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A STUDY ON CAR LOAN

AT

STATE BANK OF INDIA

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I. ABSTRACT

The study is conducted on the consumer satisfaction towards the services rendered by SBI is an Indian multinational, public sector banking and financial services statutory body. They have branches spread over the entire length and breadth of the country. SBI in particular is all pervasive enjoying a sprawling network of 9000 branches. It has assets to be worth of about Rs.2,22,500 crore. SBI has very conservative approach to accounting particularly when it comes to declaration of its assets. SBI enjoys a monopoly of the government business. The reserve bank of India owns about 60% of the banks equity. SBI was formed under the SBI act in 1955. With the takeover of imperial bank and amalgamation of Bank of Bengal, Bank of Bombay and Bank of Madras. SBI enjoys a pool of best managerial talent, assured government business, a country wide network of branches and strong brand credibility in the Indian market.

II. STATEMENT OF THE PROBLEM

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. 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.

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III. INTRODUCTION

A car loan (also known as an automobile loan, or auto loan) is a sum of money a consumer borrows in order to purchase a car. Generally speaking a loan is an amount of money that is lent to an individual, a business, or another entity. The party that lends the money is known as the lender, while the party borrowing the money is called the borrower. When taking out a loan a borrower agrees to pay back the full loan amount, as well as any interest (a percentage of the loan amount, usually calculated on an annual basis), by a certain date, typically by making monthly payments.

Car loans follow most of the same rules and procedures that apply to other loans. In most cases when purchasing a car, a borrower will specifically apply for a car loan; however, a consumer can also use a personal loan (a loan obtained by an individual to use at his or her discretion) for the same purpose. All car loans are for specific lengths of time, generally anywhere between 24 and 60 months, although some car loans can be for longer periods. This type of loan is also known as financing. Car loans generally include a variety of fees and taxes, which are added to the total loan amount.

Many consumers apply for car loans at their local bank. When applying for a car loan a borrower will usually begin by specifying how much money he or she wants to borrow. The borrower will then provide information about his or her financial situation, beginning with income (the amount of money he or she earns by working). Most lenders will require the borrower to provide some proof of employment, usually in the form of a pay stub (the portion of a paycheck that includes information about an employee's earnings, which an employee keeps for his or her records) or a copy of a tax return (the form submitted by individuals when paying taxes). The lender will also check the borrower's credit report. A credit report is a detailed record of an individual's past credit (in short, borrowing) activities, whether in the form

of loans or other debts (money owed). If the prospective borrower has a bad credit history, he or she may be ineligible for a car loan.

IV. NEED OF THE STUDY:

The country the loan market is one of the fastest growing market in. When compared with developed foreign countries, the Indian loan market has achieved only a little because of lack of awareness, ineffective marketing strategies, poor affordability and low investment in loan market products. SBI is a subsidiary of types of loan products to SBI which provides various t the customers. It has entered into car loans through the help of references, DSAs and various other means. It has now to discover the Awareness among customers about Automobile Loan.

V. OBJECTIVE OF THE STUDY:

1. To study the interest rate of vehicle loan state bank of India.
2. To study the vehicle loan scheme of state bank of India.
3. To analyze the vehicle loan scheme of bank.
4. To know that the banking operation and activities in bank
5. To study the organization structure of bank.
6. To assess the consumer avail this facility of vehicle loa Toanalyze Vehicle loan indeed proven to be bone for the economical growth of the nation.
7. To study services and various modern techniques used by state bank of India.

VI. 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 and 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 helps in evaluating the effects of several parameters while choosing a car financing company.

It can provide prospective information to potential customers.

VII. RESEARCH METHODOLOGY:

Research methodology is a systemic way to solve the research problem. It may be understood as a science of studying how research is done systematically.

Research Design

Research design is known as a framework within which the whole activity of research and methods or procedures is clearly mentioned under which the research is to conduct.

Research design denotes the description of the research design. The aim was to collect relevant information, which fulfill our requirement and can be analyzed at a later stage of

study without any problem. This was to be done in minimum expenditures and least efforts and in a set period of time.

