

# A Comparative Study of Retail Credit Schemes of Selected Banks

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Retail banking in India operates in a highly saturated and competitive market. As the name suggests retail banking has been able to touch the population in a big way. They offer a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels. The areas could be investment banking, life and non-life insurance, venture capital and asset management, retail loans such as home loans, personal loans, educational loans, car loan, consumer durable loan, credit cards etc. It focuses on customization of products that are designed to meet the specific needs of the customers. In Indian banking sector, it were the private and the foreign banks to make headway in retail segment of banking. They realized the importance and the potential of the emerging great Indian middle class whose income levels were on the rise. The main objective of this research study is to make a comparative study of consumer credit schemes of selected banks. The research is based on primary data as well as secondary data. The comparative study of Consumer Credit Schemes has been made on ground of various variables such as purpose of taking loan, eligibility criteria, maximum loan amount, prepayment penalty, repayment period etc. It is concluded that the nationalized banks have better personal loan schemes except the amount of personal loan sanctioned by the private banks. Researcher recommends better discounts to borrowers especially to increase the loan schemes and to make them more attractive to the borrowers.

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## A COMPARATIVE STUDY OF RETAIL CREDIT SCHEMES OF SELECTED BANKS

The Indian Banking industry has been undergoing rapid changes reflecting a number of underlying changes. Liberalization and deregulation witnessed in the Indian markets in the 1990s have resulted in a spurt in banking activity in India. Significant advances in communication have enabled banks to expand their reach, both in terms of geography covered as well as new products introduced. With increased competition in wholesale banking due to the entry of foreign banks and new private sector banks, the sector has witnessed a squeeze in margins. This has led to banks increasing their focus on retail banking so as to obtain access to low cost funds and to expand

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into relatively untapped, potential growth areas. Banks and financial institutions are thus continuously exploring new avenues for increasing their footprint and safeguarding their margins. Competition from multinational banks and entry of new private sector banks has rewritten the rules of the retail lending business in India. Slow growth in corporate lending, pressure on corporate spreads due to competition and concerns over asset quality have induced public sector banks to emulate the private sector banks in placing emphasis on growth through expansion of retail portfolio.

#### **RETAIL CREDIT PRODUCTS/SERVICES OF INDIAN BANKS**

As the name suggests retail banking has been able to touch the population in a big way. They offer a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels. The areas could be investment banking, life and non-life insurance, venture capital and asset management, retail loans such as home loans, personal loans, educational loans, car loan, consumer durable loan, credit cards etc. It focuses on customization of products that are designed to meet the specific needs of the customers.

Though a wide-range of retail banking products and services are being offered by Banks, which cover both the deposits and the advances, major products offered under retail lending to suit various segments of customers like salaried persons, businessmen, traders, professionals, technocrats, pensioners, labourers etc. are: housing loans, personal loans, educational loans, vehicle loans, loan for consumer goods, credit and debit cards, global and international cards, loans for holidays, insurance products, gold loans, event loans etc. Thus the banks are offering all the life-cycle products under their 'cradle to grave' strategy to take care of all the credit needs of individuals. Retail banking products for depositors in various segments, like children, housewives, salaried class, professionals, technologists, pensioners etc. include: Flexi Deposit Accounts, Savings Banks Accounts, Recurring Deposit Accounts, and Other Short Term Deposits.

Modern age can be distinguished by various changes. One of these changes has been the change in outlook on economic matters. The old generation believed in savings with view to future security. The modern people under the impact of increasing materialism, developing banking facilities and social security system believe in living in the present. Hence they welcome loans and installment schemes.

### OBJECTIVES OF THE STUDY

- The main objective of this research study is to examine the mortgage policy, documentation and eligibility conditions, rate of interest etc. for taking home loan, car loan, education loan, personal loan and consumer loan from different banks.
- Another objective is to make a comparative study of consumer credit schemes of selected banks.

### RESEARCH METHODOLOGY

**Collection of data** -The research is based on primary data as well as secondary data. The primary data has been collected with the assistance of personal discussions and interview with the bank executives. The secondary data has been collected from various bank manuals, loan compendium and web sites etc.

**Sample Variables**- The comparative study of Consumer Credit Schemes has been made on ground of various variables such as purpose of taking loan, eligibility criteria, maximum loan amount, prepayment penalty, repayment period, margin of banks, processing fees, security, documents required and rate of interest.

**Selection of banks** -We have selected five financial institutions - State Bank of India (SBI), ICICI Bank, HDFC Bank, Oriental Bank of Commerce (OBC) and Punjab National Bank (PNB).

**Selection of loans** -Further we have selected five types of loans namely Car Loan, Home Loan, Personal Loan, Educational Loan, and Consumer Loan in Consumer Credit Schemes of selected banks.

**Technique of Analysis** – Each variable has been assigned individual scores 1 or 9 in case of each bank. 1 stands for the best ranking for the variable and 9 for the vice-versa. The Arithmetic Mean and the Ranking Technique have been used in order to analyze the data. The data has been analyzed with the help of a leading statistical package SPSS.

