



## **Personal Loan Analysis Of Nationalized Banks And New Generation Banks -A Comparative Study**

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***Abstract:***

*The Indian banking systems occupy a dominant position in the development of a country. They have wide impact on technology and any other external and internal factors of a country. This study presents comparison of Personal Loan for the period 2005-2011. This study mainly focus Personal loan divided into three major categories, such as Loan Sanction, Loan Recovery, NPA, etc. This study focus five banks have been taken from Nationalized banks and New Generation banks. Finally this study found that the Personal Loan analysis of Nationalized bank is higher as compared to New Generation banks. This study is to analyze both banks Personal Loan and to provide some information to improve their banking loan business.*

***Keywords:*** Personal Loan Analysis, Nationalized Banks, New Generation Banks, India

**Introduction**

The banking system of India should not only be hassle free but it should be able to meet challenges posed by the technology and any other factors. Indian banking system has reached even to the remote corners of the country. This is one of the main reasons of Indian's growth process. The intention of this study is to analyze the Nationalized banks and New Generation banks Personal loan data for the period of 2005-2011. A personal loan is one of the loan facilities among the consumer credit scheme of different banks. It is also a modern loan systems, which preferred by the banks management and customers for the sake of convenience. From the banks perspective, it appears to be a small loan and it has low delinquency rate. Because of the above factors the banks dealing with this scheme have a wide market for their retail operation. Again, in the perspective of customer, it is easy to get, payment through installment, no cash collateral or security, relaxed terms and conditions are the key points. There are some differences when they provide credit services towards personal loan scheme. In India lots of private, Public, foreign banks are working on personal loan scheme. Therefore, has been made an attempt to analyze between nationalized bank and New Generation Banks on some concerned issues. Finally to find out the personal loan scheme in the sample banks, Loan sanction, Loan recovery, NPA etc. Therefore, the main objective of this study is to classify the both banks to provide guidelines for future development

**Review Of Literature**

Personal Loan analysis of Nationalized Banks ad New Generation Banks - A Comparative study, has not been analyzed extensively and the few reference in this regard include the paper by

*[V.S.Kaveri] presented "Recovering from NPAs*

*Emerging challenges in Indian banking"* as per the report on trend and progress of banking in India 2000-2001. The gross NPAs of scheduled commercial banks increased of Rs.63883 core at and March 2001 from Rs.60408 core a year ago. Net NPAs on the same date amounted to Rs.32468 core compared with Rs.30073 core as at end march 2000. The above observates we analysis bank GroupWise data, recovery measures could be classified into two categories. Legal measures debt recovery, national company law, corporate debt, company manager etc. Non legal measures remind systems visits to borrowers, recovery camp, loan compromise, appointment of professional agencies for

recovery. Finally the NPAs analysis in some banks during 1999-2000, recovery from NPAs in some PSBs was to the RS.3000 core but the amount involved in fresh NPAs was more than Rs.6000 core consequently each bank has set up credit monitoring department cell at the corporate office and zonal office suitable reporting formats have been devised for branches to provide information on NPA borrowers.

*[Mr. Donald , 2009], "The determinants of bank loan recovery rates"*

This paper presented While there is a very large literature on the determinants of default on various debt instruments, relatively little is known about the factors which influence recoveries on bank loans in the default state. The issue has taken on heightened importance since Basel II permits banks to determine required capital holdings by using model-based estimates of "loss given default" which depends on the recovery rate. We measure recoveries using the "Ultimate Recovery Database" supplied by Moody's and model the recovery rate as a function of variables reflecting loan and borrower characteristics, industry and macroeconomic conditions, and several recovery process variables. We find that loan characteristics, such as the presence of certain types of collateral, are significant determinants of recovery rates, whereas many of the borrower characteristics before default generally are not. Industry and macroeconomic conditions also are relevant, as are certain process factors such as prepackaged bankruptcies. Since trading prices on loans approximately 30 days after default are often used by practitioners (and in some academic studies) as proxies for the recovery rate, we examine whether this proxy provides a rational estimate of actual recoveries. We find that the process that drives the 30-day trading price after default differs significantly from the actual settlement recovery process.

