Chapter VI

CHAPTER VI

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

The final and sixth chapter of this elaborate empirical study presents a brief summary of the statement of the problem, the purpose of the study and methodology used in the investigation, the findings, suggestion, proposed by the researcher and the conclusion,limitations of the study, scope for further study.

6.1 Introduction

The elaborate discussions made in the previous chapters reveal the fact that the growth of retail loans over the years depicts that there is a high potential for the retail loan market in India for banking sectors. Though, the trend in retail lending of scheduled commercial banks operating in India has been increasing over the years, it is a undeniable fact that retail NPAs are increasing in parallel with the growth in credit limit. This study aims to analyse retail loan lending and recovery status among banks in India for a period of 14 years from 2001-02 to 2014-15.

Five objectives were framed for the effective conduct of this study. The first objective of the study aimed to study the retail loan lending pattern of Scheduled Commercial Banks operating in India. The second and third objectives were framed to assess the share of total retail loan lending pattern of Scheduled Commercial Banks operating in India to the total advances of the bank and to evaluate the retail loan outstanding status of Scheduled Commercial Banks operating in India. The fourth and fifth objectives focused on measuring the quantum of retail loan recovered by the Scheduled Commercial Banks operating in India and to identify the competitive status of the bank groups in retail loan lending and in recovery.

The current study is quantitative in nature. Thus, the present study is deemed to be both explorative and diagnostic in nature. The study is primarily based on the secondary data. In the first stage of the study, desk research was carried to collect, review and draw a clear empirical understanding of previous research works and their discussion on commercial banks performances and their status on retail loan lending and its recovery. In the second stage, secondary data for diagnostic analysis were collected from RBI published data base for 14 years 2001-02 to 2014-15. For the purpose of data analysis banks were classified as: SBI &its Associates, Nationalized Banks, Domestic Private Sector Banks and Foreign Banks. Variables considered for analysis are: (i) Total advances lent by the scheduled commercial banks in India (ii) Total number personal loan takers from scheduled commercial banks in India (iii) Value of total personal loan lending by scheduled commercial banks in India (iv) Category-wise credit (Consumer Durable loan, Housing loan and Rest of the Personal loan) lending by scheduled commercial banks in India, (v) Proportion of total retail credit to total advances, (vi) Proportion of outstanding to total retail credit (vii) Proportion of recovery to total retail credit and (viii) Movement of NPA of the scheduled commercial banks in India.

6.2 Findings of the Study

Five objectives were framed for the effective conduct of this study, the findings of the study based on the study objectives is summarised in this section of the study.

I. Retail Loan Lending Pattern of Public and Private Sector Banks

(i) Number of Borrowers

The study observed that easy availability of bank loan and relaxation of loan borrowing practices by RBI and reduction in interest rates have supported the bankers both in public and private sectors in attracting more loan borrowers. Retail loan growth saw sharp expansion at the new-generation domestic private sector banks. The market share of these banks rose from just 10.47 per cent in 2001-02 to 45.15 per cent by the end of the fiscal year 2014-15. Retail borrowers seem to be moving towards private sector lenders to meet their loan needs and this has reflected in the reduction of market share of both public sector banks and foreign banks. The market share of Nationalized Banks customers had reduced from 25.73 per cent in the beginning of the study period 2001-02 to 21 per cent in 2014-15. Similarly the market share of SBI & Its Associate banks dropped from 43.30 per cent to 22.86 per cent and foreign banks retail loan borrowers share dropped from 20.49 to 10.99 per cent between 2001-02 to 2014-15.

Further, the study observed that the major portion of retail loan of SBI’s lent to the housing loan borrowers and similar trend of lending was experienced by other banks i.e.,nationalised, domestic private sector and foreign banks. The market growth of this bank in this segment had rose from 36.14 per cent in 2001-02 to 41.42 per cent by the end of the study period 2014-15. The study further observed that the competitive strength of nationalized banks was vested with the consumer durable loan borrowers. However, it was observed that in order to avoid mounting NPA margins the bank had gradually reduced consumers' durable loan, housing loan borrowers and other personal loan borrowers. Consumers' durable loan accounted to 22.96 per cent in 2014-15 dropped from 54.54 per cent in 2001-02. The study evidences the fact that though the housing loan borrowers of this bank group had dropped from 53.71 per cent in 2001-02 to 40.39 per cent by the end of the year 2014-15, still this loan segment borrowers of nationalized banks were more in comparison to the other segment borrowers.