## COMPARATIVE STUDY OF CONSUMER CREDIT SCHEME OF SELECTED BANKS

## EXHIBIT 1. Comparative Study of Housing Loan Scheme of Selected Banks

	BANK NAME				
	SBI	PNB	OBC	HDFC	ICICI
<b>Purpose</b>	Purchase/Construction of new house, existing house, plot of land, extension, repair, renovation, alteration, purchase of furnishing or consumer durables, takeover of an existing loan from other bank or HFC	Purchase/Construction of house/flat, purchase of house on first power of attorney basis from the original allottee, repairs, renovations, additions, alterations to existing house	Purchase/Construction of old or new house, extension, renovation, repair of existing house, additional loan to cover deficiency in current loan from employer	Purchase/Construction of flat, house, bungalow from developers, existing freehold properties, properties in an existing or proposed co-operative housing society or apartment owner's association, first power of attorney	Purchase/Construction of house/flat, purchase of house on first power of attorney basis from the original allottee in Delhi for DDA flats allotted before 1992, repairs, renovations, additions, alterations to existing house,
<b>Eligibility</b>	Minimum age 21 years, maximum 70 years and steady source of income	Minimum age 21 years, maximum age 60 years and Individual who are in permanent service or are self employed or have own business	Minimum age 23 years, maximum 60 years and date of retirement whichever is earlier	Minimum age 21 years, maximum 58 years, Minimum annual income Rs. 1 lakh, must have phone at residence, minimum employment-1 year in current employment and minimum 2 years of employment	Minimum age 21 years, maximum 65 years, must be employed or self-employed with a regular source of income
<b>Loan Amount</b>	-Age 21-45 yrs=60 times of NMI or 5 times NAI, subject to aggregate repayment obligation not exceeding 57.50 % of NMI/NAI -Age above 45 yrs=48 times NMI or 4 times NAI, subject to aggregate repayment obligations not exceeding 50 % of NMI/NAI	-For construction /purchase=80 % of cost of construction/purchase -For repairs etc=80 % of the estimated cost subject to max. of Rs. 20 lacs -Loan upto Rs. 10 lacs for Purchase of plot/land -For furnishing max. Rs. 2 lacs	-Ranges from 1-50 lacs depending upon borrowers' capacity to repay subject to max 40 months gross salary/income -For non assessee Rs. 2 lacs -Advance against land shall not exceed 50 % of loan amount	85 % of the cost of property (including the cost of land) and based on the repayment capacity of borrower	85 % of the cost of property (including the cost of land) and based on the repayment capacity of borrower subject to a number of factors such as age, income, assets and liabilities etc.

	SBI	PNB	OBC	HDFC	ICICI
<b>Prepayment penalty</b>	2 % of loan prepaid if the prepayment is made before expiry of half the original tenure	2 % of loan prepaid if the prepayment is made before expiry of half the original tenure	2 % of loan prepaid if the prepayment is made before expiry of half the original tenure	2.5 % of loan prepaid if the prepayment is made before expiry of half the original tenure	2 % of loan prepaid if the prepayment is made before expiry of half the original tenure
<b>Repayment period</b>	Upto 45 yrs of age- 20 yrs Above 45 yrs - 15 years	Repayment period is 25 yrs or borrower attains the age of 65 yrs	20 yrs or borrower attains the age of 70 yrs	20 yrs subject to borrowers' retirement age	Max tenure of 30 years
<b>Security</b>	-Equitable mortgage of property, other tangible security of adequate value like NSC, LIC policies if property cannot be mortgaged	-Equitable mortgage of property, other tangible security of 125 % like NSC, LIC policies if property cannot be mortgaged, tripartite agreement between housing board society, borrower and bank	Deposit of title deeds or collateral security, interim security if the property is under construction	Deposit of title deeds or collateral security, interim security if the property is under construction	-Equitable mortgage of property, other tangible security of 125 % like NSC, LIC policies if property cannot be mortgaged, tripartite agreement between housing board society, borrower and bank
<b>Documents</b>	-Complete application form with photograph -Proof of identity -Proof of Residence -Proof of business address -Copy of approved plan and approval from the local body -Statement of bank account/pass book for last 6 months	-Complete application form with photograph -Proof of identity -Proof of Residence -Proof of business address -Details of guarantor	-Complete application form with photograph -Proof of identity -Proof of Residence -Proof of business address -Statement of bank account/pass book for last 6 months	-Complete application form with photograph -Proof of identity -Proof of Residence -Latest salary slip -Form 16 -Last 6 months bank statement -Processing fee cheque -Education qualification certificate -Proof of business	-Complete application form with photograph -Proof of identity -Proof of Residence -Loan enclosure letter -Form 16 -Last 6 months bank statement -Processing fee cheque -Education qualification certificate -Proof of business
<b>Rate of Interest (Floating)</b>	-upto 5 years- 10.25 % -5-20 years - 10.75 %	-upto 5 years- 9 % - 5 to 10 years-9.25 % -10-20 years- 9.50 % -20-25 years-10 %	-upto 5 years- 9.25 % - 5 to 10 years-9.50 % -10-20 years- 10 %	-upto 5 years- 11.25 % -5-20 years - 11.75 %	-upto 5 years- 11.50 % -5-20 years - 11.75 %

