CHAPTER - I
INTRODUCTION

The profile of human beings in terms of their daily life patterns, their work habits and leisure activities, their interests and self-perceptions, their aspirations and frustration, their attitudes towards their families and others and their beliefs and opinions about the environment around them are not only ever-changing but cast by many factors. Among the factors, which changes the lifestyle, the availability of funds from owned and borrowed sources is a significant factor which causes the change in lifestyle in modern days. The availability of funds may make a man to avail with more goods and services and accordingly on lifestyle.

After the promulgation of new economic policy in terms of liberalization, privatization and globalization, several reforms in the capital market, money market and banking sector have been introduced in India since 1991. The reforms in the banking sector enables the banks to offer liberal lending to the individual borrowers in general and salaried class in particular, as the salaried class can borrow easily from the banks and financial institutions by establishing their future repaying capacity. Likewise, the Indian banks do grant loans and advances to the salaried class on the principle of Maximum Possible Bank Borrowings. It enables the salaried class to borrow quickly and easily to the maximum possible level from the banks and financial institutions. The lending to salaried class is based on purposive borrowing principles. The purpose, most probably, may be for changing the lifestyle. It includes borrowings for consumption, buying consumable/durable goods, constructing houses, buying vehicles, buying jewels, borrowings for the higher education of their children, to study abroad and so on.
The fulfillment of purposes by way of bank finance gives a distinguished lifestyle. It induces most others to have the same distinguished lifestyle. The lending policy of the banks and financial institutions are the same throughout India. But the attitude of the borrowers to borrow for enhancing lifestyle may not be the same to all borrowers. As such, it will be interesting if a separate study is carried out to examine the influence of bank borrowings on the lifestyle of the salaried class by choosing respondents from an area.

1.1 STATEMENT OF THE PROBLEM

After the reforms made in the banking sector since 1991, issue of purposive loan is liberalized and further the issue of purposive loan is made easy to salaried class. The liberalized banking sector in terms of deregulation of interest and thereby enabling the banks to lend freely, flexible interest rate policy, free to fix deposit rate so as to attract more deposits for the purpose of lending and so on, enabled the banks for more lending.

The salaried class probably has a permanent source of income to repay the loans borrowed. The salaried class may be grouped for the purpose of the study into central Government employees, state Government employees, Quasi-Government employees, public sector employees, employees of local bodies and employees of private sector. When there is no credit rationing and when there is a liberalized lending by banks, the salaried class probably could borrow maximum possible limit to change or to enhance their lifestyle in different forms.

As such, a separate study on the lending of banks to the salaried class and the response of the salaried class to avail the offer of banks, so as to have a change in their activities in terms of lifestyle needs re-
examination. Whether different groups of salaried class avail the different kinds of purposive loans against their salary income so as to have an enhanced lifestyle or not, needs re-examination in the context of liberalized lending by banks towards salaried class in particular.

1.2 SIGNIFICANCE OF THE STUDY

Changes in lifestyle will make a change on the demand for goods and services. Besides, changes in lifestyle is an indication of a better living standard. The motive behind for a higher rate of economic growth is to uplift the living standard. There may be several measures to uplift the living standard of the people of a country in general and a particular section of the society in particular. One such measure may be monetary measure vis-a-vis enhancing the supply of money either by fresh generation of income or by way of bank credit. Since 1991, bank credit has been liberalized in general as the banker can have their own lending rate and deposit rate. Of the different borrowers, the salaried class can obtain bank credit as their future salary income is probably certain. Besides, the scientific advancement, technological changes, innovations, product differentiation and the policy of free trade put a wider variety of consumer durables and consumption goods before the consumers. As such, the salaried class may avail the bank credit and enhance their lifestyle by enjoying a wide variety of goods and services. The availability of bank credit and desire of the salaried class towards buying movable assets, consumer durable goods and consumption goods may bring a fresh demand for these items in the market.