Faster expansion of domestic private sector banking services with the support of modern technologies and management concepts reflected in the increase of number of retail loan borrowers' increase in all three segments of retail loans and also in total personal loan borrowing category. Quick loan sanctioning norms, flexible loan repayment terms and interest rate and more value for the loan were considered some of the features that influenced the loan borrowers to avail retail loans from private sector banks. The study also observed that the vast financial and economic changes that is happening in the western countries and in few parts of Asia, directly affected the performance of Foreign Banks, who preferred to restrict its role in retail lending and focused on offering foreign customers based banking services.

II. Value of Retail Loan Credit Extended

Total Personal loans lended by SBI & Associates valued at Rs.26972.87 crores and the value had significantly increased to Rs.481027.40 crores by the end of the study period 2014-15. The nationalized banks' personal loans was recorded at Rs.43524.57 crores and it had massively increased to Rs.518088.16 crores by the closing year 2014-15. Private banks had lent Rs.9999.99 crores in the form of personal loans and this quotient had drastically increased to Rs.593127.94 crores by the end of the fiscal year 2014-15 from just Rs.9999.99 crores in 2001-02. Credit lending of foreign banks in terms of personal loans was observed at Rs.22085.45 crores in 2001-02 and it had steadily increased to Rs.103833.79 crores by the end of the financial year 2014-15.

At the beginning of the fiscal year 2001-02 the consumer durable credit lent by SBI and its associate banks stood at Rs.1100.45 crores and the ratio had gradually rose to Rs.5292.05 crores by the end of the study period 2014-15. In 2001-02 the credit lending of nationalized banks in the form of consumer durable loans was recorded at Rs.1719.68 crores and it had slightly increased to Rs.2346.83 crores by the closing year 2014-15. The domestic private banks has lent Rs.352.42 crores of consumer durable loans and it had constantly increased to Rs.6149.88 crores by the end of the fiscal year 2014-15. Consumer durable credit lending of foreign banks was observed at Rs.181.39 crores in 2001-02 and it had steadily increased to Rs.778.71 crores by the end of the financial year 2014-15.

Housing loan offered by the scheduled commercial banks had increased in the past 14 years. The study found that the housing loan extended by SBI & its Associates total retail loan raised at the rate of 25.08 per annum between the study period 2001-02 to 2014-15. Nationalized banks registered 21.30 per cent per annum. On the contrary, the private sector banks lending rate growth stood at 31.19 per cent and foreign banks housing loan segment grew at the rate of 17.63 per cent per annum.

Rest of the personal loans like auto loan, educational loan etc offered by the scheduled commercial banks had increased in the past 14 years. The study found that the housing loan extended by SBI & its Associates total retail loan raised from Rs.13211.50 crores in 2001-02 to Rs.200246.16 crores by the end of the year 2014-15. Nationalized bank's rest of the personal loans rose from Rs.24437.09 crores at 2001-02 to Rs.230543.47 crores by the end of the fiscal year 2014-15. Domestic private banks accounted at Rs.7049.24 crores in the beginning of their study period and it had massively increased to Rs.380359.94 crores by the closure of the study period 2014-15. At the beginning of the study period 2001-02 the credit limit of foreign banks in the form of rest of the personal loans accounted at Rs.18247.80 crores and it had gradually increased to Rs.65391.62 crores by the closing of the fiscal year 2014-15.

III. Share of Total Retail Loan Lended to the Total Advances of the Bank

The total advances offered by all the bank categories has registered growth between the years 2001-02 to 2014-15. It rose from 16.39 per cent in 2001-02 to 28.73 per cent share in 2014-15 against total advances lended by this category of banks. The nationalized banks have lent 13.77 per cent of its total advances for personal loans and this proportion had reduced to 13.63 per cent by the end of the study period 2014-15. Domestic private banks had distributed 8.59 per cent of its total advances for personal loans in 2001-02 and this proportion had significantly increased to 37.44 per cent by the end of the financial year 2014-15. Foreign banks have lent 45.41 per cent of its total advances for personal loans in 2001-02 and this proportion had decreased to 31.69 per cent by the end of the study period 2014-15. The study findings revealed that the private domestic banks appear to be more aggressive in their lending than both public sector banks (Nationalized banks and SBI & its Associates and foreign banks).

