Evolution of Retail Banking Segment
CHAPTER - II
GROWTH OF RETAIL BANKING IN INDIA

Retail Banking has been increasing at an attractive rate in India. Major drivers for this growth are; increasing number of BPOs (Business Process outsourcing) and IT (Information Technology) industries, Bank’s shrinking profit margin, relatively safe lending and lower risk weights are the important factors while calculating capital needs of the banks. The potential for growth is even much higher because compared to other sectors retail lending level is still very low.

Banking operations are basically divided into two segments. One is the corporate banking or wholesale banking which serves the financial needs of corporate houses, companies and other financial institutions and the other retail banking. It is a form of mass banking where financial needs of individuals like professionals; salaried persons, self-employed, housewives, students etc are met. In corporate banking, the customer is not a living entity. The account is operated by the directors where the size of the account runs into crores of rupees. The bank offers cash management services, general banking and trade finance. As banks are subjected to high risk when offering credit facility to corporate customers, they form a consortium to finance the projects.

Retail banking deals directly with individual customers who manage their accounts all by themselves. The products and services are
designed to meet the financial needs of target customers where the size of
the account is very small but the number of accounts is very large when
compared to corporate accounts. This increases the profitability for the
banks with less risk. The products are based on the customer needs and
different marketing strategies are adopted by banks in different countries.

Retail banking is not an invention or innovation in itself. In India,
it has been in existence right from the time banking operations were
started. Right from independence up to 1990s, big corporate houses and
industries depended heavily on banks due to the lack of development of
capital markets and the existence of number of restrictions for raising
capital from overseas market. In addition, banks were instructed by the
government to finance the priority sectors. So, banks had no option but to
finance the corporate sector. Many challenges and opportunities emerged
because of the developments on the economic front both in national and
international arena.

CHALLENGES
- Decline in the traditional lines of business
- Heavy competition
- Changing economic preferences
- Declining profitability

OPPORTUNITIES
- Changes in socio-economic conditions.
- Technological front
To face the challenges and also to cash in on the emerging opportunities, banks operating in public, private or foreign sector began to place a great deal of emphasis in retail banking. Financial dependence of corporate on public sector banks was reduced considerably because of the implementation of economic and financial sector reforms in the decade of 1990s. The notable changes in this are (1) External Commercial Borrowings (ECB) from any internationally recognized banks, export credit agencies, International capital markets, suppliers of equipments are allowed.

(2) Corporate can raise loan from international sources up to a predetermined amount without getting the prior approval of the Reserve Bank of India or the government.

(3) Foreign Direct Investment (FDI) is permitted both in core as well a non core sectors of the economy.

Owing to the banking sector reforms, FDI is allowed into the banking sector and free entry of foreign and private banks were allowed. This has posed tough competition to the public sector banks because of the superior technology and management practices adopted by private and foreign banks.

**Growth of Economy**

The economic growth rate (6.8%) in the last two decades is one of the fastest in the world. “It would become the third largest economy in the world by 2050”. Goldman Sachs, one of the leading investment banks
reports thus. A.T. Kearney, a global management consulting firm recently identified India as the “second most attractive” retail destination of 30 emergent markets. The standard of living of people has been increasing even though at a much lesser pace when compared to Western countries or the countries of South East Asia. Because of a good agriculture output, the surplus income left in the hands of the people after satisfying their basic needs, has given rise to the desire of investing in various banking products. The middle class population has grown in the last decade to 20 crores. Because of the time and resource constraints, they prefer to have all the financial services offered under one roof. With the help of information technology, banks are now offering financial services like insurance, mutual funds, online trading in shares, foreign exchange transactions at one place. The sector wise ownership pattern of bank deposits is stated here under.
Table No. 2.1
SECTORWISE OWNERSHIP PATTERN OF BANK DEPOSITS
*In %*

<table>
<thead>
<tr>
<th>Sector</th>
<th>Year</th>
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<tbody>
<tr>
<td>Foreign</td>
<td>11.5</td>
<td>10.8</td>
<td></td>
</tr>
<tr>
<td>Household</td>
<td>65.3</td>
<td>67.6</td>
<td></td>
</tr>
<tr>
<td>Financial Institution</td>
<td>8.8</td>
<td>7.7</td>
<td></td>
</tr>
<tr>
<td><strong>Private corporate</strong></td>
<td>4.2</td>
<td>3.8</td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td>10.2</td>
<td>10.1</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: RBI Bulletin 2001

The significance of retail deposits in the Indian scheduled commercial banks’ total deposits is evident from the above table.

