

A
PROJECT REPORT
ON
“ANALYSIS OF UNSECURE (PERSONAL) LOAN”

SUBMITTED BY,

(Name)

(FINANCE)

FOR PARTIAL FULFILMENT OF
MASTER IN BUSINESS ADMINISTRATION
(20 - 20)

UNDER THE GUIDANCE OF

PROF.MR.

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FROM

(University name)

UNIVERSITY OF

DECLARATION

I _____, a student of MBA (_____) hereby declare that the, project report entitled “ANALYSIS OF UNSECURE (Personal) LOAN”, is the authentic work done by me at (Company name)

Report is submitted in partial fulfillment of the requirement of the award of the Degree of Master of Business Administration (M.B.A.) under the (University name)

The project work was undertaken as a part of the academic curriculum according to university rules

(NAME)

MBA

(FINANCE)

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ACKNOWLEDGEMENT

Devotion is important, knowledge is important, but this knowledge, devotion will be fruitless if these factors are put in the wrong direction. So we desperately need a guide to make our way clear in foggy situations. I have utilized this valuable suggestion in making my report attractive and accurate.

I am greatly indebted to all those, whose suggestion has formed the bases of this report.

Firstly I would like to thank **Mr.** _____ (), for having given me the opportunity to work on this project.

Further, I extend my thanks to **Mr.** _____ (), for being the source of inspiration and guidance to me. It was their help and cooperation, which made me to complete the project work.

I am highly indebted to **Prof. Mr.** _____ (), for his invaluable cooperation and his unending support, and for guiding me at every step.

Finally I would like thank to all respondent for their helpful criticism and useful suggestions, which contributed towards successful completion of my project.

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CHAPTER 1

INTRODUCTION

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Chapter 1.1

Object of the project :-

The Management education supplements various needs of an Organization wherein an individual has to serve and fulfill various requirements in order to achieve the objective / goal set by the Management.

The Project work is one of the subjects of Management course. It is a vocational training for a student that immensely helps to get him acquainted with actual working of an Organization, It also facilitates him to have an observational experience for gaining an in-depth Knowledge of various functions undertaken by the Management of an Organization. It includes number of activities to be performed by a student,

like – selection of a topic, collection of relevant data, presentation of the data in a systematic manner and to find out a logical conclusion.

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Chapter 1.2

Selection of topic

Topic selection is the one of the most or one of the important aspects of our project. As it decides the course of action to be followed .The topic selected should be such that it helps in understanding the personal loan concepts clearly.

On approaching officials from the ICICI bank (personal loan division) I was informed about the importance of DSAs in working of personal loans and then on studying more about the business done by the ICICI personal loans. Although ICICI is already a leading player in this field. I during the span of the project have aimed to study the personal loan of ICICI by trying to find out what procedure required for sanction of loan.

I was given an extensive training in the working of ICICI as an organization. During the span of the training I was realized the discipline and immense desire to excel experienced by each individual working in this organization. During the span of the training I have realized that I was extremely lucky to be associated with an institution of this stature and hope that this project will help them in the goal of achieving customer enrichment.

Chapter 1.3

Objective of study

1. To understand the process and key issues in Sanctions.
2. To understand the process and key issues in Disbursement.
3. To find out the causes of rejection of cases.
4. To study the Defaulter of the bank.
5. To study the concept of default and various reasons for defaulter.
6. To study the various action taken by bank for the recovery of the loan.
7. To study the impact of the environmental threat factor on the personal loan of ICICI bank with the help of ETOP model.

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Chapter 1.4

Methodology of study

Research in common parlance refers to a search for knowledge. One can also define research as a scientific and systematic search for pertinent information on a specific topic. In fact research is an art of scientific investigation. Another meaning of research as “a careful investigation or inquiry specially through for new facts in any branch of knowledge.”

Primary data collection

The first-hand information bearing on any research, which has been collected by the researcher, may be called “primary data”. Collecting information various with the help of records of the Bank.

Secondary data collection:

The Secondary Data on the other hand, are based on second-hand information. The data which have been already been collected, compiled & presented easier by any agency may be used for the purpose of investigated such data may be called “Secondary Data”. Collecting the information with the help of Annual Reports, Magazines, Internet, and Reference Book. The Secondary data provide by organization. The needed information is collected from Journals Annual Reports, Magazines etc.

Chapter 1.5

Scope of the study

The scope of the project remains purely on the study of personal loan of ICICI bank in DSA with a view to know the assessment of the loan, how customer can assess the loan what are the interest rate, procedure can be known from this study. It also analyzes the Defaulter in personal loan of ICICI bank so that bank can take the precaution while the granting the loan.

There is wide scope of study of personal loan analysis.



Chapter 1.6

Limitation of the study

1. The main restraining constraint for proper study and analysis of the project was the limited time being allotted for the completion of the same.
2. Another restraining factor was inadequate database.
3. Another minor hassle was that the sample selected for the study was one DSA of the bank.





CHAPTER 2

PROFILE OF THE ORGANIZATION

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Chapter 2.1

HISTORY OF THE ORGANIZATION



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Chapter 2.2

PRODUCT & SERVICES



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Chapter 2.3



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Chapter 2.4

KEY BUSINESS AREA OF OPERATION



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CHAPTER 3

CONCEPTUAL VIEW OF THE PROJECT

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Chapter 3.1

DEFINITION, JARGONS, & FAQ's

What is mean by unsecured loan?

An 'unsecured loan' is a loan that is not backed by collateral finance collateral. Also known as a "signature loan" or 'personal loan'.

Unsecured loans are based solely upon the borrower's credit rating. As a result, they are often much more difficult to get than a secured loan, which also factors in the borrower's income. However, an unsecured loan is considered much cheaper and carries less risk to the borrower. However, when an "unsecured loan" that is not backed by collateral, AKA "signature loan" or "personal loan" is granted, it does not necessarily have to be based on a credit score. For example, if your friend loans you money without any collateral finance collateral, meaning something of worth that can be repossessed if the loan isn't repaid, then your credit score has zero to do with it, but rather the value of your friendship is at stake. Therefore the real meaning of an unsecured loan is that it is not backed by any object of value and is loaned to you based on your good name. For financial institutional purposes, they may want to look at your credit score because they are not your friends and it is strictly a business transaction, therefore your good name may be associated with your historical payment history on prior debt, reflecting in your credit score. There are three types of unsecured loans. First there is a personal unsecured loan, meaning a loan that you individually are responsible for the repayment of, second is an unsecured business loan which leaves the business responsible for the repayment, and finally there is an unsecured business loan with a personal guarantee. With the latter, although the borrower is the business, you as an individual will be the payer of last resort if the business defaults on the loan.