A Study on Customer Awareness towards the services provided by HDBFS for Car Finance in helped me in having enough provision for protection against bias and maximizes reliability.

- In this Research Design of this project the study was conducted by the survey method.
- Taking sample of 100 car customers by commencing sampling using the research instrument as the questionnaire.
- Personal interview is concerned as a sample plan.
- For this project area of research is Chandigarh.

Sample Design

Sample Plan: Sample plan to know the perception of the customer in this project is through personal interview or telephonic interview.

Sampling Method:

I have used Non-probability sampling i.e. Stratified Random Sampling. Sample size

for this project is 100 customers.

Data Collection Method:

The type of data is Primary data which is collected through the telephonic interview and personal meeting.

Primary Data

Primary data is first hand information and thus happen to be original. Such original data is compiled and studied for a specific purpose.

- ❖ The data collected from Company person.
- ❖ Questionnaires

Secondary Data

The secondary data are those data which have already been collected by someone else and which have already been passed through the statistical process. Magazines, journals are used as source of secondary data.

- ❖ Interviewing with owners of the Cars.
- ❖ Internet

Tools of Presentation and Analysis

- ❖ 1. Tables
- ❖ 2. Percentage

- ❖ 3. Bar graphs
- ❖ 4. Pie charts

Measuring Tools: For preparing this project I have considered questionnaire as a measuring tool for collecting of data.

VIII. LIMITATIONS OF THE STUDY:

- Since the survey has been conducted to the customers.
- The period of the study is 45 days.
- Most of the customers show hesitations to respond.
- Only 100 customers are taken as sample for the study.

IX. REVIEW OF LITERATURE

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LITERATURE

ARTICLE

1

TITLE: A COMPARATIVE STUDY OF CAR LOAN AT LARSEN AND TOUBRO FINANCE (L&T) UDAIPUR, 2015.

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All the banks provide loan on new and old cars but the loan amount, repayment period and interest rates are different for new and old cars. Requirement a customer needs to fulfill before getting loans are almost same for all banks. The maximum amount of loan is different for different banks. Some banks provide fixed loan amount, some decide by calculate from the customer monthly and annual income and some allot loan on the basis of customer repayment capacity.

The interest rate is also different for different banks. It is between 10.45% - 11.50%. The minimum interest rate provided by SBI and maximum rate provide by L&T finance company. So my conclusion from this study of project work that customer those who are not much very strong in financial position can maintain car by taking advantage of these car loan facilities and from my comparative study the SBI provide more facilities and people give preference to SBI bank for borrowing car loan because it provides min interest rate and more schemes to customer

ARTICLE 2

TITLT: A COMPARATIVE STUDY OF LOANS AND ADVANCES BY

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ABSTRACT

The banking business in India had come a long way from traditional commercial banking functions. Today it had a very strong and extensive network, which is

more involved in strengthening the economic self-dependence by mobilizing financial resources and affording need based employment of these funds in keeping with national priorities and regional expediencies. It concludes that various advances have produced favorable effects on SCBs in India and because of this transformation is taking place almost in all categories of the banks. It had also realized that the profitability of the performance of the PSBs and Pvt.SBi appears to have started improving but despite this, the Pvt.SBi takes a big share of cake. The PSBs are still lagging behind regarding the various financial parameters in comparison with other banks. It is also true that presently, they are facing many internal and external challenges, which are hindering their performance. Hence, it is necessary for the banks to face the challenges and improve their performance to meet the requirement of new and open competitive environment.

ARTICLE 3

TITLE: CUSTOMERS' PERSPECTIVE ON EXPECTATION AND PERFORMANCE GAP – A STUDY ON VEHICLE FINANCE LOAN SERVICES, 2017.

AUTHOR: Dr. R

Rajendran, Mr. R.

Ashok Kumar, Mr.

