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Financial Inclusion Through Evaluating The Role Of SBI And Muthoot Finance In Bhopal

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Abstract

This research explores financial inclusion by comparing customer service quality and loan offerings of Muthoot Finance and the State Bank of India (SBI). The findings show that Muthoot Finance excels in customer service, providing a more positive loan experience. The study also emphasizes the common use of gold jewelry as collateral, with a preference for flexible loan terms, especially one-year durations. The effectiveness of gold loans in achieving financial goals highlights their appeal. Overall, Muthoot Finance stands out as the preferred choice for financial solutions, thanks to its exceptional customer service and flexible loan options.

Keywords

Financial inclusion, Customer Service, Gold Loans, Collateral Loan, Duration Financial Goals

Introduction

The financial services sector is indispensable in fulfilling the varied financial needs of individuals. Among the key players in this sector, Muthoot Finance and the State Bank of India (SBI) shine brightly in the Indian market. This research sets out to juxtapose the customer service quality and loan offerings of these two institutions, with a keen focus on gold loans. These loans, secured by gold jewelry, are esteemed for their flexibility and efficacy in achieving financial goals. The study delves into customer perceptions of service quality, the collateral types, loan durations, and the overarching effectiveness of gold loans in addressing financial requirements. By contrasting SBI and Muthoot Finance in Bhopal, this study aspires to enrich the existing knowledge landscape.

Literature Review

The intersection of financial inclusion, secured loans, and the roles of public sector banks and non-banking financial companies (NBFCs) has garnered substantial attention in recent years. This literature review lays the foundation for our comparative study of SBI and Muthoot Finance in Bhopal, underscoring the significance of financial inclusion, the vital role of gold loans, and the competitive dynamics between banks and NBFCs in India.

Financial Inclusion and Gold Loans

- Sahoo and Dash (2017) argue that access to formal financial services is paramount for poverty alleviation and economic growth in developing countries.
- Gopinath (2013) highlights the pivotal role of gold loans in the Indian financial ecosystem, noting their provision of quick and accessible credit to those often excluded from formal financial systems.

Comparative Studies on Banks and NBFCs

- Kumar and Gulati (2016) performed an extensive analysis of the operational efficiency of Indian banks, finding that public sector banks like SBI frequently lag behind their private counterparts.
- Conversely, Ghosh (2019) explored the rapid growth of NBFCs in India, emphasizing their rising market share and the factors contributing to their success.

Customer Service Quality in Financial Institutions

- The SERVQUAL model, developed by Parasuraman et al. (1988), is a widely used tool for assessing service quality across various industries, including banking.
- Kant and Jaiswal (2017) applied this model to the Indian context, discovering that reliability, responsiveness, and empathy are crucial dimensions of service quality for Indian banking customers.

Gold Loan Market in India

- The gold loan market in India has experienced remarkable growth and evolution. Shobha (2017) provides a thorough analysis of this market, noting the dominance of specialized NBFCs like Muthoot Finance.
- Nevertheless, Bhattacharya (2018) posits that public sector banks are increasingly recognizing the potential of the gold loan segment for profitability and financial inclusion.

This review sets the stage for our specific comparison of SBI and Muthoot Finance within the context of Bhopal, aiming to contribute valuable insights to the existing knowledge base.

Research Objective

- Examine the role of gold loans in advancing financial inclusion within Bhopal.
- Offer an in-depth comparison between SBI and Muthoot Finance specific to Bhopal.
- Assess the safety features of gold loans from both the customer and bank perspectives.

Research Methodology

Research Design-

In this study, we employ a descriptive and analytical research design to compare Muthoot Finance and SBI's gold loan offerings.

Sampling Technique

Random Sampling is utilized to gather primary data, with over 100 data points analysed to understand the context in Bhopal.

Sources of Data

The study incorporates both Primary and Secondary data. Secondary data includes previously published works, theses, and journals. Primary data is collected through closed-ended questionnaires via Google Forms.

Analysing Tools

Data analysis is conducted using univariate analysis in Excel, with graphs and charts for visual representation. Google tools are also employed for detailed data analysis.

Limitation of the study

These limitations should be considered when interpreting the results and conclusions of the study. Future research could address these limitations by expanding the sample size, including a broader range of loan products, and considering longitudinal data to capture changes over time.

Sample Size and Selection-

The study's limited sample size might not fully capture the entire customer base of Muthoot Finance and SBI, affecting the generalizability of the findings.

Geographical Scope

Confined to specific regions, the research could be subject to regional biases. Customer service quality and loan offerings might vary significantly across different locations.

Subjectivity in Customer Satisfaction

Customer satisfaction is inherently subjective, influenced by individual expectations and experiences, introducing variability into the results.

Limited Scope of Loan Products

By focusing primarily on gold loans, the study may overlook other loan products offered by Muthoot Finance and SBI, potentially limiting a comprehensive view of their overall loan offerings.

Temporal Factors

Data collected at a specific point in time may be influenced by changes in economic conditions, regulatory policies, or internal strategies, affecting the relevance of the findings over time.