Amortization: - The repayment of loan or debt in regular installment. Each installment is split into a principal repayment and an interest payment.

Asset: - An immovable or movable property, which can use as s security against which credit can be offered.

Credit profile: - profile of an individual or company's capacity to receive credit and honor the terms and conditions of commercial credit.

Depreciation: - The decline in value of an asset over a period of time.

EMI: - The loan can be repaid by paying a fixed amount every month, known as equated monthly installment.

Lease: - Contract by which the owner of an asset lets it out for use to another for specified time on payment of a specified amount called rental.

Lending Rate: - The interest charged by the financier on the amount financed.

Loan Tenure: -The time duration for which loan has been provide.

Principal: - The capital sum in a finance transaction as opposed to interest.

Rentals: - The repayments amounts paid in a lease contract.

Returns: - Yields or profits made in a financial transaction.

Risk: - Chance or danger of loss capital and or interest in financial transaction.

Stamp Duty: - Government levies a duty on certain legal documents and financial contracts.

APPRAISAL: - an estimate of the value of a property, made by a qualified professional called an appraiser.

CLOSING: - The meeting between the buyer, seller and lender (or their agents) where the property and funds legally change hands. Also called settlement.

CREDIT REPORT- : A report that documents a borrower's credit history and current status. Borrowers can examine their own credit reports, although most credit reporting companies charge a fee to provide a report.

DEBT TO INCOME RATIO :- The ratio, expressed as a percentage, which results when a borrower's monthly payment obligations on long term debts are divided by his or net effective income (FHA/VA LOANS) or gross monthly income (conventional loans)

DOWN PAYMENTS: - An amount paid in cash to the seller when a home is purchased. The down payment is the difference between the purchase price and the mortgage amount, and is traditionally 10 to 20 percent of the purchase price, although many loans are now available with smaller down payments.

FIXED RATE MORTGAGE: - The mortgage with an interest rate that remains constant for the life of the loan. The most common fixed rate mortgage is repaid over a period of 30 years, 15 years, fixed rate mortgages are also available.

LOAN ORINATION FEE: - the fee charged by the lender to prepare all the documents associated with your mortgage. Also called as processing fees.

PRINCIPAL: - the amount of debt, not including interest, left on loan, also the face amount of mortgage.

UNDER WRITING: - The process of deciding whether to make a loan based on credit is employment, assets and other factors.



JARGON: -

AFC: - Additional finance Charges. It is another name for penalty in paying installments.

CPA Credit Processing Authority: - It is credit sanctioning authority, which improves the lending to a customer. Most financiers have an house credit team, some out source CPA's.

DAS Deduction against Salary:-. This is an arrangement when a salaried employee asks his employer to deduct installment from salary and pays it to the financier.

DMA Direct Marketing Associates: - Another name for DSA.

DPC Delayed Payment Charges: - It is the penalty for delay in paying the installments.

DSA Direct Sales Associates: - This is the agency of financier, which takes care of customer sales and service. Most car financier does not have their field sales force as this is handled by the agency. The financier authorized them.

EMI Equated Monthly Installment:-. This is the installment and which is payable every month and is fixed amount payable every month. Ex-Factory price. This is the price of a car at the factory gate which includes the basic price inclusive of excise duty, but does not include sales tax & other taxes such as octroi, etc. Ex-Show Room Price: - This is the Ex-factory price plus the sales tax as applicable. Does not include accessories.

FCI/FI: - stands for Field Credit Investigation or Plain Field Investigation-Most financiers appoint an outside agency, who authenticates the identity of the client and confirm his place of residence or office address.

FIR Field Investigation Report: - This is the report filled by the FCI/FI after visit to the client's residence and place of work. Franchisee another name for DSA & DMA.

IRR Internal Rate of Return: - It is the rate of return, which the financier would earn on the transaction.

LPC Loan Processing Charges: - This is service charge collected by a financier. Now a days few financiers collect it.

LTV Loan to Value Ratio:- The maximum percentage of loan the financier would provide on a car. Typically it is equal to amount financed/Ex-Showroom price of the car.

NEAR Net Effective Annualized Rate:- This is the net rate paid by the client after taking into account all discounts, other charges paid, subventions, advance installments and is the rate to be used for evaluation of two or more offers.

NOC No Objection Certificate On Road Price. This is the Ex-Showroom price plus the cost of insurance and registration costs.

PDC Post Dated Cheques:- These are issued in favor of the financier for payment of loan.

PDD Post Disbursement Documents:- includes the invoice, R/C book and the insurance documents of the car. Subventions. This is the discount, a manufacturer offers a finance company which funds the car. This discount is passed on to the customer in the form of a lower lending rate. Thus it subsidizes the financier's lending rate.

AN INSIGHT INTO PERSONAL LOAN:

What is a personal loan?

Personal loan is an all-purpose loan, which is given in most cases without any kind of security like car, home shares etc.

Who are the lenders?

Most nationalized, foreign, and co-operative banks offers personal loans. Besides banks, some other finance companies and financial institutions also offer them.

What are the lending rates?

Lending rates differ for different financiers and currently range from 17 to 32 percent.

What is minimum & maximum amount that can be issued as a personal loan?

Personal loan are available in the range of Rs.15000 to 10 lakhs.

What is tenure possible?

The period varies widely; some lenders usually permit repayment up to a maximum of 60 months. However most lenders restrict the lending to a maximum period of 36 months

How repayment is done?

Issuing post dated cheques for entire tenure of the contract does repayment of the loan. The amount of post-dated cheques would be EMI. Some lenders also permit repayment option by way of standing instruction to your bank account or deduction at source from your salary every month

What is the difference between a personal loan & credit card?

