clients of ICICI BANK).

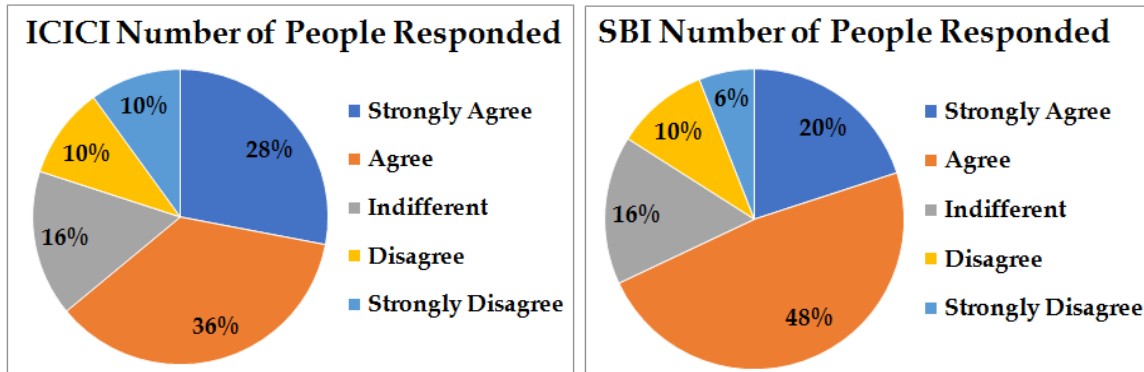
II. Analysis of ICICI Bank and SBI on the basis of Awareness on the Concept of Universal Banking



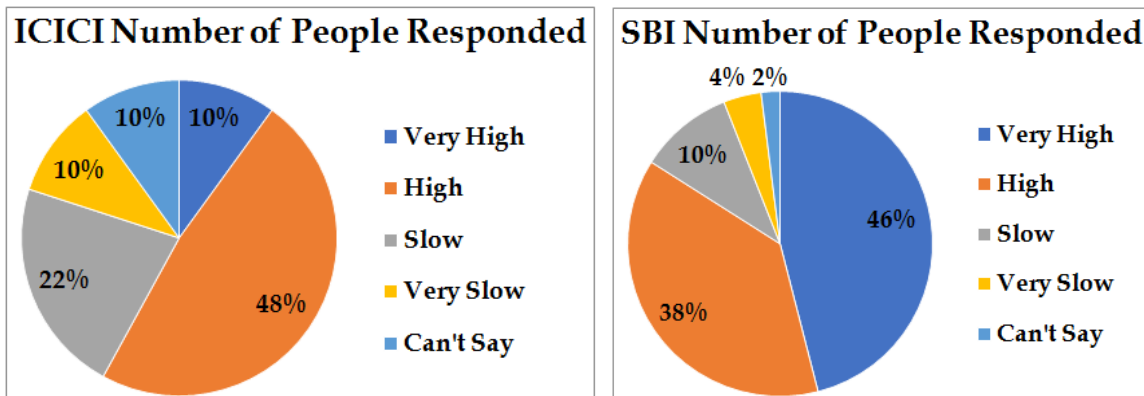
III. Analysis on the basis of Diversifies Services being Provided by the Bank will help in Optimum Utilisation of Resources - Both Manpower and Infrastructural.



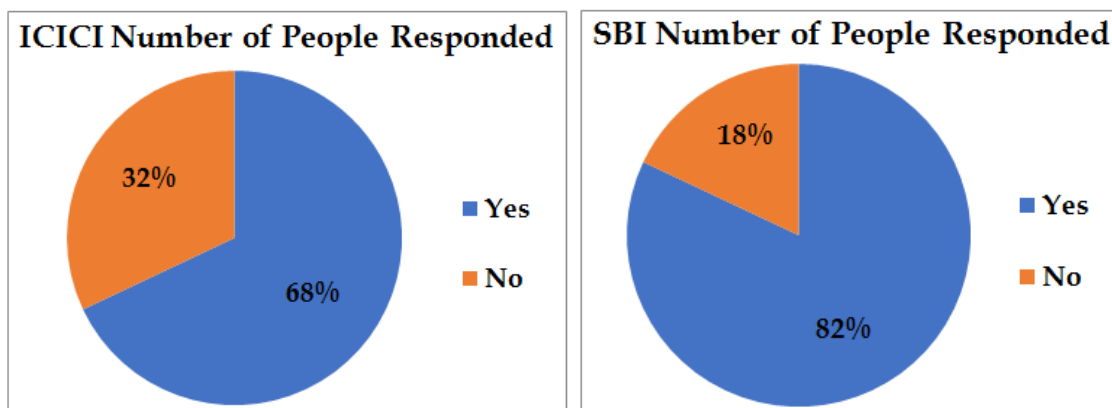
IV. Analysis on the basis of a Bank who Provides All Kind of Banking and Financial Services Under one Roof