Branch Banking continues to remain the bedrock of retail or consumer banking. The phenomenal expansion of branch network, which took place in the post nationalization era, gave a big push to the activity of
Indian banks and retail banking also expanded alongside because retail banking thrives with branch expansion.

Number of branches have increased over the period and population served per branch decreased giving more accessibility of banking services to the rural population. This is evident from the following table.
Table No. 2.2
Progress of Commercial Banking in India

<table>
<thead>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. No. of Commercial banks</td>
<td>73</td>
<td>154</td>
<td>272</td>
<td>284</td>
<td>298</td>
<td>292</td>
</tr>
<tr>
<td>2. No. of bank offices of which</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural and</td>
<td>8,262</td>
<td>34,594</td>
<td>60,570</td>
<td>64,234</td>
<td>67,868</td>
<td>68,561</td>
</tr>
<tr>
<td>semi urban offices</td>
<td>5,172</td>
<td>23,227</td>
<td>46,550</td>
<td>46,602</td>
<td>47,693</td>
<td>47,496</td>
</tr>
<tr>
<td>3. Population per office (000s)</td>
<td>64</td>
<td>16</td>
<td>14</td>
<td>15</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>4. Per Capita deposit (Rs.)</td>
<td>88</td>
<td>738</td>
<td>2,368</td>
<td>4,242</td>
<td>8,542</td>
<td>12,253</td>
</tr>
<tr>
<td>5. Per Capita Credit (Rs.)</td>
<td>68</td>
<td>457</td>
<td>1,434</td>
<td>2,320</td>
<td>4,555</td>
<td>7,275</td>
</tr>
<tr>
<td>6. Priority sector advances @ (Percent)</td>
<td>15.0</td>
<td>37.0</td>
<td>39.2</td>
<td>33.7</td>
<td>35.4</td>
<td>33.7*</td>
</tr>
<tr>
<td>7. Deposit (Percent of National Income)</td>
<td>15.5</td>
<td>36.0</td>
<td>48.2</td>
<td>48.0</td>
<td>53.5</td>
<td>51.8</td>
</tr>
</tbody>
</table>

@ share of priority sector advances in total non-food credit of scheduled commercial bank. *As at the end of March 2002.

Source: Reserve Bank of India.
From the table it is clear that the number of banks have increased from 73 in 1969 to 292 in 2003. (Chart 2.2 (a)).

Populations served per office have decreased from 64,000 in 1969 to 16000 in 2003. (Chart No. 2.2(b)).

Per capital deposit has increased from Rs.88 in 1969 to Rs.12253 in 2003 (chart No.2.2(c)).

Per capita credit has increased from Rs.68 in 1969 to 7275 in 2003. (Chart No. 2.2 (d)).

The above charts are depicted in the following pages.
Chart No. 2.2 (a)
No. of Commercial banks

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Commercial Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun-69</td>
<td>73</td>
</tr>
<tr>
<td>Jun-80</td>
<td>154</td>
</tr>
<tr>
<td>Mar-91</td>
<td>272</td>
</tr>
<tr>
<td>Mar-95</td>
<td>284</td>
</tr>
<tr>
<td>Mar-00</td>
<td>298</td>
</tr>
<tr>
<td>Mar-03</td>
<td>292</td>
</tr>
</tbody>
</table>
Chart No. 2.2 (b)
Population per office (000s)

June 1969: 64
June 1980: 16
March 1991: 14
March 1995: 15
March 2000: 15
March 2003: 16

Year
Chart No. 2.2 (c)
Per Capita deposit (Rs.)

Year

Per capita deposit

Jun-69  Jun-80  Mar-91  Mar-95  Mar-00  Mar-03

88  738  2,368  4,242  8,542  12,253
Chart No. 2.2 (d)
Per Capita Credit (Rs.)

Year

Per capita credit (Rs.)

