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A Study on Loan and Advances at IDBI Bank, Chennai

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ABSTRACT: This research investigates the structure and efficacy of loans and advances provided by IDBI Bank, focusing on their role in shaping customer satisfaction and institutional performance. Using a structured survey of 110 respondents and applying tools such as correlation, regression, and chi-square analysis, the study identifies prevailing trends in loan preference, repayment capacity, and product perception. Results reveal a strong inclination toward vehicle and education loans, with monthly repayment being the most preferred. The study concludes with recommendations to optimize lending strategies and enhance customer-centric service delivery.

KEYWORDS: IDBI Bank, Loans and Advances, Customer Satisfaction, Lending Strategies, Repayment Capacity, Monthly Repayment Preference, Loan Structure, Institutional Performance, Financial Products, Customer-Centric services.

I. INTRODUCTION

Loans and advances are financial instruments extended by banks to support various personal, commercial, and industrial purposes. While loans typically refer to long-term financial support repayable in installments, advances are short-term credit facilities offered to meet immediate financial needs. IDBI Bank, a major player in India's public banking sector, provides a diverse portfolio of credit services ranging from personal loans to corporate finance. Among its core functions, the provision of loans and advances remains critical for financing infrastructure, entrepreneurship, education, and housing. These credit instruments not only fuel personal aspirations but also serve as catalysts for industrial and commercial expansion. IDBI Bank, as a prominent public sector entity, has evolved into a comprehensive banking institution with a strong loan portfolio. It caters to a wide spectrum of borrowers ranging from salaried individuals to MSMEs and large corporate entities. With its extensive branch network and emphasis on inclusive lending, IDBI has contributed significantly to financial penetration in urban and semi-urban areas. This study focuses on evaluating the performance, customer perception, and operational dynamics of loans and advances offered by IDBI Bank, with a view to suggesting actionable improvements.

II. OBJECTIVES OF THE STUDY

- To analyze the types, utilization, and impact of loans and advances provided by IDBI Bank on customer satisfaction and financial performance.
- To assess customer satisfaction with interest rates and repayment terms.
- To analyze risks perceived by borrowers.
- To identify the most preferred loan types.
- To study customer preferences regarding installment schedules.

III. SCOPE OF THE STUDY

The scope of this study is confined to analyzing the various loan and advance products offered by IDBI Bank within a geographically limited area. It primarily focuses on personal and retail loan segments, including housing loans, vehicle loans, education loans, and business loans. The study investigates key aspects such as loan disbursement procedures, interest rate structures, repayment terms, credit risk evaluation, and recovery mechanisms. Additionally, the research takes into account both customer perspectives and institutional policies over the last few financial years to assess the effectiveness of IDBI's lending practices. By limiting the scope to select branches and commonly availed loan types, the study ensures focused insights while maintaining relevance to broader operational patterns in the banking sector.

The study also evaluates the impact of credit risk management strategies, interest rate policies, digital loan processing initiatives, and recovery methods adopted in recent financial years. The findings aim to inform improvements in operational efficiency, credit appraisal systems, and customer satisfaction levels within the bank

IV. LITERATURE REVIEW

The concept of loans and advances has been extensively studied in the field of banking and finance due to its critical role in economic development, credit facilitation, and financial inclusion. This chapter reviews various scholarly articles, industry reports, and institutional publications that provide insights into the operational, strategic, and customer-centric aspects of loans and advances in banking, with a specific focus on commercial banks such as IDBI Bank.

Theoretical Background

Loans and advances are two primary instruments through which commercial banks deploy their funds. While loans are generally long-term and repaid in installments with interest, advances are typically short-term and aimed at addressing immediate financial requirements. According to **RBI guidelines**, both are essential tools for credit expansion, liquidity management, and industrial development (RBI Supervision Report, 2023).

Empirical Studies

Rahman (2019) in his study on commercial banks observed that loans and advances significantly impact profitability, especially when accompanied by strong credit appraisal mechanisms and risk management practices. Similarly,

Kulkarni (2015) emphasized that effective loan utilization leads to higher customer satisfaction and better loan recovery rates.

