PERSONAL LOAN: CHALLENGES AND OPPORTUNITIES IN INDIA

Kamlesh Indoriya & Dr. Peyush Kant Sharma
School of Studies in Management, Jiwaji University, Gwalior (M.P.)

PERSONAL LOAN:

In the ancient age, people used to exchange one commodity for another in their daily needs. They had a habit of exchanging food grains, pulses, vegetables etc. for any other commodity of their immediate requirement such as meat, cloth, equipments, medicines etc. It was due to a very big fact that any type of currency or money was not in use in those ancient times. This system was very much in use all over the world until somebody invented another medium for exchange of goods for MONEY. This earlier system of exchange of goods for goods is known as BARTER system.

NATIONALISATION OF BANKS

In 1969 the Indian government nationalised all the major banks that it did not already own and these have remained under government ownership. They are run under a structure known as 'profit-making public sector undertaking' (PSU) and are allowed to compete and operate as commercial banks. The Indian banking sector is made up of four types of banks, as well as the PSUs and the state banks; they have been joined since 1990s by new private commercial banks and a number of foreign banks.(Thakur 2013).

MAJOR FUNCTIONS OF BANKS

The main functions of commercial banks are accepting deposits from the public and advancing them loans. However, besides these functions there are many other functions which these banks perform for the customers. These days, loans have become very valuable function of the bank. (Vani.H and Dr.Srilatha.M. 2012)

LOAN

Consumer loan granted for personal (medical), family (education, vacation), or household (extension, repairs, purchase of air conditioner, computer, refrigerator, etc.) use, as opposed to business or commercial use. Such loans are either unsecured, or secured by the asset purchased or by a co-signor (guarantor). Unsecured loans (called signature loans) are advanced on the basis of the borrower’s credit-history and ability to repay the loan from personal income. Repayment is usually through fixed amount instalments over a fixed term, also called consumer loan.(www.businessdictionary.com).

PERSONAL LOAN

Definition: A personal loan is an unsecured loan, means the borrower does not put up any security to guarantee the repayment of the loan.

Personal loan is made up of loans granted for a specific purpose and credit granted for a general use for this reason; personal loans tend to carry high interest rates. If a borrower owns a home, a lower interest rate alternative is a home equity loan. However, this option requires that the borrower put up his or her home or other real estate property as collateral. (Balaguy, 1996).

A loan, whether a personal loan or another type of loan, is typically used to finance a large, one-time purchase or expense. The borrower is given all the money at once and agrees to pay back a certain amount per month until the debt is repaid. The monthly payment includes both principal amount and interest. (Arthur J. Keown,2010).
Personal loans tend to carry higher interest rates than loans secured by collateral such as a home. The relatively high interest rate compensates for the fact that you are not guaranteeing repayment of the personal loan with some kind of asset. (Wikipedia).

USES OF PERSONAL LOAN FOR INDIVIDUALS

Uses of personal loans are endless. Most commonly personal loans are used for car purchase, home improvement, vacation, wedding etc. Personal loans are much cheaper than other alternatives like credit cards, overdraft etc. Personal loans are making possible for everyone to borrow money for any kind of requirement. Personal loans literally mould themselves to reconcile with the financial needs of any borrower. “Personal loan” is the generic term for loan. These are, in fact, a lump sum which is borrowed from a bank or building society or any other lender. Personal loans are available both in the form of secured and unsecured loans. Therefore, both tenants and homeowners can apply for personal loans. (Amanda Thompson, 2005).

Unsecured personal loans are ideal for those who can’t place a guarantee against their loan claim. However, unsecured personal loan are charged with higher interest rate which make them expensive and not a good option if the loan amount is higher. Low interest rates for secured personal loans are due to the fact that a security is being offered for their approval (Amanda Thompson, 2005).

Declining interest rate, less paper work, fast processing time, rebate on income tax, flexibility to repay, attractive schemes have led for the significant growth of Indian Loan Market. (Techsci Research, 2011).

ELIGIBILITY AND CRITERIA OF PERSONAL LOAN SCHEMES

Different personal loans lenders have different criteria. Therefore, different lenders will offer different terms and conditions for personal loans. Borrowers have all the choices for personal loans. The lender gives money to the borrower based on the credit rating of the borrower. The credit score is a three digit number with which the creditor decides whether to extend you loan or not (Amanda Thompson 2005).

Loan lenders which are offering holiday loan understand the fact that everybody has a right to a peaceful vacation. Personal loans for unemployed people turn out to be a potential technique to meet the regular as well as contingent needs that crop up during the times of unemployment. (Amanda Thompson 2005).

TYPES OF PERSONAL LOAN PROVIDED BY DIFFERENT BANKS.