Jun-69  Jun-80  Mar-91  Mar-95  Mar-00  Mar-03

0  1,000  2,000  3,000  4,000  5,000  6,000  7,000  8,000

68  457  1,434  2,320  4,555  7,275
In the prereforms era, banks were required to earmark large portions of their resources in the form of reserves (statutory liquidity ratio and cash reserve ratio) and it was a regime where capital was scarce and certain allocations were required necessarily to be made for industries, SSIs and other sectors considered socially important by the central planning authorities. Consumer finance was frowned upon and naturally, no bank really ventured into retail loan market.

Only in the post liberalization era, with larger resources available to banks for free deployment in any type of loan assets, and with major corporate being able to raise resources for their use through equity and debt market instrument, now banks are focusing on housing and other personal loans market for deploying their surplus resources.

Nuances of lending have undergone paradigm shifts especially during post- reform era. Focus has shifted from size-based considerations to concerns relating to profitability and efficiency.

It is to the credit of Indian banking system that it has withstood the pressures of stiff prudential norms, international benchmarks, IT related compulsions and a predominantly clients’ market.

In recent periods, opportunities in corporate wholesale banking have been vanishing day-by-day due to disintermediation. Margins are shrinking due to increasing credit risks and concentration risks, reducing the share of industrial sector in the country’s GDP. All these
have forced the banks to shift their focus on retail lending. Moreover, retail lending is considered as a huge and expanding market with estimated growth prospect of 40 percent annually. It helps the banks by way of relatively higher margins and well spread out risks in lower proportions. Lower delinquency rates are easier to achieve, if presanction appraisal is perfect and post-sanction follow up is adequate in the personal loan segment.

There is a boom in consumer market in view of the expanding middle class and high-income earning individuals coupled with increasing prominence of services sector in the economy. Retail loans market size is expanding phenomenally with an annual growth rate of 30 to 40 percent. The total size of the market is estimated as Rs.90,000 crore for the current year. Moreover, India ranks the lowest in terms of consumer debt as a percentage of GDP at two percent. Other countries like the US, Korea, Malaysia and Thailand are reportedly having 75 percent, 54 percent, 34 percent and 17 percent of consumer debt as a percentage of GDP respectively.

Among the retail loans, housing loan sector is the focused segment as it is a national priority. Government has provided various incentives and tax benefits to encourage people to borrow and invest in housing. Under the National Housing Policy, RBI stipulates that every bank allocates at least three percent of its incremental deposit funds accrued during the previous year for the housing sector by way of housing loan to individuals and lending institutions such as NHB and HUDCO.
Housing loan portfolio is a safe bet as recovery is good with an NPA level of less than one percent for the banking industry as a whole. Risk weight age on money lent for the individual housing also stands reduced to 50 percent as against the normal weight of 100 percent as applicable for other loan assets for the compilation of capital adequacy ratio of banks.

Income tax benefit of allowing direct deduction of housing loan interest up to Rs.1,50,000 from the income have boosted the chances of banks / lending agencies further in financing housing sector under different housing loan products.

GROWTH DRIVERS

The factors that spurt the growth in the segment that led to paradigm shift in the ASCBs (All Scheduled Commercial Banks) approach to retail lending, more particularly to housing finance are

I. INITIATIVES ON THE PART OF RBI

1. Removal of 3% ceiling linked to banks incremental deposits until 1998 – 99 for housing finances
During Busy season policy of 1997-98 withdrawal of upper limit of (Rs.3 lac per account) on housing loans.

Inclusion of housing loan within the priority sector. Loans up to Rs.10 lakh in all areas are now forming part of the priority sector advances.

Reduction in risk weight age on Bank’s extending loans for acquisition of residential house properties to 50% from 100%.

Reduction in Capital Adequacy Ratio (CAR) requirement has effectively doubled the credit disbursement capacity of banks.

RBI announced this reduction in the Monetary and credit policy for the year 2002-03.

RBI’s Guidelines on Asset Liability Management (ALM). This enabled the Banks to elongate repayment periods of housing loans from 5 years to 20/30 years besides quoting fixed / variable rate of interest based on their ALM structure.

Deregulation of interest rates. Banks are now having an option to quote fixed / flexible interest rates.

Gradual reduction in CRR and SLR ratios over the years. This has resulted in increasing the lending capacity of Banks.