P.Balamurugan

ABSTRACT

The purpose of this research is to investigate the expectation and performance gap of the vehicle finance loan services, with special reference to organized lenders of Namakkal District, Tamil Nadu. Vehicle finance is one of the primary income generation sources for organized lenders. When the lenders can understand the customers' perspective about the loan financing services, they can manage their customers easily. Both primary and secondary data is used in the vehicle finance services research. The secondary data required for the research is collected from websites and periodical journals. The primary data required for the research is collected from commercial vehicle loan borrowers of Namakkal district. Convenient sampling method was

used and a sample of 178 responses was collected through questionnaire interview method. The questionnaire used in the research was developed with the help of RATER (Reliability, Assurance, Tangibles, Empathy and Responsiveness) model. The research identified the expectation and performance gap of the vehicle finance services offered by organized lenders. The results of the study revealed that there is a wider service

gap in responsiveness and assurance of the commercial vehicle loan services, the individual item expectation and performance gap was also analyzed in the research and various insights has been provided, t-statistics analysis results revealed that there is a significant difference between perceived responsiveness of heavy commercial and light commercial vehicle borrowers.

ARTICLE 4

TITLE: A VEHICLE FINANCING COMPARATIVE STUDY BETWEEN IJARAH IN MAYBANK BERHAD AND BAI BITHAMAN AJIL IN BANK ISLAM MALAYSIA BERHAD, 2013.

AUTHOR: Muhammad Ridhwan Ab Aziz

ABSTRACT:

This paper examines the relationship between service quality factors and customer satisfaction of auto financing in Maybank Berhad and Bank Islam Malaysia Berhad. Two auto financing product involved, Ijarah of Maybank Berhad and Bai Bithaman Ajil of Bank Islam Malaysia Berhad. Propose area of research will be in the Klang Valley specifically in Wilayah Persekutuan Kuala Lumpur and Putrajaya. The researcher will be using CARTER as a basic service quality model in order to check the relationship and impact of service quality on customer satisfaction and customer loyalty. Demographic profile will also be used as a moderator variable to measure the relationship between service quality with customer satisfaction. Demographic factors such as age, gender, education and income is seen as able to influence the customer

satisfaction. Data will be collected from 350 respondents through self-administered questionnaires. Further, data will be analyzed using SPSS version 19.0. Sixteen hypotheses will be tested using Pearson correlation, Hierarchical Regression, One Way ANOVA and also Independent Sample T-test.

ARTICLE 5

TITLE: COMPARATIVE ANALYSIS OF LOAN PREFERENCE BY CUSTOMERS IN PRIVATE AND PUBLIC BANKS, 2018

AUTHOR: NITTU SHARMA **ABSTRACT**

The bank system is facing challenges with stiff competition and advancement of technology. It becomes imperative for service providers to meet or exceed target customers' satisfaction with quality of services expected by them. Hence, the present research attempted to study customers' perception of quality of services, both transactions based and IT enabled in terms

of its constituent factors in public sector, private sector and foreign banks. Also through the present study, we would gauge the extent of IT adoption in public sector, private sector and foreign banks in this e-age. The present investigation was planned with the objective to assess the extent of use of services especially the IT enabled services in these banks and to analyse the constituent factors affecting customer satisfaction with the quality of services. The present study was conducted in public and private sector and foreign banks of Delhi. Multistage random sampling was used for selection of sample. The study was proposed to conducted in five zones (East, West, North, South and Central) of Delhi. One branch of the above banks in any zone of Delhi was selected randomly. While selecting the branch care was taken to see that branch should provide at least five IT enabled services. This step was followed to have Intra Bank Comparison. The study shows that the customers of nationalized banks were not satisfied with the employee behaviour and infrastructure, while

respondents of private and foreign banks were not satisfied with high

charges, accessibility and communication.

X. DATA ANALYSIS AND INTERPRETATION
Data Analysis

4. COMPARATIVE STUDY OF MAHESH BANK, HDFC AND SBI

4.1.1 INTEREST RATE FOR CAR LOAN OF MAHESH BANK AND HDFC

MAHESH BANK	HDFC
<ul style="list-style-type: none"> Interest rate on new car loan – 13%-15.5%. 	<ul style="list-style-type: none"> Interest rate on new car loan – 8.25%-14.25%.