Potential Bias in Data Collection

Biases in data collection methods, such as survey responses influenced by recent experiences or question framing, may be present.

Comparative Analysis Limitations

The comparative analysis between Muthoot Finance and SBI may not account for all variables influencing customer service and loan offerings, such as organizational structure, market positioning, and customer demographics.

These limitations should be considered when interpreting the study's results and conclusions. Future research could address these limitations by expanding the sample size, including a broader range of loan products, and considering longitudinal data to capture changes over time.

Scope of the study

This study aims to provide a comprehensive comparison of the gold loan services offered by the State Bank of India (SBI) and Muthoot Finance in Bhopal, Madhya Pradesh. The scope of this research encompasses several key areas:

1. **Geographical Focus:** The study is limited to the city of Bhopal, providing insights into the urban market dynamics of central India. This focus allows for a detailed examination of local preferences and practices.
2. **Institutional Comparison:** The research compares a major public sector bank (SBI) with a prominent NBFC (Muthoot Finance), offering insights into the different approaches and strengths of these two types of financial institutions.
3. **Service Quality Assessment:** The study evaluates customer service quality using established frameworks, providing a nuanced understanding of customer experiences and preferences.

4. **Product Analysis:** While focusing primarily on gold loans, the research also considers related financial products offered by both institutions, providing a holistic view of their service offerings.
5. **Customer Segmentation:** The study examines the preferences and behaviors of different customer segments, including factors such as age, income level, and financial literacy.
6. **Temporal Scope:** The research considers recent developments in the gold loan market, typically covering the past five years to ensure relevance and currency of findings.
7. **Regulatory Context:** The study takes into account the current regulatory environment for gold loans in India, considering how this impacts the operations and offerings of both SBI and Muthoot Finance.
8. **Economic Implications:** The research considers the broader economic impact of gold loans in Bhopal, including their role in financial inclusion and local economic development.
9. **Technological Aspects:** The study examines the use of technology in gold loan services, including digital platforms and their impact on customer experience.
10. **Future Outlook:** Based on the findings, the study provides insights into potential future trends in the gold loan market in Bhopal and similar urban centres in India.

By focusing on these areas, this study aims to provide valuable insights for financial institutions, policymakers, and researchers interested in the dynamics of the gold loan market and its role in financial inclusion in urban India.

This study delves into key areas to offer a comprehensive comparison of gold loan services provided by the State Bank of India (SBI) and Muthoot Finance in Bhopal, Madhya Pradesh:

1. **Geographical Focus:** Centering on Bhopal, the study unveils urban market dynamics in central India, enabling a detailed analysis of local preferences and practices.
2. **Institutional Comparison:** Contrasting a major public sector bank (SBI) with a leading NBFC (Muthoot Finance), the research illuminates the distinct approaches and strengths of these financial institutions.
3. **Service Quality Assessment:** Using established frameworks, the study meticulously evaluates customer service quality, offering a nuanced understanding of customer experiences and preferences.
4. **Product Analysis:** Primarily emphasizing gold loans, the research also assesses related financial products from both institutions, providing a well-rounded view of their service portfolios.
5. **Customer Segmentation:** Investigating the preferences and behaviors of diverse customer segments, the study considers factors like age, income level, and financial literacy.
6. **Temporal Scope:** The research includes recent developments in the gold loan market over the past five years, ensuring findings are current and relevant.
7. **Regulatory Context:** Examining the existing regulatory landscape for gold loans in India, the study considers its impact on the operations and offerings of both SBI and Muthoot Finance.
8. **Economic Implications:** Evaluating the broader economic impact of gold loans in Bhopal, the research highlights their role in financial inclusion and local economic development.
9. **Technological Aspects:** Exploring the use of technology in gold loan services, including digital platforms, and their effect on customer experience.
10. **Future Outlook:** Based on the findings, the study projects potential future trends in the gold loan market in Bhopal and similar urban centers in India.

By focusing on these areas, this research provides valuable insights for financial institutions, policymakers, and researchers interested in the gold loan market's dynamics and its contribution to financial inclusion in urban India.

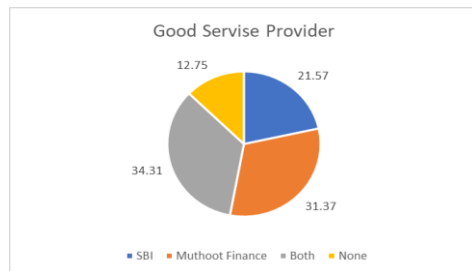
Analysis –

Service Quality Assessment: The study evaluates customer service quality using established frameworks, providing a nuanced understanding of customer experiences and preferences

1. Service Provider

Good Service Provider			
SBI	Muthoot Finance	Both	None
21.57	31.37	34.31	12.75

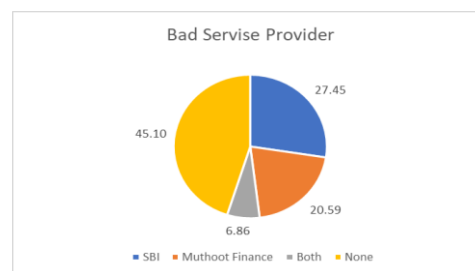
(Table.1)