IV. Retail Loan Outstanding Status of Scheduled Commercial Banks

- The study observed that during the past 14 years the NPAs of the SBI &its Associates have come down from 3.41 per cent in 2001-02 to 1.09 per cent in 2014-15. Incase of consumer durable loans and rest of personal loan outstanding reduced from 46.97 per cent to 40.32 per cent during the same period. The study further, found that the home loan of this bank group had increased from 49.62 per cent to 58.60 per cent between the period 2001-02 to 2014-15.

- Retail loan outstanding i.e., NPAs of the nationalised banks depicted same trend, where its consumer durable loans reduced from 3.75 to 0.46 per cent during the study period 2001-02 to 2014-15. Rest of personal loan NPAs dipped from 54.47 per cent to 42.28 per cent in the past 14 years. The home loans outstanding increased from 41.78 per cent to 57.26 per cent from 2001-02 to 2014-15.

- The study observed that the private domestic banks indeed have higher number of loan borrowers, loan distribution value and same default rates. As mentioned above similar trend of loan outstanding distribution was noticed in the case of domestic private sector banks and foreign banks. Consumers' durable loans of domestic private sector banks reduced from 3.73 to 1.48 per cent during the study period 2001-02 to 2014-15. Rest of personal loan NPAs dipped from 66.28 per cent to 45.95 per cent in the same period. The home loans outstanding increased from 29.99 per cent to 52.57 per cent from 2001-02 to 2014-15.

- Consumers durable loans of foreign banks slightly reduced from 1.46 to 1.41 per cent during the study period. Rest of personal loan NPAs dropped from 72.86 per cent to 41.58 per cent in the same period i.e., 2001-02 to 2014-15. The home loans outstanding rose from 25.68 per cent to 51.07 per cent from 2001-02 to 2014-15.

In short, it has been observed that housing loans are a major component of retail credit in India and were one of the prime drivers in the growth of the retail loan portfolio of scheduled commercial banks and its outstanding that is NPAs are high.

V. Quantum of Retail Loan Recovered by the Scheduled Commercial Banks

The study observed that the loan recovery efficiency of SBI & its Associate banks exhibited efficiency in reduction of its NPAs margins. That in turn had reflected in decline of consumer durable loans and total personal loans, whereas this banks recovery status of housing loan and rest of the personal have improved during the study period 2001-02 to 2014-15. The study observed that the loan recovery efficiency of the nationalized banks have declined in all category of loan recovery during the study period 2001-02 to 2014-15. As a result of adverse credit selection during the expansionary phase of the economy developments and to meet the competition the public sector banks had failed to manage its credit in right ways that in turn resulted in poor recovery of loans extended by it.

On the contrary, domestic private sector banks exhibited higher efficiency in recovery of loan offered in all categories i.e., home loans, consumer durable loans and rest of the personal loans during the study period. Foreign banks recovery efficiency had dipped in case of housing loan and rest of the personal loans in comparison to that of consumer durable loans and total loan offered by this segment of bank. Foreign banks have focused more on credit lending and vehicle loans could be the primary reason for increase in the loan outstanding or sluggishness in loan recovery, added to the economic crisis and rising inflation rates, which in turn caused more job losses, wage reduction and increase in food and other essential items consumption expenses.

VI. Competitive Status of the Bank Groups in Retail Loan Lending and in Recovery

From the elaborate data analysis it has been inferred that stung by all-time high levels of bad loans occured due to their heavy industrial lending domestic private sector lenders have changed their focusing aggressive towards consumers and small borrowers.

To ensure growth and protect margins of loan value and its interest rates, as their corporate lending remained slow amid poor demand and low factory output. This is clearly depicted in the increase in their retail lending and managing of their outstanding and credit recovery management practices adhered by the public sector banks. At the same time it has been observed that the public sector banks have exhibited efficiency in managing its credit lending, NPAs and recovery management over the years. The study compliment the findings of Mishra (2009) that retail lending revolution was led by foreign banks till 2001, but the new generation private sector banks took the baton from them thereafter. This study findings also clearly depicts the growth in domestic private sector lendings.

VII. Market Share of the Banks in the Retail Loan Market

The study identified that the scheduled commercial banks operating in India has experienced a mixed reaction in retail loan recovery and outstanding managements. In short it can be claimed that retail loan borrowers has not disappointed banks either in availing retail loans or its repayments, that enables the customers for lending. Further, it has been inferred that the domestic private sector banks are considered as the market leaders in retail loan market.