Unlike loans against credit card, in a personal loan it is necessary for the borrower to draw out the entire loan and the loan is repaid by way of fixed monthly installments.

In the case of a card, the interest is charged based on the amount utilized only.

Credit rating / scoring

What is credit scoring?

Credit rating is a system card issuers use to help determine whether to give you credit. Information about you and your credit experiences, such as your bill-paying history, the number and type of accounts you have, late payments, collection actions, outstanding debt, and the age of your accounts, is collected from your credit application and your credit report. Using a statistical program, creditors

compare this information to the credit performance of consumers with similar profiles.

A credit scoring system awards points for each factor that helps predict who, is most likely to repay a debt. A total number of points, a credit score, help predict how creditworthy you are, that is, how likely it is that you will repay a loan and make the payment when due.

How do I improve my credit rating/ score?

Improving your credit rating can be a confusing and tedious process. If you are seeking to “repair your credit”, you may want to consider the following resources, which take a “do-it-yourself” approach to credit repair. Ventura is recognized as a leading authority on credit related subjects. This 263- page paperback can be purchased online only \$ 17.95, considerably cheaper than other “ credit repair kits” (many of which are not reputable). You may also find the following free resources to be beneficial.

If you would prefer to have a third party assist you with improving your credit rating, consider utilizing Lexington law firm. While regular credit repair work by Lexington law firm requires a monthly payments of a least \$ 75 per month, internet users are now being allowed, in limited numbers, to participate in the client program at only \$ 35 per month! Client includes the same proven service as the regular retainer, but requires that you conduct most communications with the firm by email.

By using the Internet to save on expensive staffing, Lexington is able to pass along a significant bargain. Lexington claims to provide the lowest cost, most effective, credit repair option available in the United States.

What are the eligibility criteria for personal loan?

Criteria	Salaried	Self-employed
Age	25yr – 58yr	25yr – 65yr
Net salary	Net annual income Rs-96000 p.a.	Net profit after tax- Rs. 150000 p.a
Eligibility	Employees of public ltd Companies, private ltd. Companies, Government companies or MNC	Doctors, MBAs, Architects, C.A..s, Engineers, Traders, Manufacturers
Years in current job/profession	1 Year	3 Years
Years in current residence	1 Year	1 years

Document required for personal loan

DOCUMENT	SALARIED	SELFEMPLOYED
Latest 3 month bank statement	Yes	Yes
3 latest salary slip	Yes	-
Latest 2 year ITR with computation of income/certified financials	-	Yes
Proof of turnover(latest sales/ service tax return)	-	Yes
Proof of continuity in current job(form 16/ company appointment letter)	Yes	-
Proof of continuity current profession (IT return/ certificate of business continuity issued by bank)	-	Yes

Proof of identity	Yes	Yes
Proof of residence	Yes	Yes
Proof of office utility bill/ municipal tax receipt	-	Yes
Proof of qualification of highest degree (for professional/ Govt Employees)	Yes	Yes

Interest rate

The ICICI bank provide the loan to the customer by imposing different type of interest rate on him.

1. Reducing

In this type the bank will give the loan to the customer by interest of 28% P.A. on loan amount. This interest are goes decreasing month by month as the the customer repay the amount in the form of EMI.

2. Flat

In this type the bank will give the loan to the customer by interest of 15% P.A..This interest rate remain flat till the last EMI is to be paid by the customer.

Chapter 3.2

PROCESS OF LOAN

SECTION 1.

A loan without security- a personal loan is indeed issued without any security. And you do not have to go to an agent in the vast disorganized sector to get one. Several banks and companies would offer you this loan. The most striking feature of this type of loan is that the financier asks no questions i.e. he is not interested in knowing what you intend to use the loan for. For your point of you, it is convenient option compared to borrowing money from friends and relatives.

Personal loan issued in the range of Rs.15000 to Rs.10lakhs for a maximum period of 60 months, include the categories of loans for educational purpose and holidays. Apart from these two categories, these loan are typically taken to tide over an emergency when cash is urgently required from a creditor who will not worry about securing his asset in the manner that a car financier would.

Therefore the financier if doing perhaps a more check on your capability to repay than he might even in the case of financing a home loan, for instance. Since financier perceive higher risk in this category many follows a list of approved categories of borrowers. Interest rate is higher. All other rates including service charges, post payment penalty are higher as well.

However, a personal loan may be a better choice than borrowing on your credit card, if you want to keep your credit limit available for impulse purchases or an

actual emergency requiring instant purchasing power. Often borrowing money on your credit card carries a higher rate of interest than a personal loan.

SECTION 2

After receiving the document from the customer the bank will decide how much loan will have to be approve to the customer based on the following calculation.

If the customer is salaried person

If the customer is salaried person the he will divided in the three category as below:

ELITE	APPROVED	OPEN MARKET
Big companies (M&M, SIEMENS)	Limited companies	Small companies

1.If the customer belongs to the ELITE group then the Loan amount will be approve him by applying the multiplier to his salary

Salary x 18 = Loan amount

2. If the customer belongs to the approved list category the loan amount will be approve him can be calculate as-

Salary x 12 = Loan amount

3. If the customer belongs to the open market list category the loan amount will be approve him can be calculate as-

Salary x 10 = Loan amount

If the customer is self-employed

If the customer is self-employed then loan amount will approve him can be calculate as-

Net Profit x 1.1 – obligation = Loan amount

(Obligation's= daily expenses + previous loan amount)

Repayment

In this type if the customer has already taken the loan from the bank and he filed for new file for loan then the loan amount can be calculated as follows

Customer should have the paid EMI as,

Minimum EMI = 9 and MAX = 18

EMI amount x paid EMI (9 to 18) – obligation = Loan amount

SECTION 3

As after verifying all the document of the customer by the bank through the bank verifying agencies according the criteria mention the loan amount is disbursed.



Service charges for the ICICI personal loan

Loan Processing Charges

This is 2 % of the loan amount. So for a personal loan of Rs.50,000, you'll pay Rs.1,000. This can go as high as 5 % in select categories.

Origination Charges

This is 1 % of the loan amount. So on an amount of Rs.50,000 you'll pay Rs.500. This is to be paid along with the first repayment installment.

