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A Comparative study on service quality between public and private sector banks aftermath of foreign direct policy (State Bank of India and ICICI Bank)

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ABSTRACT:

The stability of the banking sector has always been essential to overall economic growth. A significant system is the financial system. The Indian banking sector has made significant contributions by fostering the economy and making sure it expands smoothly. Cooperative banks and commercial banks are the two main categories of banks in the Indian banking sector. Indian banks are divided into two groups. Government and private sector banks, respectively. Consumer advances are provided by both types of banks in compliance with RBI regulations.

The Indian government modified its FDI policy in order to encourage FDI inflow. It also presented the Make in India plan in September 2014, which included the further liberalisation of the FDI policy for 25 sectors. As of April 2015, foreign direct investment (FDI) in India has increased by 48 percent since the launch of the "Make in India" campaign. India was rated 15th in the world in 2013 for FDI inflow. It moved up to ninth place in 2014, and then to first place in 2015. Modern Indian banks are just as technologically adept as their Western counterparts.

As a consequence of the Liberalization, Privatization, and Globalization (LPG) paradigm, the Indian banking sector is likely to reach a completely new level, with Indian banks expanding globally and numerous foreign banks setting up shop in India. This will support the future strength expansion of the banking industry.

I. INTRODUCTION:

Foreign direct investment is one of the key financial drivers of India's economic expansion. India attracts foreign investment as a result of the country's changing economic environment and lower wages. Economic liberalisation started after the 1991 financial crisis, and FDI has been steadily increasing in India. The Indian government modified its FDI policy in order to encourage FDI inflow.

As a consequence of the Liberalization, Privatization, and Globalization (LPG) paradigm, the Indian banking sector is likely to reach a completely new level, with Indian banks expanding globally and numerous foreign banks setting up shop in India. This will support the future strength expansion of the banking industry. FDI serves as a catalyst for economic growth by enhancing domestic capital, productivity, and employment. One of the main advantages of FDI is the advancement of technology, talent, and managerial skills throughout the economy. Foreign direct investment, a substantial source of non-debt inflows, is increasingly desired as a channel for knowledge transfers and as a means of enhancing competitive efficiency by creating a sizable network of interconnected nations.

Foreign Direct Investment

FDI is a significant source of funding for India's economic growth. Following the crisis of 1991, India began its economic liberalisation, and FDI has steadily expanded. India now ranks first internationally for greenfield foreign direct investment (FDI) and is a member of the top 100-club for ease of doing business (EoDB).

When a firm acquires majority ownership in a company in another nation, this is referred to as foreign direct investment (FDI). With FDI, foreign businesses are actively involved in regular operations in the host nation. This indicates that they are contributing more than just money; they are also bringing technology, expertise, and skills.

In general, an investor launches international commercial ventures or purchases foreign business assets, such as obtaining ownership or control of a foreign company. Most foreign direct investments are placed in free economies with capable labour forces and bright futures. Along with money, FDIs also provide knowledge, technology, and skills.

Foreign direct investment is sometimes referred to as "investment made to acquire lasting stake in businesses outside of the investor's economy" (FDI). The FDI connection is between a parent business and a foreign affiliate, and when merged, they form a multinational enterprise (MNC). For an investment to qualify as FDI, the parent business must have control over the foreign subsidiary. The UN defines control in this context as ownership of 10% or more of the ordinary shares or voting power of an incorporated business, or its equivalent for an unincorporated entity; lower ownership shares are referred to as portfolio investments.

Definition of Service Quality

Lewis and Booms (1983) had suggested that service quality results from a comparison of what customers expect from a service-provider with the provider's actual performance.

According to them, "service quality is a measure of how well the service level delivered matches customer expectations. Delivering quality service means conforming to customers expectations on a consistent basis. (songra2, 2018)

Five dimensions of service quality:

1. Tangibility: This refers to the elements that can be physically perceived by clients in a bank branch, such as the extensive ATM network, staff, physical amenities, building materials, and outside design.
2. Reliability: The capacity of a corporation to provide service in a suitable manner, such as operating in accordance with pledges and declarations, is referred to as reliability.
3. Responsiveness: This is the ability of a service provider to assist clients and offer quick service. It may be gauged by how long it takes to resolve customer complaints and how quickly a consumer receives a response after submitting a service request.
4. Assurance: Employee conduct has a direct bearing on assurance; an employee should be able to instill confidence and trust in others. It involves safe transactions, having employees who are knowledgeable enough to respond to customers' queries, and always treating customers politely.
5. Empathy: This describes the considerate, personal attention a service provider delivers to each of its clients. Customers at the bank may also come from various social backgrounds, so the banker should emphasis individualized attention on clients and comprehend their unique demands based on those wants.

