

***COMPARATIVE STUDY OF PRICING STRATEGIES OF BANKS AND
NBFCs IN MARATHWADA REGION***

By Dr. H. S. Patange

Abstract

Service marketing is a very difficult and complicated marketing particularly in financial services. Hence researcher has studied marketing of financial services i.e., comparative study of pricing strategy of the banks and NBFC in Marathwada region. The pricing strategies of Banks and NBFCs are compared through the study of High Interest Rate on Deposits, High Interest rate on Advances, Charges of Services are High, High Commission, Online Service Charges and Loan charges. It is concluded that Banking Rate of interest for loans and deposits is significantly different than that of non-banking companies.

Keywords

Pricing strategy, non-banking financial companies, advances, loans, deposits etc.

Introduction

Service marketing is a very difficult and complicated marketing particularly in financial services. Hence researcher has studied marketing of financial services i.e, comparative study of pricing strategy of the banks and NBFC in Marathwada region.

Objectives of the Study

1. To study the pricing strategy of the banks and NBFC in Marathwada region
2. To compare of pricing strategy of the banks and NBFC in Marathwada region.

Hypothesis of the Study

H₀:-Banking Rate of interest for loans and deposits is not significantly different than that of non-banking financial companies in Marathwada Region.

H₁:- Banking Rate of interest for loans and deposits is significantly different than that of non-banking financial companies in Marathwada Region.

Research Methodology

To carry out research so as to fulfill the research objectives firstly researcher has considered pricing strategies and compare between banking and non-banking companies. A sample is drawn from Managers, Employees and customers of selected banking and non-banking companies. They were studied and interviewed with the help of structured questionnaires. These questionnaires were coded and summarized with the use of Microsoft excel and SPSS. Sampling procedure followed for the survey was multilevel non probability convenient sampling or purposive sampling. The ratio of managers to employees to customers selected was kept as 1:2:6 for banking and non-banking companies. The representative bank is State Bank of India and NBFC includes LIC etc. The table shows the sampling.

Table No 1. Sampling

Financial institute	Type of the respondents		
	Managers	Employees	Customers
Banks	21	42	126
NBFCs	21	42	126
Total	42	84	252

Source: Researchers Population

Comparison of Pricing Strategies of Banks and NBFCs in Marathwada Region

The pricing strategies of Banks and NBFCs are compared through the study of High Interest Rate on Deposits, High Interest rate on Advances, Charges of Services are High, High Commission, Online Service Charges and Loan charges. Out of all these pricing variables, interest rates on deposits and advances are compared through cross tabulation and other pricing parameters are compared.

Comparing interest rates on Deposits of Banks and NBFCs in Marathwada Region

The following table no 2 gives the cross tabulation of high interest on deposits vs. type of financial company i.e. high Interest on deposits wise classification of respondents of Banks and NBFC

Table No. 2 High Interest Rates on Deposits

	High Interest Rate on Deposits					Total
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
Bank Customers	14	25	26	34 (26.98)	27	126
NBFC Customers	11	20	35	47 (37.03)	13	126
Bank Managers	0	1	4	10 (48.48)	6	21
NBFC Managers	0	0	1	12 (55.88)	8	21
Bank Employees	1	3	5	23 (55.07)	10	42
NBFC Employees	0	2	5	20 (48.52)	15	42
Total	26	51	76	146 (38.79)	79	378

Source: Field Survey and SPSS output

From the above table no 2, it is found that the banking interest rate on the deposits with bank customers agree count 34 (26.98%) is low as compared to the NBFC interest rate on deposits with NBFC customers agree count 47 (37.03 %). The Bank managers 10 (48.48%) agree less than NBFC managers count 12 (55.88%). Bank employees with count 23 (55.07%) agree greater than NBFC employees count 20 (48.52%).

From above table no 2 is observed that there is significant difference between banks and NBFCs regarding high interest rates on Deposits. In the case of bank customers and bank managers counts are less than NBFC customers and NBFC managers. Hence the banking interest rates are less than NBFC interest rates.

Comparing interest rates on Advances of Banks and NBFCs in Marathwada Region

The following table no3 gives the cross tabulation of high interest rates on advances as

Table No. 3 High Interest Rates on Advances

	High Interest rate on Advances					Total
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
Bank Customers	15	38 (30.48)	22	22	29	126
NBFC Customers	10	11	13	62 (38.62)	30	126
Bank Managers	0	2	3	8(39.39)	8	21
NBFC Managers	0	0	2	12(55.88)	7	21
Bank Employees	2	6	5	19 (44.92)	10	42
NBFC Employees	0	1	3	23(54.41)	15	42
Total	27	58	77	124(32.80)	156	378

Source: Field Survey and SPSS output

From the above table no 3, it is clear that the Bank customers with the count 38 (30.48%) disagrees that there are high interest rate on advances in banks. In case of the NBFC customers with the count 62 (38.62%) agree that there are high interest rates on advances in NBFCs. The Bank managers counting 08 (39.39%) agree that there are high interest rates on advances whereas NBFC managers counting 12 (55.88%). Bank employees accounting 19 (44.92%) responses agree that there are high interest rates on advances and NBFC employees accounting 23 (54.41%) responses agree that there are high interest rates on advances. But in comparison, it is found that there are high interest rates on advances in case of NBFC as compared to banks.

The pricing strategies of Banks and NBFCs are compared through the study of High Interest Rate on Deposits, High Interest rate on Advances, Charges of Services are High, High Commission, Online Service Charges and Loan charges. Out of all these pricing variables,

interest rates on deposits and advances are compared through cross tabulation and other pricing parameters are compared.

Null hypothesis H_{01} - Banking Rate of interest for loans and deposits is not significantly different than that of non-banking companies in Marathwada Region.

Alternative Hypothesis H_{A1} - Banking Rate of interest for loans and deposits is significantly different than that of non-banking companies in Marathwada Region.

Comparing interest rates on loans and deposits of Banks and NBFCs in Marathwada

Table No. 4 Existing Interest Rates in Banks and NBFCs

Sr.No.	Type of Financial Services	Banks' interest rate*	NBFCs ¹ interest rate*	Comparing Interest Rates
1	Loans (Home Loan)	9.95% (SBI)	10.25% (LIC housing)	Banking Rates < NBFC Rates
2	Loans (Car Loan)	10.45% (SBI)	11.25% (ShriRam Finance)	Banking Rates < NBFC Rates
3	Loans (Personal Loan)	18.25% (SBI)	16 to 32% (Fullerton India)	Banking Rates < NBFC Rates
4	Deposits	8%	11%	Banking Rates < NBFC Rates

Source: Field Survey and SPSS output

From above table no 4, it is observed that the banking rates for loans and deposits are lower than the NBFC rates for loans and deposits. This is factual and hence there is no need to prove the hypothesis by using different tests. It is clearly observed and proved that the Banking Rate of interest for loans and deposits is significantly different than that of non-banking companies in Marathwada Region. Hence the null hypothesis is rejected and alternative hypothesis is selected. It means that Banking Rate of interest for loans and deposits is significantly different than that of non-banking companies.

Conclusion

It is concluded that Banking Rate of interest for loans and deposits is significantly different than that of non-banking companies.

Bio

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