Cheque swap charges

If you need to change the post-dated cheques issued to ICICI bank, towards repayment of the personal loan, ICICI will charge you Rs.500.

Cheque bounce charges

When a cheque issued by you to ICICI, bounces, you pay a penalty of Rs.200.

Charges for late payment

If you're late in paying the installment due on the ICICI personal loans, you'll be charged 2 % per month as charges for late payment.

Interest rate can change

ICICI bank can, using its discretion change the interest rate on the personal loan according to their terms and conditions. In fact they can change virtually anything they want in the terms and conditions.

Changing mode of repayment

If you wish to change the mode of repayment of the ICICI personal loan, this needs to be done with the permission of ICICI bank. Stopping payments on post-dated cheques or otherwise canceling or revoking mandates would be considered 'committed with a criminal intent' according to the ICICI terms and conditions.



Chapter 3.3

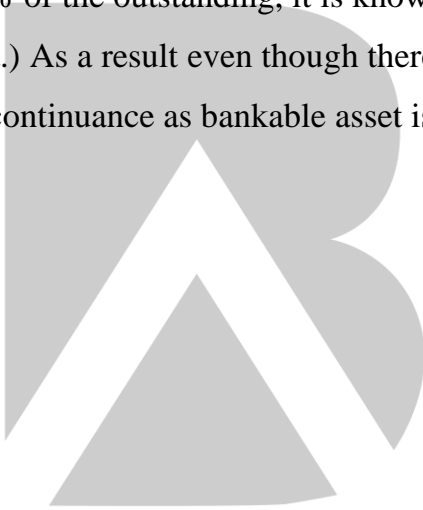
WHAT IS NPA?

It is those assets for which interest is overdue for more than 180 days. In simple words, an asset (or a credit facility) becomes non-performing when it ceases to yield income. As a result, banks do not recognize interest income on these assets unless it is actually received. If interest amount is already credited on an accrual basis in the past years, it should be reversed in the current year's account if such interest is still remaining uncollected.

Once an asset falls under the NPA category, banks are required by the Reserve Bank of India (RBI) to make provision for the uncollected interest on these assets. For the purpose they have to classify their assets based on the strength and on collateral securities into:

- **Standard assets:** This is not a non-performing asset. It does not carry more than normal risk attached to the business.
- **Substandard assets:** It is an asset, which has been classified as non-performing for a period of less than two years. In this case the current net worth of the borrower or the current market value of the security is not enough to ensure recovery of the debt due to the bank. The classification of substandard assets should not be upgraded (to standard assets) merely as a result of rescheduling of the payments. (Rescheduling indicates change in payment schedule by the borrower or by the banker) There must be a satisfactory performance for two years after such rescheduling.

- **Doubtful assets:** It is an asset, which has remained non-performing for a period exceeding two years.
- **Loss assets:** It is an asset identified by the bank, auditors or by the RBI inspection as a loss asset. It is an asset for which no security is available or there is considerable erosion in the realizable value of the security. (If the realizable value of the security as assessed by bank, approved valuers or RBI is less than 10% of the outstanding, it is known as considerable erosion in the value of asset.) As a result even though there may be some salvage or recovery value, its continuance as bankable asset is not warranted.



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**DATA COLLECTION
AND ANALYSIS**

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CASE STUDY

In this part we will see that the reasons or causes of rejection of loan file by the bank with the help of some cases which has mention below:

CASE 1

Name of customer - Naren Dayabhai Patel

Type of loan – Personal loan

Mr. Naren Patel who is salaried person working with the Marsman India Ltd he applied in the ICICI bank for personal loan as per document required for the personal loan following documents are submitted by him.

1. PAN card
2. Salary slip
3. Light bill
4. Bank pass book

During the investigation it was found that

1. He has taken the home loan from the ICICI bank loan in Baroda and he is the defaulter because his 16 cheques were bounced continuously in home loan of ICICI bank.
2. He has lost the job

Due to above reasons his file for the loan was rejected.

CASE 2

Name of the customer – Prakash Dasharathrao Waghaskar

Type of loan applied – Personal loan.

Mr. Prakash Waghaskar who is self employed as businessman and has Construction business and agriculture business. He applied personal loan in the ICICI bank.

As per document required for the personal loan following documents are submitted by him.

1. PAN Card
2. Light Bill
3. Phone Bill
4. IT Return
5. Income Statement
6. Bank Passbook Statement

During investigation it was found that

1. He is defaulter of SBI because he has not paid 10 EMI continuously.
2. He has criminal record.
3. He is suspended Police officer

Because of all above reasons his file was rejected.

REASON FOR REJECTION

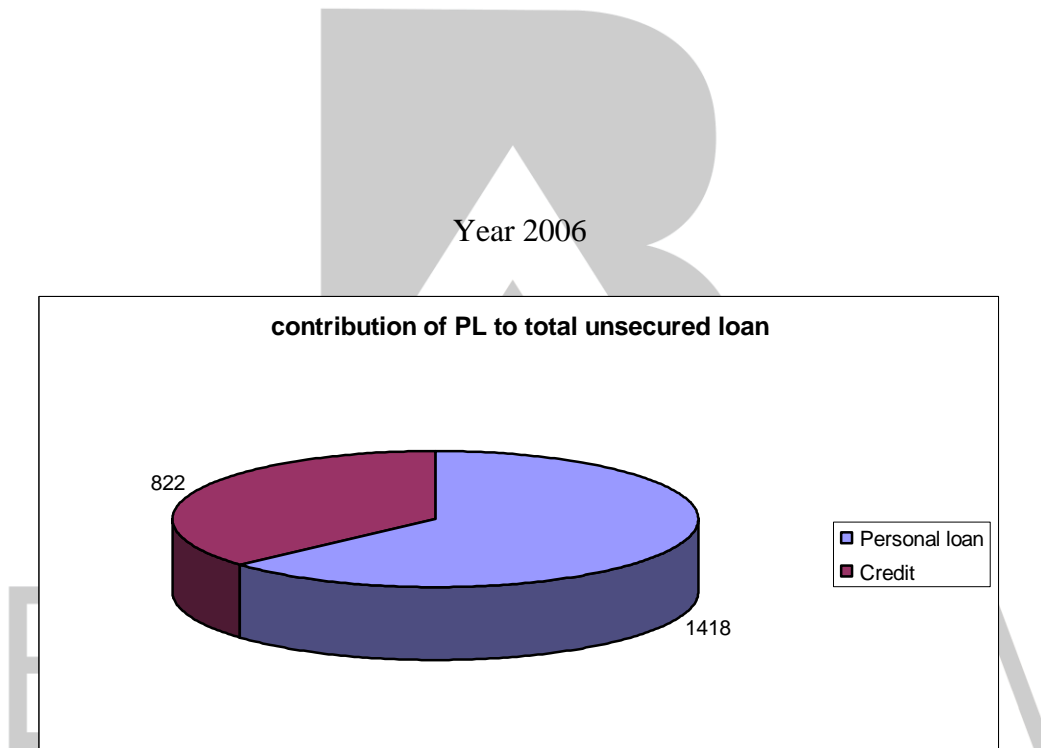
As a standard practice before agreeing to lend credit all banks and other finance providers do a credit check to see your credit score. The credit score helps them identify potential risks involved in lending you credit. Your score is identified by numerous factors such as your earnings, your outgoing expenditures, and your outstanding balances and arrears, which is mainly highlighted in your credit report. After an assessment of your credit score the creditors can see why and why not one should be granted a loan.