As a result, the economic activity in terms of employment of factors of production and re-distribution of income will go in the forward direction as per the principle of multiplier and accelerator. The marginal propensity
to consume of the society will enhance the economic activity and uplift the living standard. Therefore, the proposed study is significant to examine how for the availability of bank credit resulted in a change in lifestyle of the salaried class in particular, so as to describe the nexus among bank credit, lifestyle and acceleration of economic activity.

1.3 IMPORTANCE OF THE STUDY

The salaried class may be of central Government employees, state Government employees, public sector undertakings, Quasi-Government and private sector employees. The lifestyle and the pattern of the lifestyle are ever-changing. There are numerous goods and services which are available in the market. It will make a change in the lifestyle of the society if the available goods and services are purchased, used and consumed by the society. Prominent among such goods and services may be concerned with dwelling, traveling, education, interior decoration of the house, electrical and electronic goods with latest technology. In one side, the income of the salaried class is going on increasing and on the other side changes in innovation resulted in new varieties of goods and services with a higher price, which may be beyond the reach of salaried class with the salary income. When bank credit is available, the salaried class may go for the latest goods of convenience to have a different lifestyle. By taking into account the availability of bank credit to salaried class, how for these salaried class availed the bank credit so as to have a different lifestyle needs re-examination. In this context, the proposed study on Emerging pattern of lifestyle of salaried class under universal banking (with special reference to Namakkal District, TamilNadu, India) may be considered important to examine the emerging pattern of the lifestyle of salaried class under universal banking, which may be the root cause for the
changes in the economic activities of the nation. If the emerging pattern of lifestyle is understood, the emerging pattern of demand for goods and services could be understood and the formulation of economic policy of the nation can be made on these lines.

1.4 SCOPE OF THE STUDY

Under universal banking, all kinds of financial institutions, such as Nationalized banks, Scheduled banks, Development banks, Foreign banks and co-operative banks are allowed to sanction loans of any kind of purpose within the guidelines of the Reserve Bank of India (RBI). There is a severe competition among banks in augmenting their business activities as the RBI allows them to have their own interest rates and terms and conditions. Any borrower can approach any kind of bank for a loan for any purpose. Under the maximum possible bank finance, the financial institutions are interested in giving maximum bank loans to the borrowers by taking into consideration the repaying capacity of the borrowers. The borrowers, particularly salaried class may be from central and State Government employees, local body employees, public sector employees, Quasi – Government employees and private sector employees. The purpose of borrowing may vary from borrower to borrower based on their psychological and socio-logical needs. The psychological and socio-logical needs of borrowings have a direct bearing on the emerging pattern of lifestyle.

As such, there is a scope to examine the reforms in the banking sector that enables the financial institutions to lend to the needs of the borrowers. The needs for borrowing are based on socio-logical and psychological requirements of the borrowers. The utilization of borrowing resulted in changes in lifestyle. The purpose of borrowings, utilization of
borrowings, and their consequence on lifestyle can be studied by taking sample respondents from salaried class borrowers from different sectors of economy and from different financial institutions they borrow.

1.5 OBJECTIVES OF THE STUDY

The reformation in the banking sector led to universal banking. Under universal banking the scope to borrow from financial institutions by the individuals in particular is wider. After the reformation, the terms and conditions to lend including interest rate are at the discretion of lending agencies. The purposive banking may enable the borrowers to borrow and utilize for a purpose. If the purpose is fulfilled, the lifestyle of the borrowers may change. Therefore, the objectives of the study are aimed at to examine the influence of bank lending on the lifestyle of the borrowers. However, the specific objectives of the study are as follows.

i. To examine the rationale behind studying lifestyle.
ii. To analyze the factors influencing lifestyle.
iii. To examine the reforms in the banking sector in India, since Independence.
iv. To examine the role of bank finance in changing the lifestyle of individual borrowers.
v. To examine the influence of bank lending on the lifestyle of the borrowers empirically.
vi. To suggest, if necessary, reforms that are to be made in the banking sector, lending policies of the bank and so on, to enhance the living standard of the borrowers.
1.6 HYPOTHESES TESTED

The following hypotheses were framed and tested in this study

1. Whether there is a significant relationship between classification of respondents and (a) number of loans against salary, (b) number of agencies from whom loans were obtained, (c) purpose of loans obtained, (d) purpose of housing loans obtained, (e) agencies for housing loans, (f) types of vehicles purchased on loan, (g) agencies for vehicle loans, (h) kinds of vehicles purchased on loan and (i) purpose of consumption loan or not.