*[Mr. Thomas], "Survival Analysis Methods for Personal Loan Data"*

Credit scoring is one of the most successful applications of quantitative analysis in business. This paper shows how using survival-analysis tools from reliability and maintenance modeling allows one to build credit-scoring models that assess aspects of profit as well as default. This survival-analysis approach is also finding favor in credit-risk modeling of bond prices. The paper looks at three extensions of Cox's proportional hazards model applied to personal loan data. A new way of coarse-classifying of characteristics using survival-analysis methods is proposed. Also, a number of diagnostic methods to check adequacy of the model fit are tested for suitability with loan data.



Finally, including time-by-characteristic interactions is proposed as a way of possible improvement of the model's predictive power.

*[Prof.Dr.Mohi]"Analyzing Financial Performance of Commercial Banks in India: Application of CAMEL Model"*

In this paper focus Sound financial health of a bank is the guarantee not only to its depositors but is equally significant for the shareholders, employees and whole economy as well. As a sequel to this maxim, efforts have been made from time to time, to measure the financial position of each bank and manage it efficiently and effectively. In this paper, an effort has been made to evaluate the financial performance of the two major banks operating in northern India .This evaluation has been done by using CAMEL Parameters, the latest model of financial analysis. And using statistical tools such as mean standard deviation etc through this model, it is highlighted that the position of the banks under study is sound and satisfactory so far as their capital adequacy, asset quality, Management capability and liquidity is concerned

*[Mr.TT.Mohan] Comparing performance of Public and Private sector Bank*

A revenue maximization Efficiency Approach" This paper attempt comparison of performance among three categories of banks public, private, foreign using physical quantities of inputs and outputs and comparing revenue maximization efficiency during 1992-2000. The findings show that public sector bank performs significantly better than private sector banks but no difference from foreign banks. The conclusion point to the a convergence performance between public and private banks in post reforms using financial measures of performances

*[Prof. Rekha Arunkumar]"Risk Management in Commercial Banks" (A Case Study of Public and Private Sector Banks)*

Risk is the fundamental element that drives financial behavior. Without risk, the financial system would be vastly simplified. However, risk is omnipresent in the real world. Financial Institutions, therefore, should manage the risk efficiently to survive in this highly uncertain world. The future of banking will undoubtedly rest on risk management dynamics. Only those banks that have efficient risk management system will survive in the market in the long run. The effective management of credit risk is a critical component of comprehensive risk management essential for long-term success of

a banking institution. Credit risk is the oldest and biggest risk that bank, by virtue of its very nature of business, inherits. This has however, acquired a greater significance in the recent past for various reasons. Foremost among them is the wind of economic liberalization that is blowing across the globe. India is no exception to this swing towards market driven economy. Better credit portfolio diversification enhances the prospects of the reduced concentration credit risk as empirically evidenced by direct relationship between concentration credit risk profile and NPAs of public sector banks.

*[Mr. Tasnuba Nasir], Comparative Study of Personal Installment Loan services between local and Foreign Bank in Bangladesh*

The study revealed that personal installment loan services have been popularizing among the customers of medium-low income levels in the society. It is demonstrated that the foreign sample bank is providing prompt services as compare to local sample bank as regards personal installment loan facilities, terms and conditions, fees, target market and customized products. But foreign banks are charging more charges than the local bank. It is observed that foreign commercial banks are more dynamic, more technological oriented and aggressive customer service than the local commercial bank. Moreover, foreign bank is more technological than the local bank in the context of designing the personal loan features. Finally, the study highlights the major components of personal installment loan system in the shed light of total disbursed amount, total outstanding amount, total customer achieved, etc.