Now we will see some of the common reason because of bank may reject the loan application of the customer:

- If the person Has criminal Record
- If the person taken the loan from some other bank and he is defaulter of that bank
- If the persons age is above 65 yr.
- If the persons income is not sufficient to repay the loan amount

PRESENTATION OF DATA IN GRAPHS

From the balance sheet of the ICICI bank we can observe that the contribution of personal loan to the total unsecured loan of the ICICI bank in the Year of 2006 with the help of pie chart as follows



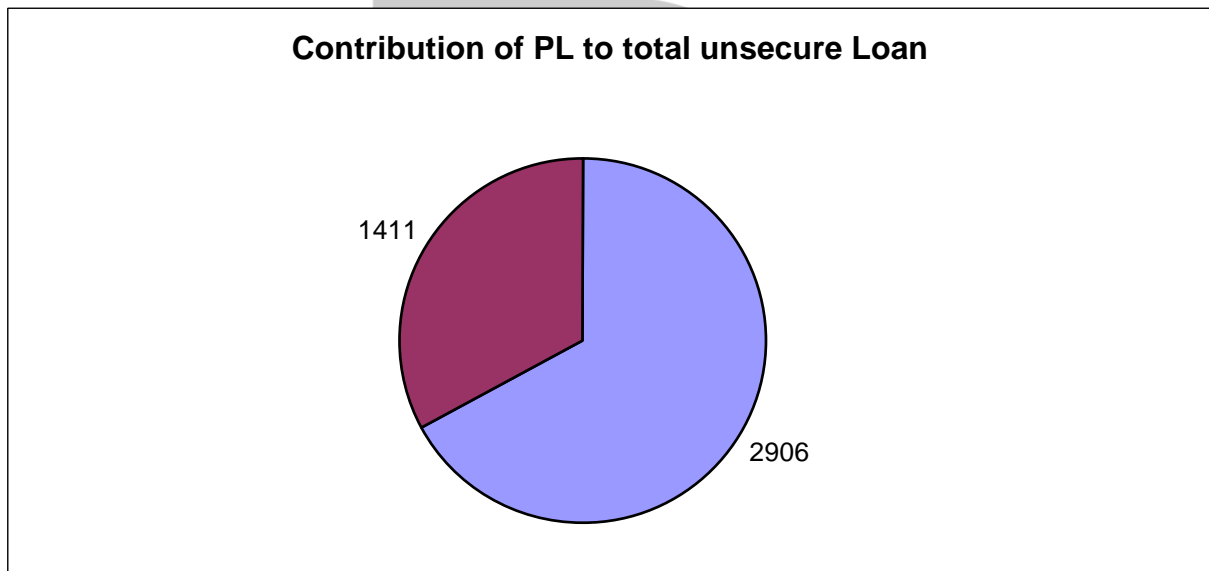
(Fig. Are in m\$)

Personal loan	1418
Credit	822
Total unsecured loan	2240

From the above Dig. We can see that the personal loan contributes about 63.3% to the total unsecured loan of the bank in the Year of 2006.

From the balance sheet of the ICICI bank we can observe that the contribution of personal loan to the total unsecured loan of the ICICI bank in the Year of 2007 with the help of pie chart as follows

Year 2007



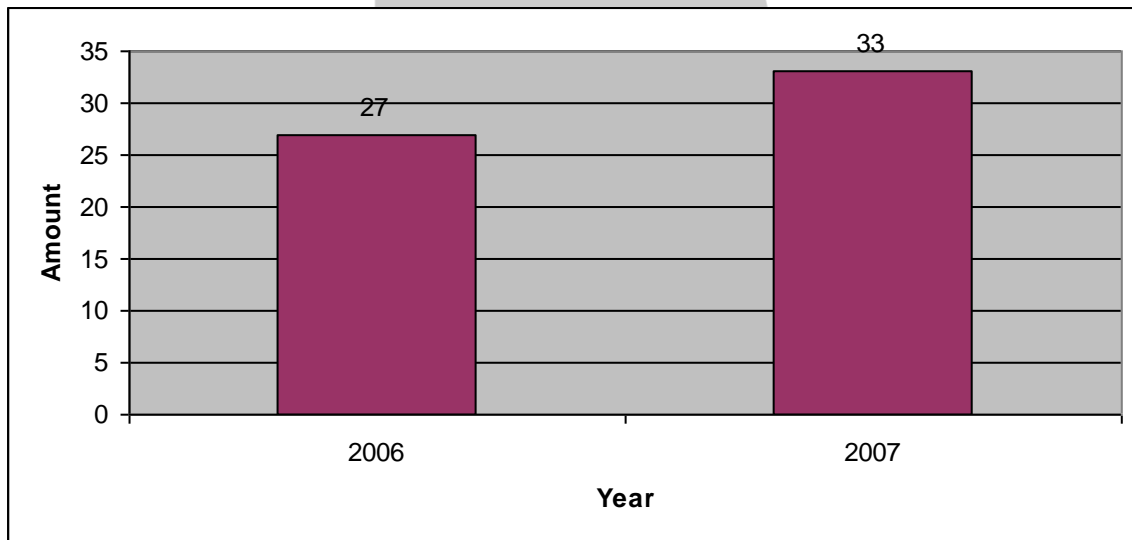
(Fig. Are in m\$)

