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## **A COMPARATIVE STUDY ON LOAN SERVICES OF PUBLIC AND PRIVATE SECTOR BANKS IN HARYANA – A CASE STUDY ON KARNAL DISTRICT**

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### **Abstract**

This research paper aims to conduct a comparative analysis of loan services offered by Public Sector Banks (PSBs) and Private Sector Banks (PSBs) in Karnal district, Haryana. The study investigates key aspects such as loan product offerings, interest rates, loan processing time, customer service quality, and outreach to underserved segments. By analyzing these factors, the study seeks to identify the strengths and weaknesses of each banking sector in serving the credit needs of individuals and businesses in the region. The findings of this research will contribute to a better understanding of the Indian banking landscape and provide valuable insights for policymakers, bank managers, and researchers in enhancing financial inclusion and economic development in rural areas.

### **Keywords:**

Public Sector Banks, Private Sector Banks, Loan Services, Haryana, Karnal, Interest Rates, Loan Processing Time, Customer Service, Financial Inclusion, Credit Access, Economic Development, Rural Banking

### **1. Introduction**

The Indian banking sector plays a pivotal role in driving economic growth and development. Both Public Sector Banks (PSBs) and Private Sector Banks (PSBs) contribute significantly to this process by providing a range of financial services, including credit, to individuals and businesses. This research paper focuses on a comparative analysis of loan services offered by PSBs and PSBs in Karnal district, Haryana, with the aim of identifying their respective strengths, weaknesses, and contributions to the district's economic growth.

#### **1.1 Background**

- **Role of Banks in Economic Development:** Banks act as intermediaries in the financial system, mobilizing savings and channeling them into productive investments. They play a crucial role in:
  - **Credit Creation:** Banks create credit by lending funds to borrowers, thereby stimulating economic activity, investment, and entrepreneurship.
  - **Financial Inclusion:** Banks contribute to financial inclusion by extending credit to underserved segments of the population, such as small and marginal farmers, women entrepreneurs, and people with disabilities, thereby promoting equitable economic growth.
  - **Economic Growth:** By providing access to credit, banks facilitate investment, entrepreneurship, and job creation, driving economic growth and development.
- **Public Sector Banks (PSBs):**
  - Owned and controlled by the Government of India.

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- Play a significant role in fulfilling social and developmental objectives, such as providing credit to priority sectors (agriculture, small and medium enterprises, etc.) and promoting financial inclusion.
  - Characterized by a wide network of branches, particularly in rural areas, ensuring greater reach and accessibility.
  - **Private Sector Banks (PSBs):**

Owned and operated by private entities.

- Known for their efficiency, innovation, customer-centric approach, and focus on profitability.
- Often characterized by advanced technology and digital banking platforms.

## 1.2 Significance of the Study:

This study is significant for several reasons:

- **Understanding the Credit Landscape:** It will provide valuable insights into the current state of loan services offered by PSBs and PSBs in Karnal district, highlighting their strengths and weaknesses.
- **Improving Financial Inclusion:** By analyzing the reach and effectiveness of PSBs and PSBs in reaching underserved segments of the population, the study will contribute to enhancing financial inclusion in the region.
- **Policy Recommendations:** The findings will be instrumental in formulating policy recommendations for improving the efficiency and effectiveness of loan services offered by both sectors in the district and across Haryana.
- **Benchmarking and Best Practices:** The study will serve as a benchmark for PSBs and PSBs to compare their performance and identify best practices in loan service delivery.
- **Customer Empowerment:** By providing information on the range of loan products, interest rates, and service quality offered by different banks, the study will empower borrowers to make informed decisions regarding their loan needs.

## 2. Research Objectives

- To analyze the variety and scope of loan products offered by PSBs and PSBs in Karnal district, including agricultural loans, personal loans, business loans, and priority sector lending.
- To compare interest rates offered by PSBs and PSBs for various loan products and identify factors influencing interest rate variations.
- To assess the loan processing time for different loan products across PSBs and PSBs and identify potential bottlenecks in the loan application process.
- To evaluate the customer service quality provided by PSBs and PSBs, including accessibility, responsiveness, and resolution of customer complaints.
- To analyze the outreach efforts of PSBs and PSBs in reaching underserved segments of the population, such as small and marginal farmers, women entrepreneurs, and people with disabilities.
- To assess the availability and usage of digital banking services, such as online banking, mobile banking, and internet banking, offered by PSBs and PSBs.
- To identify best practices in loan service delivery among PSBs and PSBs in Karnal district.
- To formulate policy recommendations for improving loan services offered by both sectors in the district and enhancing financial inclusion.