2. Whether there is significant difference with in (i) age-wise, (ii) sex-wise, (iii) income-wise and (iv) employer-wise as far as the (a) number of loans against salary, (b) number of agencies from whom loans were obtained, (c) purpose of loans obtained (d) purpose of housing loans obtained, (e) agencies for housing loans, (f) types of vehicles purchased on loan, (g) agencies for vehicles loans, (h) kinds of vehicles purchased on loan and (i) purpose of consumption loan or not.

1.7 LIMITATIONS OF THE STUDY

1. The proposed study is confined to

(a) the salaried class of Namakkal District, state of TamilNadu, India.

(b) borrowings for the purpose of housing, vehicle, household articles and education and

(c) the results of the study are based upon the information given by the respondents.
2. The data collected are based on the questionnaire and the results of the study would be varying according to the opinions of individuals.

3. The statistical tools used to analyse the data have their own limitations.

1.8 RESEARCH METHODOLOGY

Survey method of research is adopted for the study. The survey was conducted by means of a question schedule. The researcher visited various Government arts colleges, Government aided arts colleges, self financing arts colleges, polytechnic colleges, self-financing engineering colleges, State Government offices, Central Government offices, Public sector undertaking offices, Quasi-Government institutions to get the question schedule filled. Before visiting the above said institutions and offices, the researcher selected the institutions and offices that are to be visited by a lot system. After having entered into the office, the researcher approached the head of the institution for selecting a few employees as respondents for the study. The researcher obtained the list of the employees from the head of the institution who had borrowed loans from the banks. After having received the list, the respondents were numbered and the number of required respondents were chosen at random. The researcher approached every respondent with an introductory letter and got the question schedule duly filled.

The researcher visited 3 Government arts & science colleges, 2 Government aided arts & science colleges, 8 self-financing arts & science colleges, 10 self-financing Engineering colleges, 8 self financing polytechnic colleges, 4 self-financing medical colleges, 2 private sector banks, 8 Nationlised banks, 2 co-operative banks, 18 government offices in
and around Namakkal town, 12 Government offices in and around
Tiruchengode town, 10 government offices in and around Rasipuram town,
12 Government offices in and around Velur town, 363 Village
Administrative Officer (V.A.O) offices in Namakkal District,
10 Government libraries in Namakkal District, 17 Government primary
and higher secondary schools and 13 private higher secondary schools in
Namakkal District. There are about 10,000 employees working in all these
institutions. Out of the total population of 10,000 employees, the
researcher has selected 300 employees as sample respondents for the study.

1.9 SAMPLING TECHNIQUE

Disproportionate stratified random sampling technique was adopted.
The researcher decided the sample size in accordance with the population
of salaried class at the Namakkal district level. As such, a large sample of
300 salaried persons were chosen from all four taluks of Namakkal District.
The place and nature of employment were decided at random and sample
respondents were chosen accordingly. As a result, 88 respondents were
chosen from Namakkal taluk out of them 40 were state Government
employees, 13 were central Government employees, 10 were Quasi-
Government employees, 4 were local body employees, 13 were public
sector employees and 8 were private sector employees.

66 respondents were chosen from Paramathi Velur taluk out of them
21 were State Government employees, 10 were Central Government
employees, 10 were Quasi Government employees, 4 were Local body
employees, 13 were Public Sector employees and 8 were Private sector
employees.
72 respondents were chosen from Rasipuram taluk out of them 30 were state Government employees, 10 were Central Government employees, 8 were Quasi- Government employees, 4 were Local body employees, 13 were Public Sector employees and 7 were Private sector employees.