Personal loan	2906
Credit	1411
Total unsecured	4317

From the above figure the contribution of personal loan is about 67.3% of total unsecured loan of the bank in the year of 2007

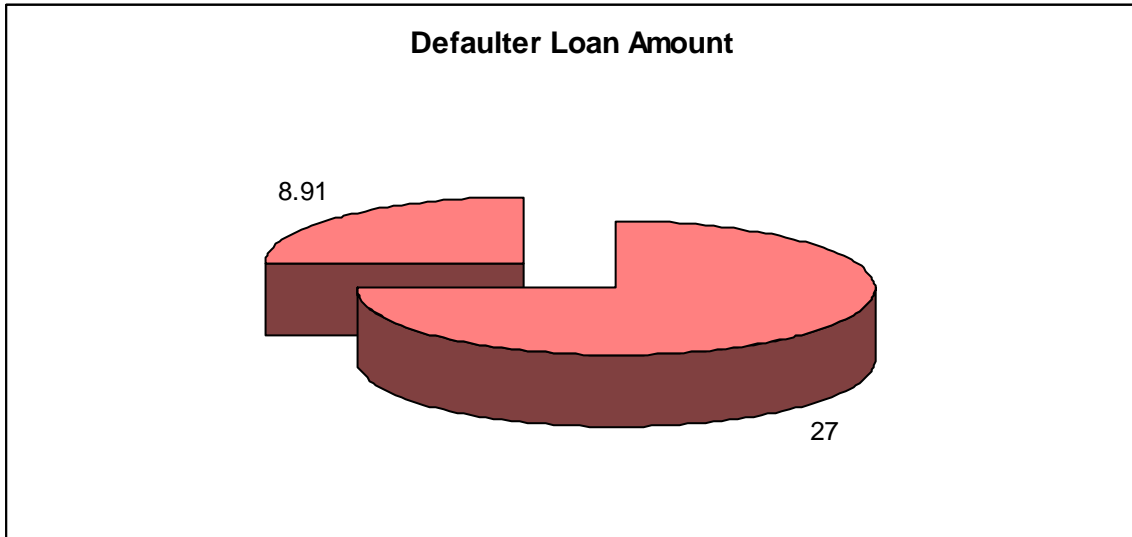
Now we will see the personal loan disbursement from the Nasik branch of the ICICI bank for the Year of 2006 and 2007.

For the year of 2006 and 2007 the loan disbursement can be shown below in the graph as:



From above figure, the loan disbursement in Nasik branch was increases near about 22% for the year of 2007. This is because banks more emphasis on the retail loan particularly unsecured loan which includes personal loan, which has high risk and high return.

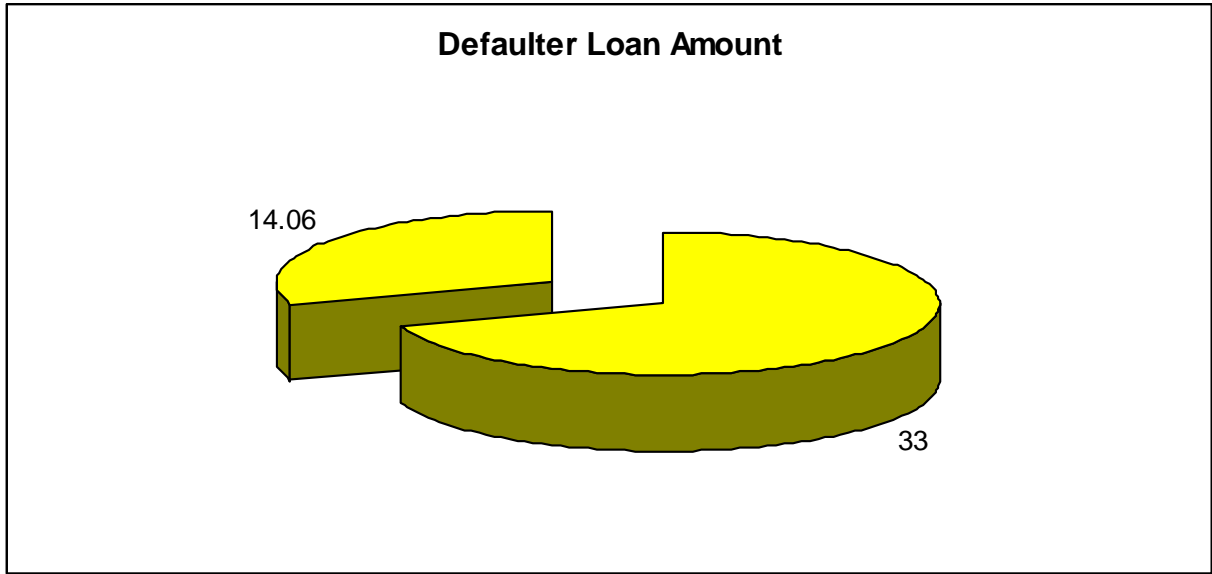
Now we will see that the defaulter cases of Nasik branch for the Year of 2006 as shown bellow:



(Amount in Cr.)
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From the figure, we can see that the 8.91cr. is default amount i.e. 33% of total loan amount for the Year of 2006 of Nasik branch.