VIII. Movement of NPAs

Net NPA shows the actual burden of banks**.**The study observed that the Net NPAs of all four categories of banks has drastically reduced over the 14 years of the study period. The addition of NPAs rose at the rate of 21.96 per cent per annum for SBI & its Associates. The rate of growth for nationalized banks was recorded at 23.20 per cent per annum, 12.23 per cent in case of domestic private sector banks and 15.21 per cent for foreign banks. The study observed that all banks both public and private sector managed to reduce and retain its NPAs in par with the loan distribution: SBI & Associated banks at 15.68 per cent per annum, nationalized banks at slight lower rate of 17.33 per cent per annum, domestic private sector banks at 7.53 per cent and foreign banks at 10.58 per cent per annum. The study finally declare that the NPAs of the scheduled commercial banks were far lower than the NPAs caused by the industrial sectors.

Study has observed gross NPAs, addition and reduction, recovery and net NPAs of SBI & its Associates banks and foreign banks have reduced in the year 2013-14 compared to 2014-15. On the other hand, all these NPAs parameter have registered growth in case of nationalized banks and domestic private sector banks. It has been observed that the domestic private banks are aggressive in retail loan lending as they have an advantage in lending to "Soft Information" firms which allows them to lent more, and at higher rates without substantially higher default rates. Even though in these retail lending they have shown effective performances in recovering the loan outstanding. On the contrary, the nationalized banks have reduced its credit lending proportion in order to minimize the outstanding NPA, but due to its large operational size these banks have higher outstanding NPAs. The study further inferred that due to its large volume size the credit limit i.e., total advances of nationalized banks is high which in turn resulted in higher outstanding NPAs.

IX. Results of Hypotheses Testing

- With the support of statistical testing of Paired 't test it has been confirmed that there exists no uniformity in the growth of retail loan lending trend among various categories of commercial banks operating in India.
- Further, results reveal that public sector banks exhibits higher efficiency in retail loan lending under various categories (housing and consumers durable other personal loans) in comparison to private sector and foreign banks.
- The study also confirmed the fact that public sector banks have higher retail loan outstanding in housing, consumer durables and other personal loans in comparison to private sector and foreign banks.
- The study found that private sector and foreign banks exhibits higher efficiency in retail loan recovery (housing and consumer durables other personal loans) in comparison to public sector banks.
- It has been also found that the private sector banks are highly efficient in lending and recovery of housing and other personal loans like jewel loan, credit card loans, vehicle loans etc., but the private sector banks have shown poor performance in processing consumer durable loans.

- The public sector banks are observed to be least efficient in reduction of its retail credit NPAs in comparison to private sector and foreign banks.

From the above findings it is inferred that the total advances offered by all the bank categories has registered growth between the years 2001-02 to 2014-15. The study observed that the retail loan outastanding of SBI & its Associates has come down from 3.41 per cent in 2001-02 to 1.09 per cent in 2014-15. Retail loan outstanding i.e., NPAs of the nationalised banks depicted same trend, where its consumers durable loans reduced from 3.75 to 0.46 per cent during the study period 2001-02 to 2014-15. Consumers durable loans of domestic private sector banks reduced from 3.73 to 1.48 per cent and foreign banks slightly reduced from 1.46 to 1.41 per cent during the study period 2001-02 to 2014-15.

6.3 Suggestion

Some of the suggestion proposed for overcoming the issues of rising NPAs of both the public and private sector banks are:

(i) Maintaining Stability in Interest Rates

Soaring and frequent changes in interest rates are most important factors which directly impact the repayment of loan borrowed by them. In India, interest rate regulation has travelled a long path from the days of administered regime in vogue till the early 1990s to the deregulated prevailing regime . As a part of deregulation, banks have been permitted to set their own lending and deposit rates except for a very few segments such as DRI (Differential Rate of Interest) scheme where administered rates still prevail. Typically, scheduled commercial banks operating in India, the pricing of credit i.e., charging of interest rate is done on a cost plus approach. The benchmark used for this purpose can be inter-bank market rate or the overnight money market rates or a cost of funds index. This comprises various factors that includes product specific operating cost, credit risk premium, tender premium, competition, strategy and customer relationship, etc. While the lending rate remains stable in the case of a fixed rate loan, floating rate loans, the lending rate is dynamically reorganised at specific intervals based on the schedules in the benchmark rates (highest and lowest margin of interest rate fixed by RBI from 2010 or in subsequent years). Based on this discussion and research findings it is suggested to:

- The banks and authorities at RBI (Reserve Bank of India) should realise the fact that changes in lending rates of banks may also cause changes in NPA levels. So RBI should avoid frequent changes in interest rates that are charged to the borrowers.