Monetary and Credit Policy for the year 2002-03 has stipulated that lending of ASCBs in the call / notice money market, on a daily basis, should not exceed 25% of Bank’s owned funds (paid up capital and reserves) as at the end of March of the previous financial year. This has further increased liquidity and lends able resources of the Banks.
II. INITIATIVES ON THE PART OF BANKS

1. During the period 1995-96 to 2002-03 the interest rates on housing loans have declined from a high of 16-18% to 8-9% in line with decline in the inflation rates in the economy. The existence of ample liquidity in the banking system and falling global interest rates have reduced the domestic interest rates. At present, interest rates are one of the lowest as far as housing finance is concerned.

2. Banks could afford to quote lower rate of interest, even below PLR, as they collect no cost (current account) and low cost (savings bank) deposits which contribute a little more than one third of their funds (deposits). Besides, the cost of deposits that account for 80% of the resources of ASCBs, started declining gradually from 8.2 percent in 1996-97 to 7.46% in 2000-01 and further to 7.30% in 2001-02 due to the low interest rates paid to the depositor. The declining cost of incremental deposits has enabled the banks to reduce their interest rates on housing loan as well.

3. Easy and affordable access to housing loan with a wide range of options/flexibility. Banks are even considering financing the cost of registration, stamp duty, society charges and other associated expenditures such as purchase of furniture and fixtures, durables, furnishings etc

4. Banks have started offering housing loan for both short term 5 years and long term ranging from 20/30 years. Earlier loans were offered for 5 to 7 years only.

5. Making financing attractive by offering free / value added services like issue of credit cards, insurance etc. at concession. The banks
6. also used the opportunity in cross selling of their other products such as Insurance policies, credit cards, mutual funds, demat accounts.

III. MACRO-ECONOMIC FACTORS

1. Shift in the pattern of GDP from agriculture and manufacturing sectors to services sector with increased per capita income more particularly in semi – urban, urban and metropolitan centre. It has increased for the younger generation. India’s Industrial sector accounted for about 21.6 percent of GDP, whereas the services sector accounted for about 54.1 percent of GDP in 2001-02.

2. Shrinkage in big and mid corporate banking portfolio of banks due to industrial slow down that resulted in insignificant outlay of funds either through green field or brown field projects. At the same time, deposits continued to grow at a faster pace leaving substantial funds with the banks.

3. Depressed stock and real estate markets as compared to those prevailing in 92-93 to 95-96.

4. Comparatively stable real estate prices during last 4/5 years.

5. Builders over the years gained experience to construct dwelling units at low cost with all modern amenities making the option attractive to a wide range of customers.
RETAIL BANKING IN THE CHANGING SCENARIO

Earlier stages:

The performance of banks was determined on the basis of the deposits and level of advances.

NOW: Focus is on.

➤ profitability.
➤ Productivity
➤ Technological up gradation
➤ Risk management practices
➤ Quality of assets
➤ Capital adequacy ratio
➤ Return on assets
➤ Spread
➤ Human resource management
➤ Corporate governance practices.

Factors that lead to the focus of the banks on retail banking

1. Competition
2. Deregulation in interest rates
3. Entry of FIs, private sector and foreign banks.
4. Disintermediation
5. High growth of deposits
6. Lack of lending opportunities
7. Depressed stock and real estate market
8. Increased threat of NPAs.
9. Low credit growth
10. Banks preferring to invest more than the requirement (i.e. 40% against 25%) in SLR securities.

Significance of retail banking in the recent years is mainly due to the following reasons:

1. It is offering high yield and provides miscellaneous income.
2. There is a growing consumerism in the country.
3. Debt is no longer considered a dirty word for customers. There is more number of customers who are willing to borrow and invest.
4. It offers a good opportunity for cross selling their other products like Credit card, ATM card, Insurance, etc.

Retail banking requires continuous scouting for potential borrowers, critical and fast credit appraisal, quick credit dispensation and efficient management of the cost of deposits.

Concept of retail banking

Retail banks are providing banking services to individuals. All banking needs of individual customers are taken care of in an integrated manner. It encompasses deposit and asset linked products as well as other financial services.

Impact of retail banking

The impact of retail banking is good due to the following reasons:

i. Customer has become the king.
ii. Banks are slowly transferred into one stop Financial Super Markets.

iii. Banks have pushed down the functioning of NBFCs. Share of retail loan is growing fast in the loan portfolio of banks.