*[Mr. Mihir Dash] “ An Analysis of Asset-Liability Management in Indian Banks ”*

Asset-Liability Management (ALM) is concerned with strategic management of assets (uses of funds) and liabilities (sources of funds) of banks, against risks caused by changes in the liquidity position of the bank, interest rates, and exchange rates, and against credit risk and contingency risk. An effective ALM technique aims to manage the volume, mix, maturity, rate sensitivity, quality and liquidity of the assets and liabilities as a whole so as to attain a predetermined acceptable risk/reward ratio. The purpose of ALM is to enhance the asset quality, quantify the risks associated with the assets and liabilities and further manage them, in order to stabilize the short-term profits, the long-term earnings and the long-run sustenance of the bank. The Reserve Bank of India (RBI) has implemented the Basel II norms for the regulation of Indian banks, providing a framework for banks to develop ALM policies. The present study analyses asset-liability

management in banks operating in India using the asset-liability guidelines provided by the Reserve Bank of India. The primary objective of the study was to compare the maturity gaps in public, private and foreign banks in the Indian banking industry.

#### **Objectives Of This Study**

The main objectives of the study are to analyze the personal loan within Nationalized Banks and New Generation Banks. In particular the study aims to explore following objectives:

To evaluate comparative position of the Loan sanction, Loan recovery, NPA status of Personal loan analysis between the nationalized banks and New Generation Banks.

To examine different aspects of the personal loan between the nationalized banks and new generation banks.

#### **Methodology Of The Study**

In this study an attempt has been made to study and compare the Personal Loan Analysis of Nationalized banks and New Generation banks. The Personal Loan Analysis of the selected banks has been studied on the basis of three major categories, the categories are: Loan Sanction, Loan Recovery, NPA etc.

#### **Sample Of The Study**

The present study seeks to evaluate the Personal Loan Analysis of the ten top banks based in India, representing the biggest Nationalized bank such as Indian Bank, Corporation Bank, Canara Bank, Indian Overseas Bank, Syndicate Bank etc. and New Generation bank such as AXIS Bank, ING VYSYA Bank, Kotak Mahindra Bank, ICICI Bank, HDFC Bank. These ten banks were purposely selected for the study, keeping in view their their role and involvement in shaping the economic conditions of India.

#### **Data Collection**

For this study, the secondary data have been collected from relevant sample banks such as banks website, annual reports, reference journals, websites, books, periodicals, research articles. This data is related to 7 years (2005-2011).



### Results & Discussion

The Results and Discussions of the study are described under the following parameters such as Loan Sanction, Loan Recovery, and NPA etc.

Bank	Loan Sanction	Loan Recovery	NPA
	Total Amount ( 7 Years )	Total Amount ( 7 Years )	Total Amount ( 7 Years )
Indian Bank	3096.57	2463.63	630.94
Indian Overseas Bank	3752.25	2906.95	935.32
Corporation Bank	2401.95	1952.60	449.35
Syndicate Bank	2117.94	1565.41	552.53
Canara Bank	3887.71	3210.81	676.9

*Table1: Nationalized Banks: Personal Loan (Amount in core)  
Source: Annual reports of Banks*

The above table 1 reveals that personal loan amount sanction is highest rate of 3887.72 in Canara Bank, 3752.25 in Indian overseas Bank, and less amount of 2401.95 in Corporation Banks and 2117.94 in Syndicate Bank. The personal loan analysis of the above Nationalized Banks highest amount of loan sanction by Canara Bank, Indian Overseas Bank, Indian Bank and less amount of loan sanction by Corporation Bank and Syndicate Bank. the main reason for highest loan sanction by the above banks, high number of customer having in the banks and quick approval, minimal paper work, flexible repayment options and easy EMI repayment through salary a/c or cheque. And Loan Recovery of Canara Bank is high in 3210.81, 2906.95 in Indian Overseas Bank, 2463.63 in Indian Bank and less amount of recovery in Corporation Bank 1952.60 and 1565.41 in Syndicate Banks. The main reason for that highest recovery of loan by customer easy installment. The NPA amount higher in Indian Overseas Banks and 676.9 in Canara Bank, 630.94 in Indian Bank, 552.53 in Syndicate Bank, and 449.35 in Corporation Bank. The main problem of NPA is danger to the banks because it destroys the healthy financial condition of them.