Table 1. Scores Assigned to Home Loan Variables

VARIABLES	BANK NAME				
	SBI	PNB	OBC	HDFC	ICICI
Purpose	1	1	1	1	1
Eligibility	1	9	9	9	1
Loan Amount	9	9	9	1	1
Margin	9	9	9	1	1
Processing Fees	1	9	9	9	1
Prepayment Penalty	1	1	1	9	1
Repayment Period	9	1	9	9	1
Security	1	9	1	1	9
Documents	9	1	9	9	9
Rate of Interest	1	1	1	9	9
Mean Values	4.2	5	5.8	5.8	3.4

EXHIBIT 1 depicts that in the case of home loan scheme of ICICI bank, the repayment time period of borrowed amount is 30 years, which is maximum in comparison to all other banks. Further, the borrower can borrow 85 percent of the cost of property (including the cost of land) in case of HDFC Bank and ICICI Bank, which is maximum in comparison to all other banks. In case of PNB, a borrower can borrow upto 80 per cent of the estimated cost of property subject to Rs 20 lacs and upto Rs 10 lacs for the purchase of plot/land. There are very many restrictions in case of PNB, SBI and OBC regarding maximum home loan amount, which is not so in case of ICICI and HDFC Bank. Processing fees is maximum in case of HDFC Bank i.e. 1 % of loan amount + service tax as extra and minimum in case of State Bank of India.

Table 1 makes it clear that the mean value of ICICI Bank is the least i.e. 3.4 which shows that ICICI Bank has the best home loan variables. The second rank goes to SBI because its mean value is 4.2 and it is higher than the mean value of ICICI Bank. PNB has the third rank. OBC and HDFC Bank have equal ranks.

As a conclusion, it can be said that home loan scheme of ICICI Bank is much better than all other banks but if the rate of interest variable is considered, it is minimum in case of Punjab National Bank. If a borrower wants to take home loan from a private bank, then he may have the option of ICICI Bank and if he wants the home loan from a nationalized bank then he may take it from State Bank of India.

## EXHIBIT 2. Comparative Study of Car Loan Scheme of Selected Banks

	BANK NAME				
	SBI	PNB	OBC	HDFC	ICICI
<b>Purpose</b>	To purchase a new car, jeep, multi utility vehicles (MUV) or SUV of any make or model, to purchase an old car jeep, MUV, SUV not more than 5 yrs old of any make or model	To purchase a new car, jeep, multi utility vehicles (MUV) or SUV of any make or model, to purchase an old car jeep, MUV, SUV not more than 3 yrs old of any make or model	To purchase a new car, jeep, multi utility vehicles (MUV) or SUV of any make or model and of non commercial use-to be registered as private vehicle	To purchase a new car, jeep, multi utility vehicles (MUV) or SUV of any make or model, to purchase an old car jeep, MUV, SUV not more than 5 yrs old of any make or model	To purchase a new car, jeep, multi utility vehicles (MUV) or SUV of any make or model, to purchase an old car jeep, MUV, SUV not more than 5 yrs old of any make or model
<b>Eligibility</b>	Age 21-65 yrs, permanent employee of govt., assessee, agriculturist and NAI Rs. 75000 or more	Individual as well as business concerns (corporate or non-corporate)	Individual working in Govt. dept./PSUs/schools or colleges, reputed co's with a min of 3 yrs of service and having income of Rs. 15000 p.m. (gross)	Age 21-58 yrs, Minimum annual income Rs. 1 lakh, must have phone at residence, minimum employment-1 year in current employment and minimum 2 years of employment	Age 21-58 yrs and NAI of Rs. 1 lakh in case of individual, 21-65 yrs and GAI of more than Rs. 60000 in case of self employed
<b>Loan Amount</b>	Max. of 2.5 times the NAI in case of new car, Max. Rs. 15 lacs in case of used car	Max. of 2.5 times the NAI in case of new car, Max. Rs. 15 lacs in case of used car for individuals and no ceiling in loan amount for business concerns	Max Rs. 10 lacs	Max. 90 % of the invoice value and min Rs 50000	Max. 90 % of the invoice value and min Rs 1 lakh in case of new car, 85 % of the value of car and min Rs. 75000 in case of used car
<b>Margin</b>	New/used vehicles= 15 % on the road price	20%	10%	20 %	20%
<b>Processing fees</b>	0.50 % of loan amount with a cap of Rs 10000 (including service tax)	1 % of the loan amount	0.8 % of the loan amount	2 % of the loan amount	New cars-NIL Used care-Rs. 750 on loans below Rs 1.01
<b>Prepayment penalty</b>	2 % of loan prepaid if the prepayment is made before expiry of half the original tenure	Not Available	2 % of loan prepaid if the prepayment is made before expiry of half the original tenure	Not Available	5 % on the o/s principal amount plus service tax