It requires a tremendous commitment on the part of the banker. He must have a good expertise, must understand the needs of the customers by having a good customer relationship management. To succeed in retail banking the banks must provide personalized and professional services to customers. There must be an efficient network of delivery channels. Bank branches have to become retail stores and try to win customers' wholesome loyalty by providing total customer satisfaction. Retail banking is not free from risk. It is a highly sensitive segment. The competition is more severe as there are more players in the market. Each is vying with each other to capture a higher market pie. It is easy to enter the market but difficult to exit.

CREDIT RISK MANAGEMENT

Effective management of credit risk involves evaluation of the associated risk, pricing them correctly and monitoring the account.

By evaluating and sanctioning the proposal by appropriately pricing the credit risk management. By doing this, the bank has indeed performed only half its job. While the measurement of the various ratios and other financial analyses is done with greater accuracy, experience is needed to scrutinize all the credit information and
interpret the same. The bank will be in no position to distinguish good borrower from a bad borrower, who has no intention of repaying the loan. Despite all the caution, bad loans do creep into bank accounts. Thus, monitoring the account and credit rating of the borrower is a must. Any fall in the rating will increase the credit risk. Credit risk is persisting from the time the loan is granted throughout its life period and continuous review during this period will help in the early detection of the problem loans.

Credit Information Bureau

Banks and lending institutions have a traditional resistance, because of the confidential nature of banker-customer relationship, to share credit information of the client, not only with each other, but also across sectors. Specialized institutions known as credit Information bureau (also known as credit referencing agencies or credit intelligence firms or credit reporting agencies) have therefore, been set up to function as a repository of credit information—both current and historical data on existing and potential borrowers. These institutions maintain database of credit information—both positive and negative on the borrower, which can be accessed by the intending lending institutions.

The core functions of the bureau are:

a) To maintain a data bank on borrowers from lending institutions.

b) To collect and collate, trade, credit and financial information on borrowers and prospective borrowers of lending institutions.
c) To store the information so collected, and
d) To furnish credit information on request.
   (i) In confidence to shareholders of the bureau.
   (ii) By a shareholder of the bureau, to a borrower or prospective borrower to whom such information relates subject to such terms and conditions as may be determined by the bureau and to prescribe the forms in which such information is to be furnished.

A credit bureau is thus a facilitator for credit dispensation and helps to mitigate the credit risk involved in lending. It creates a formal credit referral system which is highly reliable and at the same time, easily accessible to the eligible user group.

There are two types of credit Information Bureaus – Basic credit Bureaus and world Class Bureaus which collect the past due or negative public record data and disseminate such information to an authorized party who has requested and enquired. They have highly sophisticated file selection and merge software. These bureaus are credit consultants to banks for risk control and prediction scoring and for developing fraud prevention products.

Paul Krungman in his recent article\(^1\) says “We (U.S. Citizens) make a living by selling each other’s houses. Since December 2000, employment in US manufacturing has fallen by 17% but membership in the National Association of Realtors has risen to 58%. Over the past five years, housing prices have grown much faster than overall cost of living, adding about $5 trillion to the public wealth... Each additional
dollar of housing wealth, adds about 3% of annual consumer spending, as families reduce their savings and borrow against their newly valuable homes. Current house prices in much of the Country represent a bubble. When the bubble begins to deflate, so will housing related employment...We are paying for the housing boom with money borrowed from foreigners. But we are not borrowing to build productive capacity.

Banks in the US while guilty of over exposure to the housing sector have been following certain innovative risk mitigation strategies. They use the services of credit bureaus, whose number is increasing in efficiently appraising the credit risk and also the debt.

Banking sector in the United States, as else where in the world has been substantially increasing exposure to the real estate sector, especially in the form of residential housing loans and refinance against houses. Housing loan is on the rise for a variety of reasons. Consumer preferences to own houses, lower regulatory capital, availability of collateral, low interest rates, low credit risk, rising consumerism etc.
Housing Loans and Equity Extraction

Bank for International Settlements (BIS) in its 75th Annual Report dated June 27, 2005 says. “The US economy has arguably become over dependent on consumer spending, borrowing and extraction of equity from housing wealth. This is particularly so because, in aggregate, an increase in housing prices does not boost national wealth in the same way as investment based on savings from income and increases in productivity-owners gain from higher house prices, but everyone must now pay higher prices for housing services. From this perspective, the US economy is significantly more exposed than it might” beyond its servicing capacity. They generously adopt the Securitization route to distribute credit risk and limit the exposure as well. The risk mitigation instruments include interest rate swaps, currency, equity and commodity futures besides asset-backed securities. These instruments literally transfer the risks from the US banking sector to insurance companies, mutual funds and organizations claim to possess many more efficient techniques in credit risk management in which banks are not supposed to have expertise. Eventually, various risks that these institutions have been trying to bear may befall in economy, with margin negative consequences.