Bank	Loan Sanction	Loan Recovery	NPA
	Total Amount (7 Years)	Total Amount (7 Years)	Total Amount (7 Years)
ICICI Bank	3071.65	2707.53	361.13
HDFC Bank	2572.64	1963.77	608.87
AXIS Bank	2042.38	1520.98	521.48
ING VYSYA Bank	1447.12	1115.22	351.86
Kotak Mahindra Bank	1195.42	953.00	242.4

Table 2: New Generation Banks: Personal Loan (Amount in core)  
Source: Annual reports of Banks

The above table 2 reveals that personal loan amount sanction is highest rate of 3071.65 in ICICI Bank, 2572.64 in HDFC Bank, 2042.38 in Axis Bank and less amount of loan 1447.12 in ING Vysya Bank and 1195.42 in Kotak Mahindra Bank. The main reason of highest loan sanction by the above banks minimum number of customers having in the banks and quick approval, less paper works. And loan recovery of amount high in 2707.53 in ICICI Bank, 1963.77 in HDFC Bank, 1520.98 in Axis Bank, and less amount of recovery in ING Vysya Bank and Kotak Mahindra Bank. The main reason for that high recovery of loan by customer easy installment and high interest rate of new generation bank. The NPA amount higher in HDFC Bank at 608.87, Axis bank in 521.48, ICICI bank in 361.13, ING Vysya bank in 351.86, and Kotak Mahindra Bank in 242.4. The main problem of NPA is danger to the banks because it destroys the healthy financial conditions of them.

Personal Loan	Banks									
	Indian Bank	Indian Overseas Bank	Corporation Bank	Syndicate Bank	Canara Bank	ICICIBank	HDFC Bank	Axis Bank	ING VysyaBank	Kotak Mahindra Bank
Loan Sanction	3	2	6	7	1	4	5	8	9	10
Loan Recovery	4	2	6	7	1	3	5	8	9	10
NPA	3	1	7	5	2	8	4	6	9	10

Table 3: Ranks of Nationalized Banks and New Generation Banks based on Personal Loan Analysis



The above table 3 ranks of Nationalized Banks and New Generation Banks based on personal loan analysis. The rank of loan sanction first place in Canara Bank, second place in Indian Overseas Bank, third place in Indian Bank, fourth place in ICICI Bank,, fifth place in HDFC Bank, sixth place in Corporation Bank, seventh place in Syndicate Bank, eighth place in Axis Bank, Ninth place in ING Vysya Bank, tenth place in Kotak Mahindra Bank. To compare the both bank loan sanction analysis Nationalized Banks better than New Generation Banks. The loan recovery of Nationalized Banks and New Generation Banks first place in Canara Bank, Second place in Indian overseas Bank, third place in ICICI Bank, fourth place in Indian Bank, fifth place in HDFC Bank, sixth place in Corporation Bank, seventh place in Syndicate Bank, eighth place in Axis Bank, ninth place in ING Vysya Bank, tenth place in Kotak Mahindra Bank. The loan recovery analysis of personal loan in both banks Nationalized Banks better than New Generation Banks. And finally NPA analysis of personal loan in both banks, the first place in Indian Overseas Banks, second place in Canara Bank, third place in Indian Bank, fourth place in HDFC Bank, fifth place in Syndicate Bank, sixth place in Axis Banks, seventh place in Corporation Banks, eighth place in ICICI Banks, ninth place in ING Vyaya Banks, tenth place in Kotak Mahindra Banks. NPA analysis of both banks Nationalized Banks better than New Generation Banks.

### **Conclusions**

The study concludes that each Nationalized bank and New Generation Banks has different conclusions on each Personal loan related to Loan Sanction, Loan Recovery, and NPA etc. The above discussions of Loan sanction, Loan recovery, NPA is higher in Nationalized Bank as compared to New Generation Banks. Finally this effort highlighted important information useful for Banks about the activates that may increase the performance of nationalized bank and new generation banks. Therefore, in this respect the Personal Loan analysis of Nationalized bank has recorded better than New Generation bank.

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