	SBI	PNB	OBC	HDFC	ICICI
<b>Security</b>	As per bank's instructions	Vehicle to be hypothecated with bank	Collateral security	Vehicle to be hypothecated with bank	Vehicle to be hypothecated with bank
<b>Documents</b>	-Complete application form with photograph -Proof of identity -Proof of Residence -Proof of business address -Copy of approved plan and approval from the local body -statement of bank account/pass book for last 6 months	-Complete application form with photograph -Proof of identity -Proof of Residence -Proof of business address -Details of guarantor	-Complete application form with photograph -Proof of identity -Proof of Residence -Proof of business address -Statement of bank account/pass book for last 6 months	-Complete application form with photograph -Proof of identity -Proof of Residence -Latest salary slip -Form 16 -Last 6 months bank statement -Processing fee cheque -Education qualification certificate -Proof of business	-Complete application form with photograph -Proof of identity -Proof of Residence -Loan enclosure letter -Form 16 -Last 6 months bank statement -Processing fee cheque -Education qualification certificate -Proof of business
<b>Rate of Interest (Floating)</b>	-upto 3 years 11.50 % -3 to 5 years 11.75 % -5 to 7 years 12.00 %	-upto 3 years 9.25 % -More than 3 years 9.75 per cent	-1 to 2 years- 10.50 % -2 to 3 years- 11.50 % -3 to 5 years- 12.50 %	1 to 5 years- 15.75 to 16.25 % p.a.	1 to 5 years- 15.50 to 16 % p.a.

Table 2. Scores Assigned to Car Loan Variables

VARIABLES	BANK NAME				
	SBI	PNB	OBC	HDFC	ICICI
<b>Variables</b>					
<b>Purpose</b>	1	9	9	1	1
<b>Eligibility</b>	9	1	9	9	1
<b>Loan Amount</b>	9	9	9	1	1
<b>Margin</b>	1	9	1	9	9
<b>Processing Fees</b>	1	9	1	9	9
<b>Prepayment Penalty</b>	1	1	1	9	9
<b>Repayment Period</b>	1	9	9	1	1
<b>Security</b>	1	1	1	1	1
<b>Documents</b>	1	1	1	9	9
<b>Rate of Interest</b>	1	1	1	9	9
<b>Mean Values</b>	2.6	5	4.2	5.8	5

EXHIBIT 2 shows the comparative study of car loan scheme of selected banks. The rate of interest of car loan scheme is minimum in case of PNB and maximum in case of HDFC Bank. Documents required are almost same in case of all the banks. The amount of margin is minimum in case of



OBC. Processing fees is maximum in case of HDFC bank and minimum in case of SBI. The repayment period is minimum in case of OBC. The amount of car loan to be sanctioned is maximum in case of HDFC Bank and ICICI Bank.

Table 2 depicts that the arithmetic mean value of SBI is minimum (2.6), which shows that SBI has the best car loan variables. The best score assigned to each variable goes in the favour of SBI. The second rank goes to OBC. PNB and ICICI bank have equal rank because their mean values are also equal. The mean value of HDFC bank is maximum (5.8), which means that it has the least score for car loan variables.

EXHIBIT 3. Comparative Study of Education Loan Scheme of Selected Banks

	BANK NAME				
	SBI	PNB	OBC	HDFC	ICICI
<b>Purpose</b>	All courses having employment prospects are eligible	All courses having employment prospects are eligible	For higher education after schooling	To meet educational expenses, costs for pursuing higher studies at institutions approved by HDFC	For higher education after schooling
<b>Expenses considered for loan</b>	Fees payable to college/school/hostel, examination/library/laboratory fees, purchase of books/equipment/instrument/uniforms, caution deposit/building fund/refundable deposit, travel exp/passage money for studies abroad, purchase of computers for studies, cost of two wheeler upto Rs 50000, any other exp required to complete the course	Admission fees, books and stationery, instruments, monthly fees, examination fees, insurance premium for policy on life of the borrowing student, caution deposit/building fund, exp like tours/project work/thesis etc., boarding and lodging charges, travel exp/passage money etc.	Cost of school/college fees and hostel exp., cost of books and stationery etc.,	Admission fees, books and stationery, instruments, monthly fees, examination fees, insurance premium for policy on life of the borrowing student, caution deposit/building fund, exp like tours/project work/thesis etc., boarding and lodging charges, travel exp/passage money etc.	Admission fees, books and stationery, instruments, monthly fees, examination fees, insurance premium for policy on life of the borrowing student, caution deposit/building fund, exp like tours/project work/thesis etc., boarding and lodging charges, travel exp/passage money etc.
<b>Eligibility</b>		Indian nationals of age 16-40 yrs, for part time computer courses age 16-45 and graduate applicants of min 21 yrs	Indian national of any age group of max 45 years	Indian national of any age group of max 45 years	Indian national of any age group of max 45 years