Public Sector Bank - State Bank of India

The development of banking in India began in the 18th century. India's first bank was established in 1770 and was known as the Bank of Hindustan. State Bank of India is the largest and oldest bank. It was awarded the name Kolkata in June 1806, and then the name Bank of Bengal in 1809. Following India's independence in 1955, the name State Bank of India was given to the three banks that had been amalgamated in 1921 under the name Imperial Bank of India.

On April 1, 2017, the State Bank of India and its affiliates State Bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Travancore, State Bank of Patiala, and State Bank of Hyderabad combined to form a single organisation. The State Bank of India's policy of merging banks is by far its most crucial one. It relates to the financial outcomes of earlier and later mergers and covers a number of financial authorities for the Bank, such as gross revenue, net earnings, operational profit, capital return, and debt ratio. The financial statements of the organisation get stronger as a result of mergers and acquisitions. Instead, they combine all of the banks' human resources into a single organisation. The merger was implemented to more effectively utilise public bank resources, reduce financing costs, increase the productivity of interest rates for the general public, and reduce costs associated with providing top-notch customer service. Japanese banks In certain industries, the Narasimha committee suggested mergers and acquisitions. Soon after the merger, SBI was in the red. Your NPAs have proven challenging to manage. Problems with liquidity have gotten worse.

State Bank of India (SBI) is the largest public sector banks in India. It was the first bank established in India as Bank of Calcutta in 1806. Headquartered in Mumbai, the bank has over 24,000 branches, 59,000+ ATMs and 195 foreign offices across 36 countries after the merger of its 5 associate banks and Bhartiaya Mahila Bank (as on 1st April, 2017). SBI offers a plethora of products and services such as savings account, credit cards, fixed deposits, home loan, personal loan, debit card, loan against property, car loan, gold loan and more.

There are different types of accounts that are maintained:

- Saving Account
- Fixed Account
- Current Account

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- Recurring Account

Loans Provided by SBI are:

- Home Loan
- Educational Loan
- Loan against property
- Two wheeler Loan
- Personal Loan

(Chitra.S, 2021)
Savings Account

- Fixed Account
- Current Account

The rich heritage and legacy of over 200 years, accredits SBI as the most trusted Bank by Indians through generations. SBI, the largest Indian Bank with 1/4th market share, serves over 44 crore customers through its vast network of over 22,000 branches, 58,500 ATMs, 66,000 BC outlets, with an undeterred focus on innovation, and customer centricity, which stems from the core values of the Bank - Service, Transparency, Ethics, Politeness and Sustainability. The Bank has successfully diversified businesses through its 11 subsidiaries i.e. SBI General Insurance, SBI Life Insurance, SBI Mutual Fund, SBI Card, etc. It has spread its presence globally and operates across time zones through 233 offices in 32 foreign countries. The SBI's popular services covered under E-banking include: Automated Teller Machines (ATM) Credit Cards, Debit Cards, Smart Cards, Electronic Funds Transfer System, Mobile Banking, Internet Banking, Telephone Banking, E-Lobby etc. (S, 2021)
India's FDI rank rises to 7th position
According to the United Nations Conference on Trade and Development, India moved up one spot to seventh place among the top recipients of FDI in the most recent calendar year (2021), despite a fall in FDI inflows into the country (UNCTAD).

Benefits for Bank:

➢ **Technology Transfer**: As due to the globalization local banks are competing in the global market, where Innovative financial products of multinational banks is the key limiting factor in the development of local bank. They are trying to keep pace with the technological development in the banks. Now a day's banks have been prominent and prudent in the rapid expansion of consumer lending in domestic as well as in foreign markets. It needs appropriate tools to assess (how such credit is managed) credit management of the banks and authorities in charge of financial stability. It may need additional information and techniques to monitor for financial vulnerabilities. FDI's tech transfers, information sharing, training programs and other forms of technical assistance may help meet this need.

➢ **Better Risk Management**: As the banks are expanding their area of operation, there is a need to change their strategies exerts competitive pressures and demonstration effect on local institutions, often including them to reassess business practices, including local lending practices as the whole banking sector is crying for a strategic policy for risk management. Through FDI, the host countries will know efficient management technique. The best example is Basel II. Most of the banks are opting Base II for making their financial system safer.