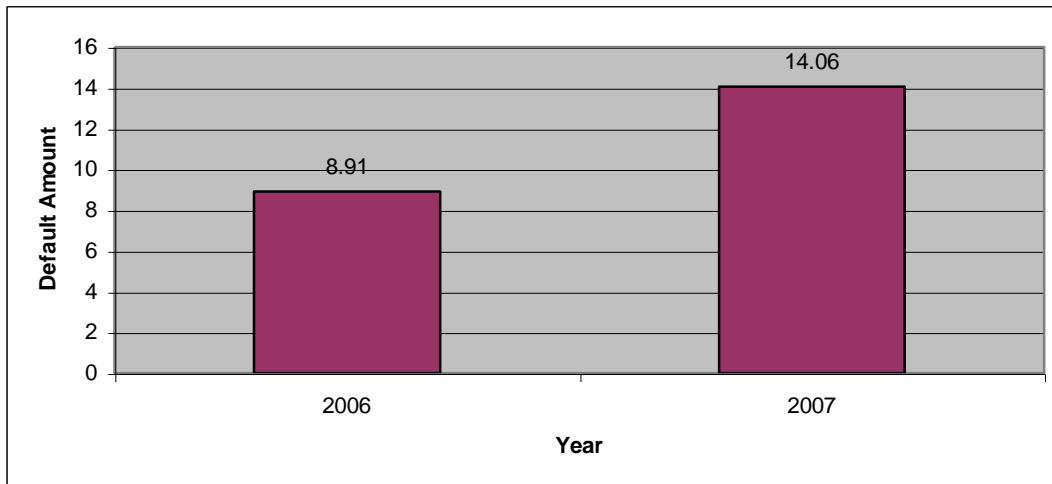
Now we will see that the defaulter cases for the Year of 2007 as shown below:



(Fig. are in cr.)

From the figure, we can see that the 14.06cr. is default amount i.e. 38% of total loan amount for the Year of 2007 of Nasik branch.

Defaulter for the year of 2006 and 2007 can be seeing as bellow



(fig. Are in cr.)

From the above figure, we can see that for the year of 2006 the defaulters are high as compare to for the year of 2007. That means that the defaulters are increases for the year of 2007 with increase in loan amount

Analysis-

From the above figure, we can see that for the year of 2007 the defaulters are high as compare to for the year of 2006. That means that the defaulters are increases for the year of 2007.

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From the above chart we can see that the defaulters for the year 2007 are increases because of following reason:

- Bank increases the loan disbursement in personal loan in year 2007 compare to 2006
- Rising interest rate of the loan

- As interest rate increases the EMI also increases that affect the repayment capability of the borrower
- During this study I found that the bank who is aggressive player in retail loan segment has increases its personal loan disbursement and in some cases I found that the bank given the loan to such people whose income is not that much that he can repay that much loan amount and also some cases such that the customers information is insufficient to the bank which is not viable in such high risk loan segment

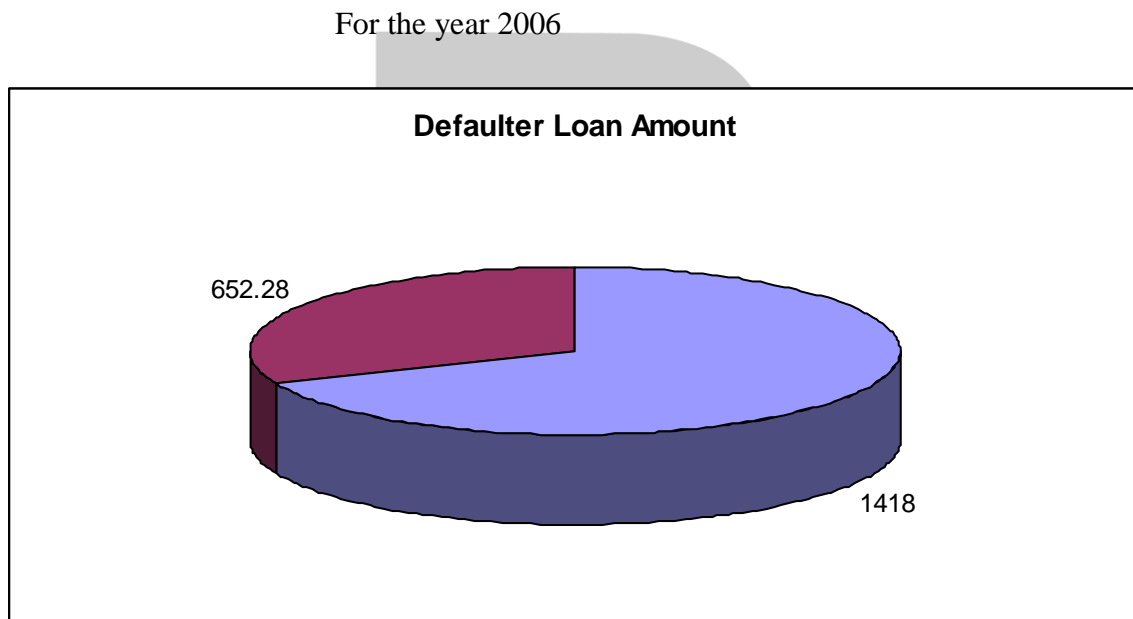


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Now we will see that the overall defaulter case of ICICI bank in Personal loan i.e. NPA for the year 2006.

For the year 2006 the NPA of ICICI bank in personal loan is stood 46% this fig. We can present in graph as follows:



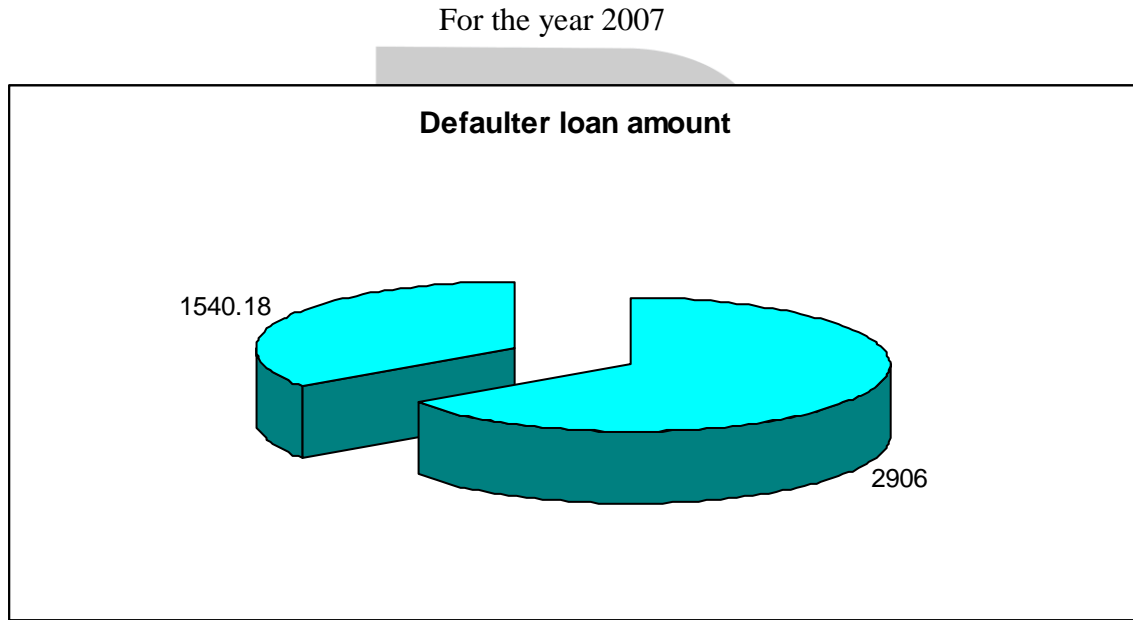
(Fig. In m\$)