	SBI	PNB	OBC	HDFC	ICICI
<b>Loan Amount</b>	In India – upto Rs 7.5 lacs In abroad-upto Rs 15 lacs	In India – upto Rs 7.5 lacs In abroad-upto Rs 15 lacs	In India – upto Rs 7.5 lacs In abroad-upto Rs 15 lacs	Max. 90 % of total cost determined by HDFC but max Rs 20 lacs	In India – upto Rs 7.5 lacs In abroad-upto Rs 15 lacs
<b>Margin</b>	Upto Rs. 4 lacs-NIL Above Rs 4 lacs for education in India- 5% education in abroad-15%	NIL	Upto Rs. 4 lacs-NIL Above Rs 4 lacs for education in India- 5% education in abroad-15%	Not Available	Upto Rs. 4 lacs-NIL Above Rs 4 lacs for education in India- 5% education in abroad- 15%
<b>Processing fees</b>	No processing fees/upfront charges, deposit of Rs 5000 for education loan for studies abroad adjusted towards margin money	No processing fees/upfront charges,	No processing fees/upfront charges,	1 % of the loan amount plus service tax	1 % of the loan amount plus service tax
<b>Prepayment penalty</b>	1.5 % of the balance loan amount	2 % of the balance loan amount	1.5 % of the balance loan amount	5 % on the o/s principal amount plus service tax	5 % on the o/s principal amount plus service tax
<b>Repayment period</b>	5-7 yrs, Repayment commences one year after completion of course or 6 months after securing a job whichever is earlier	7 yrs, Repayment commences 6 months after completion of course or 1 month after securing a job whichever is earlier	7 yrs, Repayment commences one yr after completion of course or 6 months after securing a job whichever is earlier	Maximum 5 years	Within 7 yrs, repayment commences one yr after completion of course or 6 months after securing a job whichever is earlier
<b>Security</b>	-Upto Rs 4 lac-No security -Rs 4-7.5 lac-Third party guarantee -Rs. 7.5 lac-Rs 10 lac (15 lac in case of abroad)- Tangible collateral security for full value of loan	-Upto Rs 5 lac-LIC policy fir equivalent to loan amount -Above Rs 5 lacs- Collateral security or third party guarantee for full value of loan	-Upto Rs 4 lac-No security -Rs 4-7.5 lac- Third party guarantee -Rs. 7.5 lac-Rs 10 lac (15 lac in case of abroad)- Tangible collateral security for full value of loan	-Upto Rs 4 lac-No security -Rs 4-7.5 lac- Third party guarantee -Rs. 7.5 lac-Rs 10 lac (15 lac in case of abroad)- Tangible collateral security for full value of loan	-Upto Rs 4 lac-No security -Rs 4-7.5 lac-Third party guarantee -Rs. 7.5 lac-Rs 10 lac (15 lac in case of abroad)- Tangible collateral security for full value of loan

	SBI	PNB	OBC	HDFC	ICICI
<b>Documents</b>	-Complete application form with photograph -Proof of income -Marks sheet of last qualifying exam -proof of admission scholarship -schedule of expenses for specified course -Statement of bank account/pass book for last 6 months -income tax assessment order of last 2 years	-Complete application form with photograph -Proof of identity -Proof of Residence -Proof of business address -Details of guarantor -Marks sheet of last qualifying exam -proof of admission scholarship -schedule of expenses for specified course	-Complete application form with photograph -Proof of Residence -Statement of bank account/pass book for last 6 months -Marks sheet of last qualifying exam -proof of admission scholarship -schedule of expenses for specified course	-Complete application form with photograph -Proof of identity -Proof of Residence -Latest salary slip -Form 16 -Last 6 months bank statement -Processing fee cheque -Education qualification certificate -Proof of business	-Complete application form with photograph -Proof of identity -Proof of Residence -Loan enclosure letter -Form 16 -Last 6 months bank statement -Processing fee cheque -Education qualification certificate -Proof of business
<b>Rate of Interest</b>	-loans upto Rs. 4 lacs-11.50 % p.a. - loans above Rs. 4 lacs- 13.25 % p.a.	-loans upto Rs. 4 lacs-11.75% p.a. - loans above Rs. 4 lacs- 12.75 % p.a.	-loans upto Rs. 4 lacs-11 % p.a. - loans above Rs. 4 lacs- 12 % p.a.	-loans upto Rs. 2 lacs-12 % p.a. with security, 13 % without security - loans above Rs. 2 lacs- 13.5 % p.a. without security	-loans upto Rs. 4 lacs-14.50 % p.a. - loans above Rs. 4 lacs- 15.25 % p.a.