On the basis of guarantee

'Secured loans are loans for which the borrower is required to guarantee repayment, by pledging with property, for instance, a car, a house etc. This property is called security or collateral. Because of the pledging, secured loans are given in larger amounts and have lower interest rates. However, there is a risk of losing the property used as security, in the event that the loan is not paid off. An example of a Secured loans is mortgage. (Amanda Thompson, 2005).

Unsecured loans are loans that are given without pledges of repayment. This means that the borrower is not required to provide security to get the loan. Because of the high risk involved, unsecured loans are given out in smaller amounts and have higher interest rates. The lenders raise the interest rates in an effort to recover their money as quickly as possible. Most personal loans are unsecured loans. (Amanda Thompson, 2005).

ON THE BASIS OF OBJECTIVE OF LOAN

A personal loan is a ‘small expense’ loan that is mostly used by people to finance their day to day emergencies. They come in smaller amounts and therefore, just like most unsecured loans, they are easily approved.

HOME LOANS

Home loans are loans that are taken for the purpose of buying a house. Home loans are secured loans. The house acts as a collateral or security to the loan. (SBI Official website)
PAYDAY LOANS

Payday loans are the easiest loans for employed. They are signature loans or cash advances that require no security. This means that it is possible to get a payday loan even with a bad credit status or no credit at all. Payday loans are given on the basis of employment and income. However, payday loans have a high interest rate especially when the paying schedule is not followed. The high interest rates are a cost of convenience. Interest could run as high as 200%, for this reason, it is not a good idea to take a payday loan if there is no definite income. (HDFC Official Website)

AUTO LOANS

Auto loans are loans given out by financial institutions or car dealerships, for the purpose of buying an automobile. Due to the nature of automobiles to loose value with time, Auto loans usually have high interest rates. The shorter the time an auto loan is paid, the lower the overall cost of the loan. (SBI Official website)

MORTGAGE

Mortgage is a loan that is used specifically to purchase a house. Usually, a mortgage is given to you by a mortgage company or any financial institution, after evaluation of customers potential to pay back the loan in full. A mortgage is a secured loan, therefore, providing collateral is necessary. Mortgage can be further classified into long-term and short-term mortgages, depending on the length of time required for the mortgage to be paid. Short-term mortgages usually have a term of 15 years while long-term mortgages have a 30-year term. (SBI Official website)

CREDIT CARD LOANS

When you get a credit card, you have taken a loan. This is a credit card loan, and just like any other loan, it comes with interest and fees. Credit card loans are given out by credit companies and most banks today. The interest rates on credit card loans are higher than that on most personal loans, often around 16%.

LOAN AGAINST GOLD

This is a gold loan, and just like any other loan, it comes with interest and fees.

SIGNIFICANCE OF PERSONAL LOAN

A Loan without security: A Personal Loan is not a secured loan as against a Secured Loan where one is required to pledge a house or other security to acquire a loan.

Simple Documentation: A Personal Loan can be accessed with minimal paperwork or documentation & doesn’t take much time to procure as against a Secured Loan.

No specification about the end use of the loan amount: You are not required to disclose the end use of the money borrowed. Banks are concerned about the fact that whether the borrower is able to pay back the loan with interest Big Loan amount: Personal Loan is a means to fulfill bigger loan requirement, you can take a loan ranging from Rs. 50,000 to Rs. 20,00,000. (FDIC, 2012).

CHALLENGES AND LIMITATIONS OF PERSONAL LOAN SCHEMES

Difficult to repay That means the loan doesn’t require to use an asset as collateral. So, if you default on a personal loan, the lender can’t automatically take a piece of your property as payment for the loan. This is the primary reason that personal loans are more difficult to get. The lender doesn’t have any asset to seize if can’t make loan payments anymore. Even though the lender can’t automatically take house or car, it can take other collection actions. This includes reporting late payments to the credit bureaus, hiring a collection agency, and filing a lawsuit against. (Wikipedia).
Low penetration in rural areas Banking in India was generally fairly mature in terms of supply, product range and reach, even though reach in rural India and to the poor still remains a challenge. The government has developed initiatives to address this through the State bank of India expanding its branch network and through the National Bank for Agriculture and Rural Development with things like microfinance. (Shrivastava D.K., 2000). Chaudhary and Ahmad (1982) in their article have given some suggestions to improve the bank services in rural areas.

PERSONAL LOANS HAVE A FIXED AMOUNT

The amount of personal loans ranges anywhere from Rs. 1,000 to Rs. 5,00,000 and depends on credit rating. The better credit score, the more money one can borrow for personal loans.

PERSONAL LOANS USUALLY HAVE FIXED INTEREST RATES

The interest rate is locked and doesn't change for the life of the loan. Like the loan amount, interest rates on personal loans are based on credit rating. The better your credit score, the lower your interest rate. Lower interest rates are ideal because it means to pay a lower cost for borrowing the loan. Some personal loans come with a variable interest rate those changes periodically.