- The banks and authorities at RBI are suggested to adhere to money market controlling practices instead of the interest rate changes. As it directly affect the middle income population who generally borrow more from both public and private sector banks in the form of personal loans either for consumer durables, home loan or for other rest of the personal loans: like auto loan, jewel loan or education loan.

- Stability in interest rate could help both bankers (public and private sectors) and RBI in reducing the NPAs rise in retail loan segments,as many of borrowers never default themselves from repayment of credits. Further it is likely to facilitate easy repayment of loan borrowed as most of the loan are short duration loans except home loan that is currently offered for 30 years (at the maximum).

- Maintaining stability in interest rate can also support the public sector banks in attracting more borrowers. It helps them to stay competitive against the domestic private sector banks.

- The authorities at RBI, financial experts and policy makers should realise the fact that the hardening of interest rates makes repayment of loans difficult for borrowers, particularly those who have availed loans earlier at floating rates. Thus, maintaining stability in interest rate is more viable and supports the banks in reduction of its retail loan NPAs burden.

II. Reduction of Interest Rate Margins for Retail Loan Lending

All the scheduled commercial banks operating in India are suggested to reduce their retail loan lending rates.

- The banks are suggested to reduce their retail loan lending rates, by keeping it very moderate rate of the bench mark fixed by the RBI. The banks are not suggested to fix the maximum margin rate as their lending rates similar to the MRP (Maximum Retail Price) practices. For example Syndicate bank charges higher lending rate on personal loans offered by it in comparison to other public sector banks.

- The banks are suggested to reduce their spread rates that are generally included to the base bench mark of lending fixed by RBI like their operating cost, credit risk premium, tender premium, competition, strategy and customer relationship, etc. The reduction of spread cost may support the banks to bring down their lending rates, which in turn also supports them in attracting more potential and at the same time genuine borrowers.
- The public sector banks (SBI & its Associate Banks and Nationalized Banks) and private sector banks (Domestic Private Sector Banks and Foreign Bank) can talk to the co-operative banks who offer personal loan at very nominal rate. Their model of loan lending rate may support the public sector banks (SBI & Associated Banks and Nationalized Banks) more.

(ii) Banks has to Focus on Modification of Internal and External Policies for Reducing NPAs Margins

More than one and half decade before Muniappan (2002) had commented that the problem of NPAs is related to several internal and external factors challenging the borrowers. The internal factors are departure of funds for expansion, diversification and modernisation, taking up new projects helping/ promoting associate concerns, time/cost overruns during the project implementation stage, business (product, marketing, etc.) failure, ineffective management, strained labour relations, inappropriate technology/technical difficulties, product obsolescence, etc., while external factors are recession, non-payment in other countries, inputs/power shortage, price boom, accidents and natural disasters.

This study conducted in 2014-15, also observed that NPAs issues of the banks are more vested with these issues. It is true that still banks have failed to overcome the issue of rising NPAs mostly by the above stated external issue like recession, inflation, natural climates and power/energy shortages or rise in its cost. Similarly, internal issue like: diversification of loan segment from corporate to retail borrowers, heavy cost of modernisation and rise of interest rate, which make the borrowers vulnerable in repayment of loan(s). Based on this findings the following suggestion are proposed:

- The government has announced many policies for reduction of raising NPAs but there exist lack of clarity either in the policies or in its implementation time line. Thus, it is suggested to the policy makers and financial institutions to stream line their policies and the specific time line for implementation of the policies that could support the banks in reducing their retail bad loan.
- In case of private sector banks it has been observed that due to poor credit appraisal practices, the bank gives advances to those who are not able to repay it back. They should use better credit appraisal to reduce the rising NPAs. In the anxiety to attain business targets the rules and procedures for prudent banking, private sector banks employees were conveniently forgotten to choose the borrowers who are competent to pay back loans. Thus, its suggested to private bankers should always select the borrower very cautiously and should take their tangible assets as security to safe guard its interests.
- Moreover, it is also suggested that while accepting securities, banks should consider the marketability, acceptability, safety, transferability issues related to the security, in order to avoid the NPAs losses and it also supports the bank inadequate asset recovery or even for correct value of loan recovery.