Manjunatha (2023), in a case study of the State Bank of India, highlighted that loan defaults are often linked to poor borrower screening and lack of follow-up. His study recommended automated monitoring systems and borrower education as tools to reduce NPAs.

CRISIL (2023) and **Moody's India Outlook (2024)** reported an improvement in the asset quality of public sector banks, particularly IDBI Bank, due to better recovery mechanisms and more prudent lending. These reports underscore the growing importance of **digital processing, loan diversification, and customer segmentation**.

Lending Practices in Indian Banks

Indian public sector banks, including IDBI Bank, have been actively realigning their loan portfolios to reduce dependency on corporate lending and increase retail and MSME exposure. The **IBA (2023)** and **NITI Aayog reports (2024)** point out that institutions offering flexible repayment options, competitive interest rates, and accessible customer service enjoy higher customer retention.

According to the **World Bank MSME Lending Analysis (2023)**, IDBI Bank was recognized for its post-pandemic support through government-backed schemes like ECLGS, showing its commitment to financial inclusion. Furthermore, **Economic Times Banking Survey (2024)** ranked IDBI Bank among the fastest-improving PSBs in credit performance.

Role of Digital and Customer-Centric Lending

IDBI's Strategic Documents (2023-24) mention its push toward digital disbursement of loans and mobile banking for faster approvals. A **Customer Satisfaction Survey (2023)** conducted by the bank revealed over 85% satisfaction in loan disbursement efficiency, especially in education and housing segments.

Fitch Ratings (2024) also observed that banks adopting fin tech platforms and digital scorecards saw a reduction in NPAs and improved customer onboarding experiences.

Research Gaps Identified

While much of the literature acknowledges the importance of loans and advances in supporting economic growth, gaps remain in understanding:

- Customer behavior in loan selection and repayment preferences
- Effectiveness of digital lending tools in semi-urban/rural areas

- The impact of tailored loan products for women, students, and low-income groups
- These gaps justify the need for a focused, data-driven study on IDBI Bank's lending practices, particularly from the viewpoint of customer experience, risk perception, and operational effectiveness.

The reviewed literature establishes a strong foundation for exploring loans and advances within the banking sector, particularly in public sector banks like IDBI. It reveals that strategic alignment with customer expectations, backed by technology and regulatory compliance, is crucial for improving loan performance. This study builds on these findings to offer specific insights into IDBI Bank's operations and its alignment with borrower needs.

V. RESEARCH METHODOLOGY

This study adopts a descriptive research design, which is appropriate for capturing detailed information on customer behavior, preferences, and satisfaction regarding loans and advances offered by IDBI Bank. The aim is to analyze patterns without manipulating the environment, providing a factual representation of existing conditions. The research follows a cross-sectional design involving a one-time survey to assess the opinions and experiences of customers regarding various loan products. This approach allows for capturing a snapshot of customer perceptions and bank practices during the selected time period.

- **Primary Data:** Primary data was collected using a structured questionnaire administered to a sample of 110 respondents across selected IDBI Bank branches. The questionnaire comprised both closed-ended and Likert-scale-based questions to measure satisfaction, preferences, awareness, and repayment behavior.
- **Secondary Data:** Secondary data was obtained from reliable sources such as:
 - IDBI Bank Annual Reports
 - RBI Bulletins and Supervision Reports
 - Financial publications and journals
 - Government policy documents and credible banking websites
 - A non-probability sampling method, specifically convenience sampling, was used due to time and resource constraints. Respondents were selected based on ease of access and their willingness to participate. Although this method limits the generalize ability of results, it ensures practical feasibility in data collection.

The study assessed various independent and dependent variables, including:

- **Independent variables:** Type of loan, income level, occupation, age, communication channel, interest rate perception
- **Dependent variables:** Customer satisfaction, loan preference, repayment frequency, reasons for default
- To derive meaningful interpretations from the collected data, the following **statistical techniques** were employed: The design ensured that responses could be **quantitatively analyzed** while also reflecting qualitative perceptions in a structured form. The data collected was tabulated and analyzed using **Microsoft Excel** and **SPSS (Statistical Package for the Social Sciences)**. Charts, graphs, and tables were used for visual representation, and statistical significance was evaluated where applicable.
- This mixed-method approach offers a balanced view, integrating both quantitative rigor and qualitative insight. The descriptive method is suitable for banking-related studies where trends, preferences, and customer behavior are analyzed without experimental intervention.