PERSONAL LOANS HAVE A FIXED REPAYMENT PERIOD

There is a set period of time to repay the personal loan. Loan periods are stated in months, e.g. 12, 24, 36, 48, and 60. Longer repayment periods lower the monthly loan repayment, but they also mean more in interest than if had a shorter repayment period. The interest rate may also be tied to your repayment period. Usually, there is a predetermined time for repaying a loan, and generally the lender has to bear the risk that the borrower may not repay a loan though modern capital markets have developed many ways of managing this risk. (Banks and Banking, 2007).

LOAN SHARK

Many money lenders skirted between legal and extra legal activity. In the recent western world, loan sharks have been a feature of the criminal underworld, but are less common in law-abiding life (Bahra et al, 2010, mark gimein, 2010). These days the loan sharks are in practice by some private banks in India also.

RECENT DEVELOPMENT IN INDIAN PERSONAL LOAN MARKET

India's loan market is estimated to generate Rs 9,324.3 billion in 2011 and is expected to reach Rs 21,980.6 billion by 2016 with a Compound Annual Growth Rate of 18.7% from 2011-2016. The loans which constitute and play a crucial role in Indian loan market include home loan, education loan, auto loan, personal loan, consumer durable loan and much hyped gold loan. (Techsci Research, 2011).

According to TechSci Research, in 2010, home loan holds the largest market share of 46.1% in Indian loan market. Declining interest rates, flexibility to repay, increased dwelling of housing societies have led for its growth. In 2010, Southern India dominates the Indian loan market with a share of 35.4%, followed by Northern India, Western India and Eastern India. The Northern India loan market is expected to reach Rs. 7,319.8 Billion by 2016 at an estimated Compound Annual Growth Rate of 21.3% from 2011-2016. (Techsci Research, 2011).

CONCLUSION

It is clear from the review of literature that the mass of work has been done in the field of personal loans but still further research is needed. This article is based on the survey of number of research articles on personal loan offered by different banks in India. Both banks as well as customers are getting benefits from personal loan schemes. These days, by using recent technology as internet banking, various banks have simplified the services of personal loan rendered to their customers.
REFERENCES
6. FDIC Quarterly 1 2012, Volume 6, No. 4 Quarterly Banking Profile Third Quarter 2012www2.fdic.gov/qbp/2012sep/qbp.pdf
8. Choudhary and Ahmad, 1982, “Problems of marketing of banks service in rural areas”, Bank Parikrama

WEBITES
- www.en.wikipedia.org
- www.hdfcbank.com
- www.statebankofindia.com
- www.researchandmarkets.com
- www.timesonline.co.uk
- www.businessdictionary.com
- www.timesonline.co.uk
- www.studymode.com

128
Alcohol Consumption Among College Students in Gwalior Region

February, 2013

Kamlesh Indoriya

* Research Scholar, School of Studies in Management, Jiwaji University, Gwalior (M.P.)

ABSTRACT

With more than half of all alcohol drinkers in India falling into the criteria for hazardous drinking, alcohol abuse is emerging as a major public-health problem in the country. The country, which has seen a rapid proliferation of city bars and nightclubs in recent years, is fast shedding its inhibitions about alcohol as a lifestyle choice. Sales of alcohol have seen a growth rate of 8% in the past 3 years.

Key-words: hazardous drinking, beneficial and harmful effects of alcohol, smart regulation, etc.

Introduction

Alcohol consumption has been steadily increasing in developing countries like India and decreasing in developed countries since the 1980s. The pattern of drinking to intoxication is more prevalent in developing countries indicating higher levels of risk due to drinking. 62.5 million Alcohol users estimated in India. Per capita consumption of alcohol has increased by 106.7% over the 15-year period from 1970 to 1996. Due to its large population, India has been identified as the potentially third largest market for alcoholic beverages in the world which has attracted the attention of multinational liquor companies.

Sale of alcohol has been growing steadily at 6% and is estimated to grow at the rate of 8% per year. About 80% of alcohol consumption is in the form of hard liquor or distilled spirits showing that the majority drink beverages with a high concentration of alcohol. Branded liquor accounts for about 40% of alcohol consumption while the rest is in the form of country liquor. People drink at an earlier age than previously. The mean age of initiation of alcohol use has decreased from 23.36 years in 1950 to 1960 to 19.45 years in 1980 to 1990. India has a large proportion of lifetime abstainers (89.6%). The female population is largely abstinent with 98.4% as lifetime abstainers. This makes India an attractive business proposition for the liquor industry.