74 respondents were chosen from Tiruchengode taluk out of them 30 were state Government employees, 10 were central Government employees, 7 were Quasi- Government employees, 5 were Local body employees, 15 were Public Sector employees and 7 were Private sector employees. The statistical details of sample size have been shown in table 1.1

1.10 DATA COLLECTION AND ANALYSIS

Both primary and secondary data were widely used. Secondary data were collected from books, periodicals, magazines, brouchers, notices, RBI bulletin, Journals and so on. Primary data were collected by means of a question schedule. The researcher met the respondents in person and got the question schedule filled. The filled in question schedules were arranged in such a way to prepare tables. From the tables, the data were analyzed by means of charts, diagrams and various other statistical tools. Besides, chi-square test and Analysis of variance were also used to test the hypothesis.

1.11 PROFILE OF NAMAKKAL DISTRICT

Namakkal District was bifurcated from Salem District with Head Quarter at Namakkal. It has two Revenue Divisions, viz., Namakkal and Tiruchengode and four taluks viz., Namakkal, Rasipuram, Tiruchengode and Paramathi-Velur. In Namakkal, Kottai (Fort) area is on the west and
### Table 1.1

**NUMBER OF SAMPLE RESPONDENTS CHOSEN FROM NAMAKKAL DISTRICT**

<table>
<thead>
<tr>
<th>Taluk wise Respondents</th>
<th>Nature of Employment</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>State Govt.</td>
<td>Central Govt.</td>
<td>Quasi-Govt.</td>
<td>Local body</td>
<td>public sector</td>
<td>private sector</td>
<td></td>
</tr>
<tr>
<td>Namakkal</td>
<td>40</td>
<td>13</td>
<td>10</td>
<td>4</td>
<td>13</td>
<td>8</td>
<td>88</td>
</tr>
<tr>
<td>Paramathivelur Velur</td>
<td>21</td>
<td>10</td>
<td>10</td>
<td>4</td>
<td>13</td>
<td>8</td>
<td>66</td>
</tr>
<tr>
<td>Rasipuram</td>
<td>30</td>
<td>10</td>
<td>8</td>
<td>4</td>
<td>13</td>
<td>7</td>
<td>72</td>
</tr>
<tr>
<td>Tiruchengode</td>
<td>30</td>
<td>10</td>
<td>7</td>
<td>5</td>
<td>15</td>
<td>7</td>
<td>74</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>121</strong></td>
<td><strong>43</strong></td>
<td><strong>35</strong></td>
<td><strong>17</strong></td>
<td><strong>54</strong></td>
<td><strong>30</strong></td>
<td><strong>300</strong></td>
</tr>
</tbody>
</table>

### Table 1.2

**AREA IN SQUARE KILO METER OF FOUR TALUKS OF NAMAKKAL DISTRICT**

<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Name of Taluks</th>
<th>Area in Sq.Km.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Namakkal</td>
<td>1784.09</td>
</tr>
<tr>
<td>2</td>
<td>Rasipuram</td>
<td>903.18</td>
</tr>
<tr>
<td>3</td>
<td>Paramathivelur</td>
<td>729.09</td>
</tr>
<tr>
<td>4</td>
<td>Tiruchengode</td>
<td>960.21</td>
</tr>
<tr>
<td><strong>District Total</strong></td>
<td><strong>4376.57</strong></td>
<td><strong>4376.57</strong></td>
</tr>
</tbody>
</table>
the Pettai (Business) area is on the east and at the center is the rock Namagiri, which is the source for the town’s name.

HISTORY
Since the Namakkal district is a part of the Salem district, the historical background of Salem and Namakkal remains the same. After the struggle between the Cheras, Cholas and Pandiyans, the Hoysalas rose to power and had control till the 14th century followed by Vijayanagar kings till 1565 AD. Then the Madurai Nayakas came to power in 1623 AD. Two of the Poligans of Tirumalai Nayak namely, Ramachandra Nayaka and Gatti Mudaliars ruled the Salem area. The Namakkal fort is reported to have been built by Ramachandra Nayaka. After about 1635 AD, the area came successively under the rule of Muslim Sultans of Bijapur and Golkonda, Mysore kings and then the Marattas, when about the year 1150 AD Hyder Ali came to power. During this period, it was a history of power struggle between Hyder Ali and later Tippu, with the British. Tamil is the main language spoken in this district.