### **3. Research Methodology**

#### **3.1 Data Collection:**

- **Primary Data:**
  - **Surveys:** A structured questionnaire will be administered to a representative sample of borrowers availing loans from both PSBs and PSBs in Karnal district. The survey will gather data on:
    - **Borrower Demographics:** Age, gender, occupation, income, education, etc.
    - **Loan Characteristics:** Loan amount, type of loan, interest rate, loan tenure, repayment schedule.
    - **Loan Application Process:** Time taken for loan processing, documentation requirements, interactions with bank officials.
    - **Customer Service Experience:** Satisfaction with customer service, responsiveness to inquiries, resolution of complaints.
    - **Digital Banking Usage:** Usage of online banking, mobile banking, and other digital channels.
    - **Awareness and Utilization of Government Schemes:** Awareness and utilization of government schemes related to credit access and financial inclusion.
  - **Interviews:** In-depth interviews will be conducted with:
    - **Branch Managers:** To gather insights into bank policies, lending criteria, and operational procedures.
    - **Loan Officers:** To understand the loan application and approval process from their perspective.
    - **Customer Service Representatives:** To assess the quality of customer service provided by the bank.
    - **Representatives of borrower groups:** To understand the challenges and concerns faced by borrowers in accessing credit.
- **Secondary Data:**
  - **Official Bank Data:** Data on loan disbursements, interest rates, and other relevant indicators will be collected from official sources such as annual reports of PSBs and PSBs, RBI publications, and bank websites.
  - **Government Data:** Data on agricultural production, poverty levels, and other socio-economic indicators for Karnal district will be collected from government sources such as the Department of Agriculture, the District Statistical Office, and the Census of India.
  - **Literature Review:** A comprehensive review of relevant literature on the Indian banking sector, financial inclusion, and rural development will be conducted to provide a theoretical framework for the study.

#### **3.2 Data Analysis:**

- **Descriptive Statistics:** Descriptive statistics such as mean, median, standard deviation, and frequency distributions will be used to summarize the data collected from surveys and interviews.
- **Comparative Analysis:** The study will compare the performance of PSBs and PSBs across various parameters, such as interest rates, loan processing time, customer satisfaction, and outreach to underserved segments.
- **Regression Analysis:** Regression analysis will be employed to analyze the relationship between various factors, such as loan amount, borrower profile, and bank characteristics, and loan approval rates, interest rates, and repayment behavior.

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- **Qualitative Analysis:** The qualitative data obtained from interviews will be analyzed using thematic analysis to identify key themes and insights related to the challenges and opportunities faced by PSBs and PSBs in providing loan services in Karnal district.

#### **4. Key Areas of Investigation**

##### **4.1 Loan Product Offerings:**

- **Variety and Scope:**
  - Analyze the range of loan products offered by PSBs and PSBs, including:
    - **Agricultural Loans:** Kisan Credit Cards (KCC), crop loans, term loans for agricultural machinery, animal husbandry loans, etc.
    - **Personal Loans:** Education loans, housing loans, vehicle loans, gold loans, personal overdrafts, etc.
    - **Business Loans:** MSME loans (including loans to micro, small, and medium enterprises), working capital loans, term loans for businesses, etc.
    - **Priority Sector Lending:** Loans to agriculture, micro-enterprises, small businesses, and other priority sectors as per RBI guidelines, such as education, housing, and renewable energy.
  - Compare the diversity and comprehensiveness of loan products offered by each sector.

##### **4.2 Interest Rates:**

- **Comparative Analysis:** Conduct a detailed comparison of interest rates offered by PSBs and PSBs for various loan products.
- **Factors Influencing Interest Rates:** Analyze the factors influencing interest rate variations, such as:
  - Loan amount
  - Repayment tenure
  - Borrower's credit history and risk profile
  - Market interest rates
  - Government policies and regulations
- **Assess the competitiveness of interest rates offered by PSBs and PSBs** in the Karnal district market.

##### **4.3 Loan Processing Time:**

- **Time Taken for Loan Processing:** Investigate the time taken by PSBs and PSBs to process loan applications, from initial application to final disbursement of funds.
- **Key Stages in the Loan Processing Cycle:** Analyze key stages in the loan processing cycle, such as:
  - Loan application submission and documentation
  - Credit appraisal and loan sanction
  - Disbursement of loan funds

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