The approach to retail banking products is more on a mass production basis wherein all risks and operations are based on and geared to cater to a large number of customers. This is, therefore, significantly different from corporate banking or wholesale banking.
where focus is on large sized customer accounts rather than large number of customers.

Channels

Consumer behavior is changing rapidly due to the development of technology and the use of financial services is characterized by individuality, mobility, independence of place and time and flexibility. Other financial service providers such as non-banking finance companies will more and more carry out financial transactions caused by purchases. These facts represent big challenges for banks as well as other providers of financial services.

Automated Teller Machines

The trend in banking has evolved from a cash economy to cheque economy and thereon to the plastic card economy. One of the channels of banking service delivery is through the ATM whose primary use is to dispense cash upon insertion of a plastic card and its unique PIN (ie) Personal Identification Number

1. It can be accessed round the clock without any employee interface
2. It eliminates the need for customers to travel to the branch where in his / her account is held. If the ATMs are conveniently located and networked, it offers a cost effective solution alternative to labor costs
3. Cash and cheques can be deposited and statement of account requirements, transfer of funds etc can be effected
(4) Automatic and instantaneous accounting is possible
(5) Scope for frauds, robberies and misappropriation are reduced considerably if the PIN is maintained diligently.

**Tele banking or Phone banking** is a banking service offered by banks to enable customers to access their accounts for information or transactions. A Telephone PIN is provided to each account holder. The customer can call the exclusive tele-banking numbers and provide the details to identify himself/herself to the automated voice. Typically, the bank account number and the T-PIN are asked for, upon the respective numbers matching the computerized systems, the customer is given access to his account to query or transport on his account.

**Internet Banking**

One of the channels of service delivery to a banking customer is through the internet. The access to account information as well as transaction is offered through the world wide network of computers on the internet. Every bank has special firewalls and its own security measures to protect the accounts from non-authentic use from unauthorized users. A higher level of security may be reached by an electronic fingerprint both before and after the transaction. Then both versions are compared. In case of any differences, the transaction is aborted.
PRODUCTS

The following products are offered under Retail Banking

Credit Cards

Cash in the form of notes and coins makes up just one form of payment system. The development in banking brought about a second phase in payment system, through paper instruments namely Cheque and credit transfers. The requirements for greater flexibility and convenience and development of technology have given rise to electronic payments and this is where plastic cards have been provided with.

Mechanism of Credit Card Operation

1. Customer has applied and got the credit card
2. Arrangements are completed between the banker and seller.
3. The customer makes the actual purchases and signs on the sales vouchers.
4. The seller sends the detailed vouchers to the bank
5. The bank settles the claims of the seller
6. The customer receives the information from the bank in this regard
7. The customer makes the payment for the purchases made by him

Other types of cards include (1) Cash cards (2) Debit cards (3) Cheque cards (4) Charge cards (5) Smart cards.

EDUCATIONAL LOAN

Under this scheme loans are offered for higher studies up to Rs 7.5 lacs for professional courses within the country and Rs 15 lacs for studies abroad. A number of students are benefited as the cost of studies has gone up due to the growth of private institution and the charging of higher tuition charges even at government supported professional institution typical in Indian Institute of Management would cost RS 1.5 lacs in comparison the one year business program at the private Indian school of business which is at the top end of fee chain cost Rs 15 lacs. Ever since the government announced the scheme in 2001 it is mainly the public sector banks that have been active in this area.
PERSONAL LOAN

Personal loans are intended for persons in middle and lower income groups to acquire certain essential consumer articles required by them. To qualify for this loan, applicants should be persons with stable income with reasonable prospects of its continuance during the term of the loan. They should have at least 3 years of standing in their field. The age of the applicant must not be over 50 years and repayment should be made within 24 months.

CAR LOANS

These are granted for purchase of cars. At a margin of 10-15% of the loan amount is maintained with the banker.

REFERENCE