GEOGRAPHICAL LOCATION OF THE DISTRICT
Namakkal district is bounded on the north by Salem district, on the east by Attur taluk of Salem district, Perambalur and Tiruchirapalli districts, on the south by Karur district and on the west by Erode district. The administrative headquarters of this district is located at Namakkal town. The District lies between 110 09’ and 110 65’ north latitude and 780 23’ and 790 45’ east longitude. The general geographical information of the district is simple and flatted area. Kollimalai hill range occurs on the east of the district. Cauvery River is flowing in the district, which will be dry during the summer season. Namakkal District consists of Four Taluks, namely 1.Namakkal, 2.Rasipuram, 3.Paramathivelur and 4. Tiruchengode.
The total geographical area of the district is 4,376.57 Sq. Km. The Namakkal District is divided into 15 Blocks. The details of the name of the taluks and area are shown in Table: 1.2

COMMUNICATIONS

The district is well served by both rail and road transports. By broad gauge line of Southern Railway, it is connected by Salem, Mangalore, Thiruvananthapuram, Bangalore, Chennai, Mumbai and Delhi, whereas NH 7 pass through most of the taluk headquarters. Other towns and most of the villages are connected by motorable roads including State highways and Major District Roads.

METEOROLOGICAL INFORMATION

The monthly average rainfall in the district is worked out and it is 82.5 mm. The months of June to October receive a rainfall that is more than the annual average rainfall. The average mean maximum and minimum temperature for the district have been 34.00 C and 21.60 C, respectively.

CLIMATE AND RAINFALL

On account of the general dryness of the atmosphere, comparatively cool nights and the appreciable drop in temperature from June following the onset of the monsoon season, the climate of this district is more pleasant than that of the adjoining eastern and southern districts. The climate on the plateau due to elevation is generally mild and equable.

Generally dry climate prevails over major part of the year in plains. The year may conveniently be divided into four main seasons, the dry season from January to March the hot season during April and May, the
Southwest monsoon season from June to September and the Northeast monsoon season from October to December.

**HUMIDITY**

The district on the whole enjoys a dry climate. The driest months are from January to April, the average relative humidity in the afternoon being less than 40 percent. Even during the rainy months the average humidity is appreciably below the saturation level.

**CLOUDINESS**

Skies are generally clear or lightly clouded, during the period January to about middle of April. The cloudiness increases from the latter half of April and after about the middle of June skies are generally heavily clouded till about the middle of December.

**WINDS**

From October to March winds blow mainly from north easterly to easterly directions. In April winds from directions between south and west are also common. From May to September south westerly and wester lies predominate. The wind speeds AIMS Research, Chennai – 600 018. Directorate of Environment, GTN. Namakkal District Environment Profile – Final Report 5 are least in October with maximum in May. It is interesting to note that the primary and secondary rainfall maxim occur in these months.

**POPULATION**

The population of Namakkal District has grown from 8.67 lakhs in 1961 to 15.90 lakhs in 1991. The growth rate indicates that there has been a significant increase during the 1981-91 decade with the average growth rate being 3.54% per annum during this decade. According to the 1991 census, Namakkal taluk is the most thickly populated and Paramathi-velur
taluk is the least populated in the district, as this taluk was constituted in year 1991.

**LITERACY LEVEL AMONG THE POPULATION**

The literacy level of Namakkal district according to figures available for the year 1996 is 48.97% with male literacy level being more than the female literacy level. It is also observed while the male literacy level has grown steadily from 51.85% in 1981 to 57.61% in 1996, there has been a significant increase of female literacy level from 27.51% in 1981 to 39.89% in 1996.