Table 3. Scores Assigned to Education Loan Variables

VARIABLES	BANK NAME				
	SBI	PNB	OBC	HDFC	ICICI
<b>Variables</b>					
<b>Purpose</b>	1	1	1	9	1
<b>Expenses considered for loan</b>	1	1	1	1	1
<b>Eligibility</b>	9	9	1	1	1
<b>Loan Amount</b>	9	9	9	1	9
<b>Margin</b>	9	1	9	9	9
<b>Processing Fees</b>	9	1	1	9	9
<b>Prepayment Penalty</b>	1	9	1	9	9
<b>Repayment Period</b>	1	1	1	9	1
<b>Security</b>	1	1	1	1	1
<b>Documents</b>	9	9	1	9	9
<b>Rate of Interest</b>	9	9	1	9	9
<b>Mean Values</b>	5.36	4.63	2.45	6.09	5.36

It is evident from EXHIBIT 3 that the prepayment penalty regarding educational loan schemes is minimum in case of nationalized banks, but in case of private banks it is maximum i.e. 5 % of the O/S principal amount plus service tax. The nationalized banks do not charge anything as processing fees from its borrowers of educational loan but the private banks charges 1 per cent of the loan amount plus service tax. The margin is minimum in case of PNB. The rate of interest is maximum in case of ICICI Bank and minimum in case of OBC. The borrower can borrow maximum amount of education loan from HDFC Bank.

By comparing the education loan scheme of various banks it can be concluded that OBC Bank has the best education loan scheme. The only drawback is the restriction on amount of loan to be borrowed.

It is clear from Table 3 that the best scores in case of education loan variables has been given to OBC and its mean value is minimum 2.45. If a borrower wants to take an education loan then OBC has the best education loan scheme. The second rank goes to PNB. SBI and ICICI Bank have equal ranks and HDFC Bank has the maximum mean value i.e. 6.09 which shows that the education loan variables of HDFC Bank are not so attractive in comparison to all other banks.

## EXHIBIT 4. Comparative Study of Personal Loan Scheme of Selected Banks

	BANK NAME				
	SBI	PNB	OBC	HDFC	ICICI
<b>Purpose</b>	-For any legitimate purpose e.g. exp for domestic or foreign travel, medical treatment, marriage, defraying educational exp, meeting margins for purchase of assets	To meet any urgent need of personal nature such as education, marriage of children, foreign travel, family functions and medical expenses etc.	To meet family exp, to purchase consumer durables, to meet exp on medical treatment	For any purpose depending on borrowers requirement	For any purpose depending on borrowers requirement
<b>Eligibility</b>	Resident Indian National having capability to repay loan, except agriculturists	Resident Indian National having capability to repay loan, except agriculturists	Permanent employee of govt., universities, professionals, minimum 3 years of service, NMI more than Rs 6000	Age 21-60 yrs, min 2 years in employment, individual, professional, businessman, NMI more than Rs 7000	Age 25-58 yrs in case of salaried, 25-65 yrs in case of self employed, NMI Rs 8000, one year in current residence
<b>Loan Amount</b>	Min Rs 24000 in urban and Rs 10000 in rural areas, max 12 times of NMI for salaried people and 1 year NAI in case of others subject to a ceiling of Rs 10 lacs	Min Rs 8500 p.m. in urban and Rs 5000 p.m. in rural areas, max 30 times of NMI for salaried people and 1 year NAI in case of others subject to a ceiling of Rs 10 lacs	Upto 15 months net home salary, subject to max Rs 1.50 lacs	Min Rs 25000. Maximum Rs 10 lacs depending upon eligibility, income and repaying capacity	Min Rs 20000 to max Rs 15 lacs depending upon eligibility, income and repaying capacity
<b>Margin</b>	NIL	NIL	NIL	NIL	NIL
	<b>SBI</b>	<b>PNB</b>	<b>OBC</b>	<b>HDFC</b>	<b>ICICI</b>
<b>Processing fees</b>	1-2% of the loan amount	1-2% of the loan amount	Upto Rs 50000-Rs500 Above Rs 50000-1000	2% of loan amount	2% of loan amount plus service tax
<b>Prepayment penalty</b>	0.5 % of the outstanding loan amount	0.5 % of the outstanding loan amount	0.5 % of the outstanding loan amount	1 % of the outstanding loan amount plus service tax	2 % of the outstanding loan amount
<b>Repayment period</b>	48 EMI's -4 years	60 EMI's-5 years	60 EMI's-5 years	60 EMI's-5 years	1 year-5 years
<b>Security</b>	NIL	Suitable guarantee acceptable to the bank	Charge over tangible assets, personal guarantor	NIL	NIL
<b>Documents</b>	-Complete application form with photograph -Proof of identity -Proof of Residence -Proof of business address -Proof of professional qualification -Statement of bank account/pass book for last 6 months	-Complete application form with photograph -Proof of identity -Proof of Residence -Proof of business address -Details of guarantor	-Complete application form with photograph -Proof of identity -Proof of Residence -Proof of business address -Statement of bank account/pass book for last 6 months	-Complete application form with photograph -Proof of identity -Proof of Residence -Latest salary slip -Form 16 -Last 6 months bank statement -Education qualification certificate -Proof of business	-Complete application form with photograph -Proof of identity -Proof of Residence -Loan enclosure letter -Form 16 -Last 6 months bank statement -Processing fee cheque -Education qualification certificate -Proof of business
<b>Rate of Interest</b>	-upto 3 years- 11 % p.a. -More than 3 years- 11.50 % p.a.	-With check off facility- 12 % p.a. -Without check off facility- 13 % p.a.	-With check off facility- 12.50 % p.a. -Without check off facility- 13.50 % p.a.	-upto 3 years- 13 % p.a. -More than 3 years- 13.50 % p.a.	-With check off facility- 13.50 % p.a. -Without check off facility- 14.50 % p.a.