Limitations of the Methodology

- The use of convenience sampling may introduce bias and limit generalize ability to the broader customer base.
- The sample size of 110, while manageable, may not represent the entire demographic and geographic diversity of IDBI Bank's clientele.
- Time constraints restricted the possibility of conducting longitudinal or branch-level comparative studies.
- Responses are subject to self-reporting bias, where participants may overestimate or underestimate their satisfaction or loan usage.

VI. DATA ANALYSIS AND INTERPRETATION

This chapter presents the results derived from the primary data collected through structured questionnaires administered to 110 respondents. The analysis focuses on customer demographics, income levels, loan preferences, repayment behavior, satisfaction levels, and usage patterns of loans and advances provided by IDBI Bank. Statistical tools such as correlation, regression, and chi-square tests have been applied to derive meaningful insights.

Out of the total 110 respondents:

- 71% were male, while 29% were female, indicating a gender disparity in loan engagement or participation in the survey.
- The majority (42%) of respondents belonged to the 31–40 years age group, followed by 27% in the 26–30 years category.
- This demographic trend suggests that IDBI Bank's loan products are predominantly accessed by mid-career working professionals.
- 84% of the respondents were employed, indicating that salaried individuals constitute the major customer base.
- 41% of respondents earned less than ₹50,000 per month, followed by 37% earning between ₹50,000 to ₹1,00,000.
- A small segment (6%) were students, typically availing education loans.
- These findings reflect that IDBI caters largely to the lower- and middle-income segments who seek financial assistance for various needs.
- The most preferred loan type was vehicle loans (48%), followed by education loans (26%), housing loans (20%), and business loans (6%).
- This pattern indicates that customers prioritize mobility and educational investment over business development, possibly due to easier eligibility or quicker approval in the vehicle and education segments.
- 38% of respondents preferred a loan tenure of 3–5 years, while 31% opted for more than 5 years.
- Short-term repayment plans (less than 1 year) were preferred by only 7% of respondents.
- This demonstrates a clear inclination toward medium-to-long-term repayment structures, allowing manageable EMIs over extended durations.
- 71% of customers preferred IDBI Bank for their loan transactions, while 22% chose private banks and only 7% preferred other public sector banks.
- This indicates a strong level of trust and satisfaction with IDBI's loan services, especially compared to its competitors.
- 68% of respondents preferred monthly installment payments, followed by 21% choosing quarterly, and 11% opting for half-yearly installments.
- Monthly repayment aligns with common salary cycles, suggesting it is the most feasible option for employed customers.
- 44% cited unexpected expenditures as the primary reason for loan default.
- 25% blamed business losses, while 20% mentioned family crises.

These findings highlight the need for financial literacy and contingency planning to reduce default rates.

- 47% rated IDBI's goodwill as average, while 35% rated it as good.
- Regarding interest rates, 40% found them favorable, and 47% rated them as moderate.
- In terms of overall satisfaction, 38% of customers were satisfied, and 30% were very satisfied.
- 32% utilized their loans for investment in shares and bonds.
- 29% used funds for miscellaneous businesses, while 24% purchased electronic gadgets.
- 15% used their loans to buy gold coins or bonds.

Statistical Insights

A correlation coefficient of $r = 0.138$ was found between purpose of loan usage and preferred communication channel, indicating a very weak positive relationship. Hence, communication method has minimal impact on how borrowers choose to use their loans.

The regression model revealed a positive linear relationship between bank preference and type of installment selected, implying that customers who preferred IDBI Bank were more inclined toward monthly repayment plans. This suggests that the bank's EMI structure aligns well with customer expectations.

The chi-square test value (48.64) exceeded the critical value (9.488 at 4 degrees of freedom), confirming a statistically significant association between customer satisfaction and their demographic or loan-related variables. Thus, satisfaction levels vary significantly across different customer segments.