INTERPRETATION:

From the above table it can be inferred that Mahesh Bank charges a little higher interest rate i.e., 13%-15.5%, when compared to HDFC that charges 8.25%-14.25.

4.1.2 AGE LIMIT FOR CAR LOAN OF MAHESH BANK AND HDFC

MAHESH BANK	HDFC
<ul style="list-style-type: none"> Minimum Age- 21 Maximum Age- 60 	<ul style="list-style-type: none"> Minimum Age- 21 Maximum Age- 65

INTERPRETATION:

The minimum age that has to be acquired by the car loan applicant for the banks – Mahesh Bank and HDFC is same i.e. 21 years.

The maximum age that has to be acquired by the car loan applicant for Mahesh Bank is 60 years and HDFC is 65 years.

4.1.3 INCOME ELIGIBILITY OF CUSTOMERS OF MAHESH BANK AND HDFC

MAHESH BANK	HDFC
Rs.2,00,000	Rs.3,00,000

INTERPRETATION:

From the above table it can be interpreted that Mahesh bank requires only Rs.2,00,000 income eligibility while HDFC requires Rs.3,00,000.

4.1.4 PROCESSING FEE FOR CAR LOAN OF MAHESH BANK AND HDFC

MAHESH BANK	HDFC
1%	0.4%

INTERPRETATION:

From the above table it can be inferred that the processing fees of the banks differ with a minimal percentage of 0.6 %. In other words, the processing fees of Mahesh bank is 1 % whereas, HDFC it is 0.4%.

4.1.5 MAXIMUM CAR LOAN AMOUNT OF MAHESH BANK AND HDFC

MAHESH BANK	HDFC
75%-90%	80%

INTERPRETATION:

From the above table it can be inferred that in case of Mahesh Bank, the maximum car loan amount which a customer can avail is 75%-90% of the car amount and on the other hand it is 80% of the property in case of HDFC.

XI. FINDINGS

- Desired loan amount is usually not sanctioned. The loan amount sanctioned is mostly based on repayment capacity, financial history, total years in employment, monthly income of the borrower. In case of Mahesh Bank, the maximum car loan amount which a customer can avail is 75%-90% based on cost of car loan and on the other hand it is 80% on car loan in case of HDFC and 85% for SBI.
- The interest rate dilemma- Mahesh Bank charges 13%-15.5% interest from its potential borrowers when the car loan amount. On the contrary, SBI and HDFC charge a lesser rate of interest than Mahesh Bank i.e., 7.50%-8.45% and 8.25%-14.25% respectively.
- Too much of documentation to be provided for all the banks.
- Income eligibility is high when in private bank when compared to public sector banks.
- All the three banks have same % of late payment charges @2% p.m. and also there is only a mere difference of 0.6% between Mahesh bank and HDFC bank and difference of 0.5% between Mahesh bank and SBI bank in the context of processing fees charged by both the banks.

XII. SUGGESTIONS

- Low interest rates & EMI.
- Longest repayment tenure (7 Y)
- Financing on 'on road price'.
- On road price include registration & insurance.
- No prepayment charges.
- No foreclosure charges after 1 y.
- Financing upto 90% of on road price
- Optional SBI life insurance cover available.

XII. CONCLUSION

They need to make profit out of it. But as a customer we should try to buy a product Loan is a product that the bank is selling to its customer whose cost is as low as possible in both short and long term. There are lots of charges involved in a loan which are incurred at the beginning and over a period of time. So, we have to make a wise decision considering all the facts.

Customers are satisfied by Mahesh Bank because the tenure for repayment of the car loan is lower when compared to the public sector bank SBI and the trust level that the customers have with these banks is little high (with specific population) in comparison to SBI, because of the close and easy-going relationship maintenance with the target population.

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