Table 4. Scores Assigned to Personal Loan Variables

VARIABLES	BANK NAME				
	SBI	PNB	OBC	HDFC	ICICI
Purpose	9	9	9	1	1
Eligibility	1	1	9	9	9
Loan Amount	9	9	9	9	1
Margin	1	1	1	1	1
Processing Fees	1	1	1	9	9
Prepayment Penalty	1	1	1	9	9
Repayment Period	9	1	1	1	1
Security	1	9	9	1	1
Documents	9	1	9	9	9
Rate of Interest	1	1	9	9	9
Mean Values	4.2	3.4	5.8	5.8	5

EXHIBIT 4 depicts the comparative study of personal loan scheme of the selected bank. The nationalized banks have excellent personal loan schemes especially for govt. employees. SBI along with the private banks do not demand any security form the borrowers. The rate of interest regarding personal loan is maximum in case of ICICI Bank and minimum in case of SBI. The repayment period is minimum in case of SBI i.e. 48 EMI's (Equated Monthly Installments). Prepayment penalty is minimum in case of nationalized banks and maximum in case of private banks.

It is evident from Table 4 that the mean scores of PNB is minimum i.e. 3.4 which gives the number one rank to PNB in case of personal loan scheme. SBI is on the second rank because the scores assigned to SBI is just less than PNB. The third rank goes to ICICI Bank. OBC and HDFC Bank have equal ranks and maximum mean value (5.8).

To conclude we can say that the nationalized banks have better personal loan schemes, except the amount of personal loan sanctioned by the private banks.

**EXHIBIT 5. Comparative Study of Consumer Loan Scheme of Selected Banks**

	BANK NAME				
	SBI	PNB	OBC	HDFC	ICICI
<b>Purpose</b>	To purchase colour T.V. sets, VCR's, refrigerators, washing machines, mixes/grinders, coolers, air conditioners, furniture etc.	To possess consumer durables like refrigerators, T.V., air conditioners, microwave oven, cooking range, washing machine, music system, furniture, personal computer and other household equipment etc.	To possess consumer durables like refrigerators, T.V., air conditioners, microwave oven, cooking range, washing machine, music system, furniture, personal computer and other household equipment etc.	For any purpose depending on borrowers requirement	For any purpose depending on borrowers requirement
<b>Eligibility</b>	Scheme covers all individuals with 5 yrs experience except agriculturists with min MNI of Rs 2000	Scheme covers all individuals including agriculturists with min MNI of Rs 5000	Scheme covers all individuals including agriculturists with min MNI of Rs 4500	Age 21-60 yrs, min 2 years in employment, individual, professional, businessman, NMI more than Rs 7000	Age 25-58 yrs in case of salaried, 25-65 yrs in case of self employed, NMI Rs 3500, one year in current residence
<b>Loan Amount</b>	75 % of the cost of article, max Rs 1 lac or 8 times NMI or salary w. e. is lower. Min Rs 10000	90 % of the cost of article(s) subject to max Rs 1 lac. Minimum Rs 10000	Upto 15 months gross home salary, subject to max Rs 2 lacs	Min Rs 25000, Maximum Rs 10 lacs depending upon eligibility, income and repaying capacity	For CD product Rs 5000, mobile phone Rs 8000, PC Rs 15000, maximum Rs 3 lacs
<b>Margin</b>	NIL	10 % of the loan amount	10 % of loan amount	NIL	NIL
<b>Processing fees</b>	1% of the loan amount	1% of the loan amount	1 % of the loan amount	NIL	Rs 675 or 2.24 % (including ST) w. e. is higher
<b>Repayment period</b>	3-7 yrs	60 EMI's-5 years	36-60 EMI's-3-5 years	60 EMI's-5 years	1 year-5 years
<b>Security</b>	Hypothecation of the articles purchased and third party guarantee	Hypothecation of the articles purchased and third party guarantee	Hypothecation of the articles purchased and third party guarantee	Hypothecation of the articles purchased and third party guarantee	NIL

	SBI	PNB	OBC	HDFC	ICICI
<b>Documents</b>	-Complete application form with photograph -Proof of identity -Proof of Residence -Proof of business address -Proof of professional qualification -Statement of bank account/pass book for last 2 months	-Complete application form with photograph -Proof of identity -Proof of Residence -Proof of business address -Details of guarantor	-Complete application form with photograph -Proof of identity -Proof of Residence -Proof of business address -Statement of bank account/pass book for last 2 months	-Complete application form with photograph -Proof of identity -Proof of Residence -Latest salary slip -Form 16 -Last 2 months bank statement -Education qualification certificate -Proof of business	-Complete application form with photograph -Proof of identity -Proof of Residence -Loan enclosure letter -Form 16 -Last 2 months bank statement -Processing fee cheque -Education qualification certificate -Proof of business
<b>Rate of Interest</b>	-1 to 3 years- 15 % -3 to 7 years- 15.50 % p.a.	-for prospective borrowers- 14.50 % p.a. -for others- 15 % p.a.	- for loan upto Rs 2 lacs 12.50 % p.a. -for loan above Rs 2 lacs 13 % p.a.	-1 to 3 years- 16 % -3 to 5 years- 16.50 % p.a.	-1 to 3 years- 15.50% -3 to 5 years- 16.25% p.a.