➢ **Financial Stability and Better Capitalization**: Host countries may benefit immediately. From foreign entry, if the foreign bank re capitalize a struggling local institution. In the process also provides needed balance of payment finance. In general; more efficient allocation of credit in the financial sector, better capitalization and wider diversification of foreign banks along with the access of local operations to parent funding, may reduce the sensitivity of the host country banking system and lead towards financial stability. (Das, 2020)

➢

Private Sector Bank - Industrial Credit and Investment Corporation of India - ICICI

The ICICI group's ICICI Bank was established in 1994. The main goal was to establish a development financial organisation to give Indian companies access to medium- and long-term project funding. Up until the late 1980s, ICICI concentrated a large portion of its efforts on project financing, giving long-term funding to several industrial ventures. In the 1990s, India's financial industry underwent liberalisation, and ICICI changed from being a development financial institution that only provided project financing to a diversified financial services provider that provided a wide range of products and services alongside its subsidiaries and other group companies. The ICICI Group was the first Asian bank or financial organisation outside of Japan to be listed on the New York Stock Exchange in 1999. Additionally, it was the initial Indian firm to do so. Companies in the R group provided a wide range of goods and services.

ICICI Bank evolved from the gap between consumers' expectations of service and their views of the actual service performance is known as service quality.

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ICICI highlighted that a consumer's evaluation of service quality is the gap between the customer's expectations of service and the customer's assessment (perception) of the service actually delivered. Service quality is the core concept for ensuring a successful supply of services in general. This holds in particular for the private banking sector, which is a clean service industry in which the service is performed almost completely in the attendance of the customer. Bank services aim to optimize the service quality in order to attain a superior outcome level. The outcome of service quality, what firms expand by delivering a high-quality service, is the return on quality concept, and service profit chain. . Service quality can be defined as the customer's satisfaction with the actual performance of the service (S C Gaur1).

Services offered by ICICI Bank:
1) **Family Wealth Account:** Give your family access to a variety of benefits and custom solutions.
2**) Foreign Exchange Services**: Top-notch services to fulfil all of your forex needs as easily and conveniently as possible.
3) **Demat Account**: A simple, hassle-free, and effective method to keep track of your money.
4) **Education Loan:** For students pursuing higher education in India or abroad, ICICI Bank offers education loans of up to Rs. 50 lakh and Rs. 1 crore, respectively.
5) **Gold Loan:** The bank offers gold loans with easy and hassle-free documentation for any amount between Rs. 10,000 and Rs. 15 lakh.
6) **The Pradhan Mantri Mudra Yojana**: It offers micro and small manufacturing and service enterprises collateral-free loans up to Rs. 10 lakh.
7) **Mobile Banking:** ICICI Bank users may access their bank accounts from any location, at any time. Customers have several options, including checking their account balance and transferring money.
8) **Net Banking:** Account users may transfer money, make a fixed deposit, purchase general insurance, pay utility bills, and much more using ICICI Bank's internet banking service.
9) **Commercial Business Loan**: ICICI Bank offers a variety of commercial loans to its clients, including loans for construction equipment and commercial vehicles.

Why ICICI Bank for FDI:
• Quicker settlement of funds
• Dedicated Expert Team
• Single Point of Contact to assist on Regulatory Reporting
• Pre vetting of the documents.

Benefits
• Seamless FDI settlement from 29+ currencies
• Pre and post FDI transaction query resolution
• Accurate and simplified FDI regulatory reporting
• Experienced professionals to guide
Every step of FDI processing and documentation
• Fast and effective coordination with foreign banks to obtain 6-pointer KYC
• Regular interaction and updating with RBI

❖ With increase in FDI flows, ICICI Bank ups focus on MNCs

II. CONCLUSION

FDI plays a crucial role in the economy by enabling nations to further their economic development. Different challenges, including as ineffective management, non-performing assets, financial instability, and inadequate capitalization, are addressed through FDI in the banking sector. Additionally, FDI in the banking sector has benefits for employment, technology transfer, improved risk management, stable finances, and innovative products. Surprisingly, FDI inflows into the banking industry have been rising every year.

Service quality should be used as a strategic tool to get a competitive advantage over the competitors. After the globalisation the competition in the banking industry has increased Any Where 'and 'any time banking now become a reality. Recognition of service quality now acts as a competitive Weapon. State bank of India fall much below the perception of their customers on all dimensions of service quality like Tangibility, Reliability, Responsiveness, Assurance and Empathy where as in ICICI bank the perceptions of customers are exceeding on all dimensions of service quality. It is essential for Every service sector whether banking sector or any other sector that the customers service must match with marketing efforts if the customer's needs and wants are not fulfilled according to their own will then all the marketing efforts will go down the drain. Banks must pay attention to potential failure points and service recovery procedures which become integral to employees training. In nutshell, it can be concluded that the Banks should continuously access and know how customers perceive bank services so as to know whether the bank meets or exceeds or is below the expectations of their customers.

Therefore, it is noted that people prefer public sector banks for money safety reasons but they prefer private sector in case of services and ease of banking facilities.

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