(Fig.1)

Bad Service Provider			
SBI	Muthoot Finance	Both	None
27.45	20.59	6.86	45.10

(Table.2)



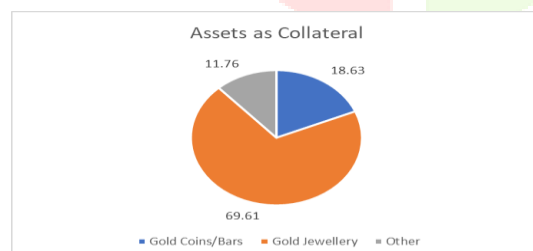
(Fig.2)

Customer service is one of the important aspects for any organisation. Taking into consideration customer service provided by SBI and Muthoot Finance, Muthoot Finance is getting a little edge over SBI in good service provider as per Fig 1 and Fig 2. This shows that taking a loan from Muthoot Finance may give the customer a better experience.

- Assets as collateral-** When it comes to loan as a source of funds customer has to give some asset as a security to the organization providing loan which is known as collateral. This collateral may be movable or immovable property against which the loan has been provided.

Asset as Collateral		
Gold Coins/Bars	Gold Jewellery	Other
18.63	69.61	11.76

(Table 3)



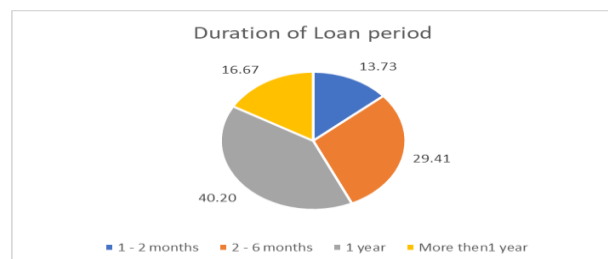
(Fig. 3)

In the case of gold loan, gold jewellery is the most common asset which is provided by the customers to the loan providing organisation as per Fig 3. Among the population availing gold loan only 18.63% of the population is providing gold coins and bars to the organisation as reflected in the Fig 3.

3. Duration of the loan taken by customers

Duration of Loan period			
1 - 2 months	2 - 6 months	1 year	More then1 year
13.73	29.41	40.20	16.67

(Table 4)



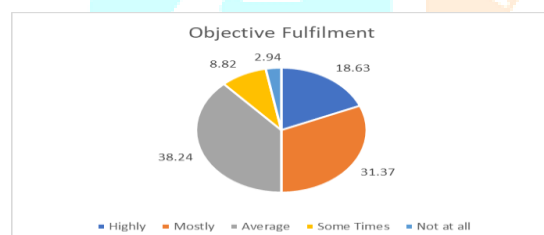
(Fig. 4)

Time duration of loan is one of the major factors before taking the loan. Gold loan is the loan which gives the options to the customers for 1 month as a period of loan. In the study it was found that most of the customer availing gold loan take gold loan for 1 year as per Fig 4.

4. Objective Fulfilment by Gold Loan

Objective Fulfilment				
Highly	Mostly	Average	Some Times	Not at all
18.63	31.37	38.24	8.82	2.94

(Table 5)



(Fig. 5)

Every customer when takes a loan they have some objectives. As per the study it was found that most of the times the objective of the customer is fulfilled by gold loan (Fig. 5). This shows that taking gold loan is a good option for fulfilment of the financial needs of its customers.

Findings –

In this research it was found that

- **Customer Service:** Muthoot Finance is perceived to provide better customer service compared to SBI. This suggests that customers may have a more positive experience when taking a loan from Muthoot Finance.
- **Collateral for Loans:** When securing loans, customers typically provide collateral. Gold jewellery is the most common asset used, while fewer customers opt for gold coins and bars.
- **Loan Duration:** The duration of the loan is a crucial factor for customers. Gold loans offer flexible terms, with many customers choosing a one-year loan period.
- **Meeting Financial Goals:** Gold loans are effective in meeting customers' financial objectives, making them a reliable option for fulfilling financial needs.

Muthoot Finance stands out as a favourable choice for customers seeking financial solutions due to its superior customer service. The company's ability to provide a positive loan experience is a significant advantage. Additionally, the flexibility of gold loans, which allow customers to use gold jewellery as collateral, caters to a wide range of financial needs. The effectiveness of gold loans in meeting financial goals further enhances their appeal. Customers appreciate the option to choose flexible loan terms, with many opting for a one-year period, which aligns with their financial planning.

Conclusion

The analysis shows that Muthoot Finance excels in customer service compared to SBI, offering a more satisfying loan experience. When taking out loans, customers typically provide collateral, often in the form of gold jewellery, with fewer opting for gold coins and bars. The duration of the loan is an important consideration, with gold loans providing flexible terms, and many customers choosing a one-year period. Additionally, gold loans are effective in meeting customers' financial goals, making them a dependable option for financial needs. Overall, Muthoot Finance's excellent customer service, along with the flexibility and effectiveness of gold loans, makes it a preferred choice for those seeking financial solutions.

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