V. Analysis on the basis of the Degree of Fast and Efficient Customer Services of the Bank.



VI. Analysis on the basis of Ability to Meet Changing Needs of the People by Bank.



10. FINDINGS

From the analysis it is found that the awareness regarding the concept of universal banking is less in SBI. It might be possible that some people are not aware about universal banking term but knows regarding the various products and services which are provided by the bank. The concept of offering wide range of products and services under one-roof is a recent concept. It is initially started by ICICI bank in the year 2002. The ICICI bank's greater customer focus and more courteous and well-trained staff contributed to the increased customer satisfaction.

11. CONCLUSION

It is found that the concept of universal banking is not very popular among people. Many customers are not even aware about the wide range of products and services provided by their own bank. Due to this ignorance the banks may also lose customers to competitor bank. ICICI bank is more customers oriented and is promoting their products and services well comparatively to that of SBI.

REFERENCES

- [1] Agarwal, Pragma & Jain, Divya (2016). Contactless Payment System in India: A Study of Mobile Banking. *International Journal of Trade and Commerce-IIARTC*, 5 (2), 339-345.
- [2] Balyan, Rachna & Baliyan, Deepa (2014). Electronic Banking Practices of Private Sector Banks in India: A SWOT Analysis. *International Journal of Trade and Commerce-IIARTC*, 3 (2), 269-274
- [3] Sbankaran, S. (2011). Universal Banking by DFI: Handy But no solution to NPA's. *Business Line*, 2.
- [4] Puri, M. (1994 b), "Commercial Banks in Investment Banking: Conflict of Interest of Certification Role?" Unpublished working paper, New York University
- [5] Rajan, Raghuram, (1992 a), "Insiders and Outsiders: The Choice between Informed and Arm's length debt", *Journal of Finance*, Vol 47, pp. 1367-1400.
- [6] RBI (2002). Universal Banking : Introduction, RBI rules and regulation
- [7] Universal Banking in India. Retrieved January 2012, from www.banknetindia.com.
- [8] Khan S.H , Harmonising the Roles and Operations of Development Financial Institutions and Banks' (1998), *Indian Banking: A Transition Towards Universal Banking Framework*, April 2011
- [9] Sbankaran, S. (2011). Universal Banking by DFI: Handy But no solution to NPA's, *Business Line*, 2
- [10] Rajan, Raghuram, (1992). Insiders and Outsiders: The Choice between Informed and Arm's length debt. *Journal of Finance*, 47, pp. 1367-1400.
- [11] Rajan, Raghuram, (1992). A theory of the costs and benefits of universal banking, mimeo, University of Chicago.
- [12] Rajan, Raghuram, (1994). An Investigation into the Economics of Extending Bank Powers, mimeo, University of Chicago.

- [13] Rajan, Raghuram (1994). Why Bank Credit Policies Fluctuate: A Theory and Some Evidence. *Quarterly Journal of Economics*, 109, pp. 399-442.
- [14] Roe, M. (1994). *Strong Managers, Weak Owners*, Princeton University Press, Princeton, N.J.
- [15] Rosenbluth, Frances (1989). *Financial Politics in Contemporary Japan*.
- [16] Sharpe, S. (1990). A symmetric Information, Bank Lending, and Implicit Contracts: A Stylized Model of Customer Relationships. *Journal of Finance*, 45, pp. 1069-1088.
- [17] Walter, I. and A. Saunders, *Universal Banking in the United States*, Oxford University Press, New York.
- [18] White, E. (1986). *Before the Glass-Steagall Act: An Analysis of the Investment Banking Approach to Universal Banking*. (2007, February). Retrieved January 2012, from www.banknetindia.com.
- [20] BNV Parthasarathi. *Consolidation of Indian Banks challenges*. The ICFAI University Press.
- [21] Kamal, Sehgal (IIFT). (2011, October). *Universal Banking the Road Ahead*. Retrieved January 2012, from www.indianfoline.com.
- [22] M. Guruprasad. *Banking in the New Millennium*.
- [23] M.S. Gupta. (October 2006). The Universal Banking Introduction concept, pros, and cons. *Journal of Professional Banker*, pp. 24-27.
- [24] RBI (2002). *Universal Banking: introduction, RBI rules, and regulation*
- [25] *Universal Banking in India*. Retrieved January 2012, from www.banknetindia.com/banking/ubfeature.htm.