Alcohol Use On The Rise In India:

With more than half of all alcohol drinkers in India falling into the criteria for hazardous drinking, alcohol abuse is emerging as a major public-health problem in the country. The country, which has seen a rapid proliferation of city bars and nightclubs in recent years, is fast shedding its inhibitions about alcohol as a lifestyle choice. This situation has led to fears of an undocumented rise in alcohol abuse not only among poorer classes but also in sections of society that were previously considered dry. The increasing production, distribution, and promotion of alcohol have already seen drink-related problems emerging as a major public-health concern in India. Sales of alcohol have seen a growth rate of 8% in the past 3 years.

Research Methodology

The present investigation is a comparative study of alcohol consumption among college students with survey being used as method for collecting data to complete the study. Sample size is 225 respondents.

Result and Discussion

Data was collected on the basis of answers to self designed questionnaire, and was analyzed. Further, the data was put into various graphs and pie charts. After the thorough analysis, the results and the corresponding discussion are as follows.

From the collected data, nearly 72% boys reported drinking and 46.8% girls were indulged in drinking, so the ratio of boys to girls was nearly 3:2. This indicates that boys are more involved in consumption of alcohol than girls because boys are more in touch with their surroundings, the communities outside their residences. Also, the girls of Indian society are much more shy and Debt under the Indian culture. Thirdly, girls' hostels are far stricter than boy's hostel, which denies them to deviate towards alcohol consumption. Fourthly, existing drinkers among girls are less in number than boys, so, obviously having less influence on their juniors.

![Graph showing alcohol consumption among college students.]

Fig. 1

RESEARCH ANALYSIS AND EVALUATION • 45
Fig. 1: Comparison of percentage of Students started drinking in different age groups. 72.54% college students aged between 18-25 year, 13.75% below 18 years, and 13.9% of above 25 years were reported as drinkers. It indicates that students of 18-25 age groups are more involved in alcohol drinking than other age groups, which signifies that when the students entered in college they start consuming alcohol either influenced by their seniors or by classmates who is already indulged in drinking (fig. 1).

Fig. 2: Reasons to start drinking alcohol.

From the above figure it is clear that students start drinking mostly because of influence of an adult and curiosity. Their seniors are the guilty in most cases to advise and offer them alcohol, which in later stages of life sometimes leads to addiction. In addition to this, seeing the seniors enjoying alcohol drinking arouses sheer curiosity to check out if it has got something new in it. Since, 24.31% accepted of having history of alcohol or drug problems in their family. A family background set in drinking alcohol has adverse effects on the minds of young generations (fig. 2).

Fig. 3: Frequency of drinking alcohol.

It is clear from the fig that most of the students drink alcohol on special occasions which include mostly parties. It is observed that college students are not generally regular customers, but in group parties or in joy of some special achievement, the alcohol becomes their favorites of the beverages. It is because they don't have enough pocket money to purchase bottles of alcohol everyday as they are dependant for it on their parents. 66.4% of students describe themselves in terms of current use of alcohol as light drinkers and 33.56% as heavy drinkers. (fig. 3).

Fig. 4: Choice of drinking preferred by college students.

Beer is the most favorite beverage among students, is considered "cool" or "soft" drinks. Beer is easily available at most of the shops, in attractive packages which pull the students towards it. Also, since it is a western spirit, it is favorite among those who drink for their status symbol. Since the price of beer is much higher than distilled liquor, beer is a drink for the middle and upper economic classes. Their alcohol content ranges from 5% to 9%. This relatively low alcohol content gives them a hint of satisfaction that it will have almost null effect on their physical and mental wellness. (fig. 4).

Fig. 5: The student's ability to stop drinking if they wish.

From the above graph it is clear that most of the students can stop drinking if they want but then also they do not stop to drink because they don't see any harm in drinking alcoholic beverages. The students having their family members involved in consuming spirits suffer the worst because if they want to lend an alcohol...
free life, they are frequently asked, offered and even pressurized to resume back. (fig. 5).

**Violent and fight after drinking**

![Violent and fight after drinking graph](image)

Fig. 6 Percentage of students who become violent after drinking and indulge in fighting.

Most of the students refused to become violent with fight after drinking but some accepted of becoming violent but no fight. It indicates that they have been able to control themselves after drinking. These include those who can stop drinking if they wish. (fig. 6).

**Conclusion**

With more than half of all alcohol drinkers in India falling into the criteria for hazardous drinking, alcohol abuse is emerging as a major public-health problem in the country. The concern is that there has been a rapid change in patterns and trends of alcohol use in India. Chief among them is people are beginning to drink at ever-younger ages. The percentage of the drinking population aged less than 21 years has increased from 2% to more than 14% in the past 15 years, according to studies in the southern state of Kerala by Alcohol and Drugs Information Centre India, a non-governmental organization. We hope as India strives to maintain it's much hyped growth rate it also stops its infantile approach in dealing with alcoholism and many other health issues that are part of reason why people's quality of life is not going up at the same rate as economy.

---

**Reference**


**Research Analysis and Evaluation**