VII. FINDINGS OF THE STUDY

Based on the data analysis and interpretation, the following key findings have been derived:

1.High Engagement Among Salaried and Middle-Income Groups

IDBI Bank demonstrates strong engagement with salaried professionals, particularly those belonging to the middle-income segment. The majority of respondents were employed and earned less than ₹50,000 per month, indicating that the bank's loan offerings are well-suited to financially stable, working-class individuals.

2.Vehicle Loans as the Most Preferred Product

Among the various loan options, vehicle loans emerged as the most favored by customers, accounting for nearly half of all preferences. This suggests a growing demand for mobility and consumer credit among IDBI's clientele.

3.Preference for Monthly Installments and Long-Term Repayment

The analysis reveals that most borrowers prefer monthly repayment schedules, likely aligned with their income cycle. Additionally, a significant portion of customers favored repayment tenures ranging from 3 to over 5 years, highlighting the need for flexible and long-term financial planning.

4.Need for Improved Outreach to Students and Lower-Income Segments

The study identifies a gap in communication and service engagement with students and lower-income groups. These segments were underrepresented in the respondent pool and showed limited awareness or access to IDBI's credit products, indicating the potential for targeted financial literacy and inclusive lending initiatives.

VIII. SUGGESTIONS

Based on the findings of the study, the following suggestions are proposed to enhance the effectiveness of IDBI Bank's loan and advance services, improve customer satisfaction, and reduce credit risk:

1.Introduce Financial Literacy Programs for Women and Youth

To broaden its outreach, IDBI Bank should conduct regular financial literacy workshops and awareness campaigns targeting women, students, and first-time borrowers. This will help in promoting informed financial decision-making and increase participation from underrepresented segments.

2.Offer Age-Specific and Income-Sensitive Loan Products

The bank should design customized loan schemes based on age brackets and income levels. For instance, young professionals and retirees may benefit from differentiated interest rates, repayment flexibility, and simplified documentation processes tailored to their specific financial profiles.

3.Improve Digital Loan Processing and Turnaround Time

In today's competitive banking environment, digital efficiency is crucial. IDBI Bank should strengthen its digital platforms by automating loan applications, enabling instant document uploads, and providing real-time application tracking. This will reduce delays and enhance the overall customer experience.

4.Launch Flexible EMI and Moratorium Options for At-Risk Borrowers

Borrowers facing financial stress due to job loss, medical emergencies, or business failures should be provided with grace periods, EMI restructuring, or short-term moratoriums. These options will reduce default rates and improve loan recovery without compromising customer relationships.

5.Enhance Grievance Redressal and Post-Loan Services

The bank should establish a more responsive and transparent grievance handling mechanism that includes multi-channel support (in-person, phone, email, chatbot). Additionally, post-disbursement services like timely loan statement updates, repayment reminders, and document return acknowledgments should be improved to foster long-term trust and satisfaction.

IX. CONCLUSION

The study highlights that IDBI Bank has successfully positioned itself as a dependable lender, particularly among salaried and middle-income groups. Its structured loan offerings, wide reach, and government backing contribute to its trust and appeal. However, in order to compete effectively in a rapidly evolving digital and customer-centric financial ecosystem, IDBI must adopt technology-driven lending practices, refine risk mitigation frameworks, and build adaptive loan structures that cater to diverse borrower profiles. Strengthening these strategic areas will ensure long-term sustainability and resilience in its loan portfolio

Customer feedback obtained through this research emphasizes the need for better communication, personalized financial products, and quicker service delivery. While satisfaction levels with IDBI's loan services are generally favorable, a significant portion of customers remain neutral—indicating untapped potential. Addressing these concerns through proactive customer support, financial education, and digital accessibility can convert neutral users into loyal advocates. The success of a lending institution now hinges not only on its products but also on the quality of experience it delivers.

From a governance perspective, this study reveals the importance of robust loan monitoring, effective credit assessment, and timely recovery mechanisms. IDBI Bank must continuously align its internal policies with RBI guidelines while also responding to real-time borrower challenges such as inflation, income volatility, and economic disruptions. A forward-thinking approach to regulatory compliance, data-based decision making, and financial inclusion will position the bank as a modern public sector leader in the lending space.

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