**GEOGRAPHY AND PHYSICAL FEATURES**

The district is extensively covered with hilly ranges and rocks with undulatory plains. The Kollimalai range with peaks 1219 metres runs along the east of Namakkal and Rasipuram taluks. The parent district Salem has fairly extensive forest area of considerable value. The main products from the forest are sandalwood, bamboo, timber (silveroak and similar varieties) and firewood. The main source of revenue from the forests is from the Sandalwood trees which occur naturally in abundance in the plateau and hilly ranges.

**RIVERS, CANALS AND WATERWAYS**

Cauvery is the main river of this district as well which forms its natural boundaries on west and south-west directions. The Vasishta Nadhi and Sweda Nadhi which flow across Attur taluk of Salem and Cuddalore district, drain the area between the Kalrayan hills, and the Panchaimalai and Kollimalai ranges. Sirabanga Nadhi and Tirumanimittar are the other important rivers in the district.
FIGURE 1.1
Location of state of TamilNadu in India

FIGURE 1.2
Location of Namakkal District in state of TamilNadu

FIGURE 1.3
Map of Namakkal District
TOURISM

The Namakkal Fort is said to have been built during the Madurai Nayak regime and is famous for the Sri Narasimhamurthy temple. The mythology of this temple is that after destroying Hiranya Kasipu, the demon ruler, Sri Narasimhaswamy (in the form of man & lion) was in a ferocious mood. After he cooled down, he was brought to this place by Sri Anjaneya, so as to stay with his consort Mahalakshmi who was doing penance there. A colossal idol of Sri Anjaneya, 18 feet in height has been installed here facing east with folded hands worshipping Sri Lakshmi Narasimha. Another place of attract is the Ardhanareeswarar temple of Tiruchengode. The temple is at the top of a hillock at a height of 900’ above MSL and can be reached by a flight of steps. The mythological history behind the temple is the Lord Siva gave His consort Uma His left half so as to be inseparable. The deity is known by the name Ardhanari (half female). Kolli hills in Namakkal taluk is being developed into a district excursion center.

1.12 CHAPTER ARRANGEMENT

The thesis is presented in Ten chapters.

Chapter I — Introduction

The first chapter introduces the subject matter and explains the statement of problem, significance, importance, scope, objectives, limitations, methodology, sampling techniques, Data collection, profile of Namakkal district and chapter arrangement.

Chapter II - Rationale behind studying lifestyle and its changes

The second chapter deals with meaning, dimensions, characteristics, concepts, measurement of lifestyle, it also includes lifestyle patterns and
commercial bank credit card usages and lifestyle and its changes under Indian context. It further contains the rationale behind studying lifestyle of women.

Chapter III - Factors influencing lifestyle of salaried class

This chapter contains aspects like concepts associated with lifestyle and concept of liberalization and changes in lifestyle.

Chapter IV - Reforms in the Indian Banking Sector: A Summary


Chapter V - Concept of Universal Banking - Conceptual framework and practice

The fifth chapter deals with the concept of Universal Banking, Universal Banking in India, Approaches to Universal Banking by RBI, Operational, regulatory and prudential norms, Universal Banking and insurance, conflicts of interest for a bank under Universal Banking and, Stability of the system.

Chapter VI - Liberal lending practice towards personal purpose under Universal Banking - A Review.

The chapter deals with liberal lending practice towards personal purpose under universal Banking and the details regarding the loans provided by the nationalized banks.

Chapter VII - Universal Banking Finance and changes in lifestyle: An Empirical analysis - I

The seventh chapter examines the Universal Banking finance and changes in lifestyle. For examination purpose, percentage analysis and weighted average analysis were applied.
Chapter VIII - Universal Banking Finance and changes in lifestyle: An Empirical analysis – II

The eighth chapter examines the Universal Banking finance and changes in lifestyle. For examination purpose, chi-square test was applied.

Chapter IX - Universal Banking Finance and changes in lifestyle: An Empirical analysis – III

The ninth chapter explains the universal banking finance and changes in lifestyle. For examination purpose, Analysis of variance method (ANOVA) was applied.

Chapter X - Summary and Suggestions

The last chapter summaries the findings of the previous chapters and makes an attempt to suggest possible measures for better provision of Universal Banking to salaried class and changing their lifestyle pattern.