6.4 Conclusion

The banking system in India is significantly different from that of other Asian nations because of the unique country's geographic condition, social and economic features. The banking system in India faces many problems at present. One of the main issue is the massive number of non-performing assets on the banks' balance sheet. Credit (or retail products of banks like loans) represents the majority of the bank and financial institution's asset portfolio. Credit Risk is involved with retail products of banks's, which rises from the failure of the borrower in repayment. Here, the credit cycle gets upset, leaving the fund locked up.

The empirical study depicts that the loan recovery efficiency of the both public sector banks have declined with reference to consumer durable loans and rest of other personal loans. Whereas these banks recovery status of housing loan have improved during the study period 2001-02 to 2014-15. On the contrary, the study depicted that retail loan recovery of the private sector banks and foreign banks have dipped with reference to rest of other personal loans in comparison to consumer durable loans and housing loans. These banks have focused more on credit card lending and vehicle loans which could be the primary reason for increase in the loan outstanding i.e., increase in retail NPAs and the sluggishness in loan recovery could be reasoned to sudden rise of the economic crisis and rising inflation rates etc. Study has observed that the gross NPAs, addition and reduction, recovery and net NPAs of SBI & Associates banks and foreign banks have reduced in 2013-14 compared to 2014-15. On the other hand all these NPAs parameter have registered growth in case of Nationalized banks and domestic private sector banks. The study suggested that private sector banks should not push up their retail credits for attracting more customers. But, the assessment of their repaying capacity and occupational status is very important for minimising rising NPAs. Overall change in the governance structure in the operation of public sector banks, deemed as the need of the hour. At the same time, it is the call of the hour that public sector banks make themselves more competitive. They have to enhance their competitive strength in internal management policies for reducing the NPAs and quick recovery of outstanding credits. Both Public and Private sector are suggested to the avail insurance against the big value home or consumer durable loan or other personal loans extended by them. Last, but not least it is suggested to the banks to reduce their spread cost. Reduction in spread cost and loan lending rates also supports the bankers in reduction of the rate of loan defaulters and rise of NPAs in retail segments.

There is also huge complication on these banks on account of high NPAs as they need to set aside money to cover their bad loans. As rise in NPAs of the banks will bring scarcity of funds in the Indian securities markets. The share holders of the banks will lose a lot of money as banks themselves will find tough to survive in the market which leads to a crisis of confidence in the market. The NPAs must be curbed before the problem becomes alarming and has roots in economic slowdown, deteriorating business climate in India, shortages in the legal system and the operational shortcoming of the banks. The money locked up in NPAs has a direct impact on profitability of the bank as Indian banks are highly dependent on income from interest on funds lent.

Based on the discussion it has been concluded that retail loan losses affect the bank's profitability on a large scale. Though comprehensive exclusion of such losses is impossible, banks can always aim to keep the losses at a low level and they are suggested to take all possible measures to reduce and effectively manage the rising NPAs both in terms of managerial efficiency and also by making required changes in the financial policies.

6.5 Limitations of the Study

Research studies which involve secondary data have inherent weaknesses like the data availability on right time and authenticity is always questioned. This study is also not free from limitations.

i) The study is based on secondary information. The limitations of the secondary data are unavoidable; this limitation may influence the findings and declaration made in the study.

ii) The study covered only retail loan offered by various category of banks and it has not focused or compared the total priority sector lending by scheduled commercial banks operating in India or either individual banks, this delimitation may influence the findings and declaration made in the study.

6.6 Scope for Further Study

Based on the limitation of the study earlier, following potential areas and topic of researches are proposed to the future researchers.

i. Since this study is based on secondary information. The future researcher can include primary data collected through questionnaire or interview schedules. To know the exact reasons for rising NPAs in retail loans segments and the studies can also assess the psychology of bankers and loan borrowers towards loan defaulting.

ii. The study covered only retail loan offered by various category of banks and it has not focused or compared the total priority sector lending by scheduled commercial banks operating in India or either individual banks.This delimitation may be overcome in the further research, where a research can choose individual banks financial conditions for assessments.

6.7 Concluding Remarks

The impact of retail lending of scheduled commercial banks has been increasing . It is a undeniable fact that retail NPAs are increasing in parallel with the growth in credit limit. This rise in NPAs of the banks will result in scarcity of funds. Therefore, it must be curbed in order to have direct impact on profitability of the bank as Indian banks are highly dependent on income from interest on funds lent. This is possible only if the banks along with the government follow the practices of steam lining their policies, maintaining stability in lending rates and by considering tangible assets as security to safeguard its interests. Thus this study highlights the retail loan lending and recovery status which proves to be beneficial for the government, banks and investors.