Table 5. Scores Assigned to Consumer Loan Variables

VARIABLES	BANK NAME				
	SBI	PNB	OBC	HDFC	ICICI
<b>Variables</b>					
<b>Purpose</b>	9	9	9	1	1
<b>Eligibility</b>	9	9	1	9	1
<b>Loan Amount</b>	9	9	9	1	9
<b>Margin</b>	1	9	9	1	1
<b>Processing Fees</b>	9	9	9	1	9
<b>Repayment Period</b>	1	1	1	1	1
<b>Security</b>	9	9	9	9	1
<b>Documents</b>	9	1	9	9	9
<b>Rate of Interest</b>	9	9	1	9	9
<b>Mean Values</b>	7.22	7.22	6.33	4.56	4.56

It is clear from EXHIBIT 5 that the amount of consumer loan sanctioned by HDFC Bank is much higher than all other banks. The processing fee is nil, eligibility criteria is much better than all other banks. If the security of the loan is considered then it is nil in case of ICICI Bank and hypothecation of the article purchased and the third party guarantee in case of all other banks. It has been concluded that HDFC Bank has the best consumer loan scheme.



Table 5 depicts that the mean value of HDFC and ICICI Bank is equal and minimum i.e. 4.56. Both these private banks are on number one position in comparison to nationalized banks. The mean value of OBC is 6.33 which give the second rank to it. SBI and PNB both have maximum and equal mean values 7.22 which show that the consumer loan variables are less attractive in comparison to all other banks.

Table 6. Mean and Rank Values of All Banks in Case of Each Loan Scheme

BANK NAME	LOAN NAME									
	HOME LOAN		CAR LOAN		EDUCATION LOAN		PERSONAL LOAN		CONSUMER LOAN	
	Mean Values	Rank Values	Mean Values	Rank Values	Mean Values	Rank Values	Mean Values	Rank Values	Mean Values	Rank Values
SBI	4.2	2	2.6	1	5.36	3.5	4.2	2	7.22	4.5
PNB	5.0	3	5.0	3.5	4.63	2	3.4	1	7.22	4.5
OBC	5.8	4.5	4.2	2	2.45	1	5.8	4.5	6.33	3
HDFC	5.8	4.5	5.8	5	6.09	5	5.8	4.5	4.56	1.5
ICICI	3.4	1	5.0	3.5	5.36	3.5	5.0	3	4.56	1.5

Table 6 is the conclusive table which shows that if a person wants to take loan from a bank then he should go for the following options:

- |                |                          |
|----------------|--------------------------|
| Home Loan      | ICICI Bank               |
| Car Loan       | SBI                      |
| Education Loan | OBC                      |
| Personal Loan  | PNB                      |
| Consumer Loan  | HDFC Bank and ICICI Bank |

**CONCLUSION**

- It has been concluded from the above discussion that ICICI Bank has better home loan scheme in comparison to all other banks.
- If a person wants to take car loan, the borrower should go for the option of SBI but PNB has the maximum competitive rate of interest regarding car loan scheme.
- By comparing the education loan scheme of various banks, it can be concluded that OBC Bank has the best education loan scheme. The only drawback is the restriction on amount of loan to be borrowed.

- The nationalized banks have better personal loan schemes except for the amount of personal loan sanctioned by the private banks.
- HDFC Bank has the best consumer loan scheme. But we may have to ignore the rate of interest because it is maximum in case of HDFC Bank.

## SUGGESTIONS

In Indian banking sector, it were the private and the foreign banks to make headway in retail segment of banking. Retail banking in India operates in a highly saturated and competitive market. In order to meet competition the researcher suggests the following recommendations:

- Researcher recommends better discounts to borrowers especially to increase the loan schemes and to make them more attractive to the borrowers. The discounts may be in the form of :
  - (i) Lower processing fees
  - (ii) Rate of interest linked to collateral & risk management/risk profile,
  - (iii) Discounts in Rate of interest at last installment if paid regularly throughout.
- In case of 'A' class borrowers certain other concessions in other banking services can be offered such as :
  - (i) Concession in locker rent,
  - (ii) Concession in remittances (draft etc.).
  - (iii) Further sanctioning of loan from previous data base can be maintained and basic papers not to be collected time and again.
- Rate of interest was considered as most important factor for shifting from one bank to another by the borrower and second most important factor was the behaviour of bankers and services provided by the bank. Researcher recommends banks to maintain a competitive rate of interest and be flexible in case of rate of interest policies. While deciding the rate of interest the banks should pay more attention to cost and rate of interest of competitor bank besides government policy and marketing objectives.

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