From figure, we will see that the Defaulter amount in Personal loan is stood 652.28 m\$ of loan amount 1418m\$. That means 652.28m\$ amount is outstanding to the customers of ICICI bank.

Now we will see that the defaulter case in Personal loan i.e. NPA for the year 2007.

For the year 2007 the NPA of ICICI bank in personal loan is stood 53% this fig.

We can present in graph as follows:



(Fig. in m\$)

From figure, we will see that the Defaulter amount in Personal loan is stood 1540.18 m\$ of loan amount 2906m\$. That means, 1540.18m\$ amount is outstanding to the customers of ICICI bank.

REASON FOR DEFAULTER

Default means the incapability of the borrower to make the repayment. The default may arise due to various reasons:

1. The borrower may default without reason.
2. Default due to death of the borrower.
3. Bills pending with the debtors or govt. of the borrower.
4. Absconding.
5. Default due to financial crisis in the business of the borrower.
6. Shut down of the business of the borrower etc.

These reasons or defaults are not in control of the bank. They are external and bank can't predict them. It may sometimes so happen that the bank while issuing a loan may prove to be negligent while scrutiny of the documents or the borrower's financial position or in deciding upon the limit of sanctioning of a loan. This may also lead to a default.

Loans are assets to the bank. The major profit is earned by way of interests on such loans. But in case of default no income is generated from such lending. Therefore they are also turned as non-performing assets.

We can say that the loss that is shown in the balance sheets stating loss from NPA is nothing but the loss from non-performing assets, which if wouldn't have been defaulted would, definitely would have added to the profits of the bank.

Therefore it is very important from banks point of view to take proper care while issuing a loan or while lending funds.

CASE STUDY

The reasons for default can be well explained and understood with the help of few cases.

Case-1

Customer Name	- Mr. Dayanand Patil
Type of loan	- Personal loan
Amount	- Rs 2,50,000.
Rate of interest	- 19%
Reason for default –	

The party had taken a loan for his personal use that being for purchasing a computer. The asset being purchased and in some course of time the person lost his new job. Thus bank loan was not repaid in time. The bank extended the time period for repayment, but the payment still stands due. The bank thus took the pc in their charge. And this case stands under the list of the defaulter.

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Analysis –

The client should have taken note of his job assurance before taking a loan. Also expected from the banks scrutinized. As the job being new there is no assurance towards it.

Case 2

Customer Name	- Mr. Dnyanesh Jadhav
Type of loan	- Personal loan
Amount	- Rs 5, 00,000.
Rate of interest	- 18%

Reason for default –

The party had taken a personal loan for purchase of car for a period of time. The party had no contacts with the bank. The bank investigates the matter and found that he was untraceable. And it was found that the person who taken the loan has sold his car to other person and he was not the residence of the city.

Analysis –

The basis problem here was that the bank had insufficient information about the borrower i.e. his past record, contacts etc. the proposal scrutinizers did not gave due importance to the non availability of such information and granted the loan without some concrete base. Overall we say an improper scrutiny of the proposal.

Case 3

Customer Name - Mr. Delip Sonawne

Type of loan - Personal loan

Amount - Rs 2, 00,000.

Rate of interest - 21%

Reason for default –

The party had taken a personal loan for purchase of truck for a period of time. As the party had the agriculture business, within few month their was the accident of his truck and at the same time his agriculture business income is badly affected due to insufficient raining because of that he continuously not paying the EMI for five month.

Analysis –

The basic problem here was that the bank had taken the risk while granting the loan as his income is not that much to give him that much amount of loan.

In the event of default of personal loan

We keep reading about ICICI using third party agencies to recover money. This is a right you give them when you sign up for a personal loan with them. In the event of a default, ICICI bank shall, at the cost of the borrower, hire one or more persons to collect the borrowers dues and to quote them, ICICI Bank may (for such purposes) furnish to such person(s) such information, facts and figures pertaining to the Borrowers as ICICI Bank deems fit. ICICI Bank may also delegate to such person(s) the right and authority to perform and execute all acts, deeds, matters and things connected therewith, or incidental thereto, as ICICI Bank deems fit.

In other words, ICICI can send a person or a group of persons to your office or residence asking you to pay your loan.

ICICI also has the right to contact your employers and ask them to deduct the amount payable from your salary and remit the same to ICICI bank. The deductions may be of an amount, which ICICI Bank decides. So if your salary is 15,000 a month and you've taken a loan of Rs.20,000 ICICI Bank can, hypothetically ask your employer to deduct Rs.15,000 from your salary and send it to ICICI, leaving you with nothing to run your home with. Whether they do this or not is entirely their choice. You give them the right to do this, when you take a personal loan from ICICI.

The Borrower/s shall not have, or raise/create, any objections to such deductions. No law or contract governing the Borrower/s and/or the Borrower employer prevents or restricts in any manner the aforesaid right of ICICI Bank to require such deduction and payment by the Borrower employer to ICICI Bank. In other words, you cannot object!

Their terms and conditions further state, Provided however that in the event the said amounts so deducted are insufficient to repay the outstanding Borrower Dues

to ICICI Bank in full, the unpaid amounts remaining due to ICICI Bank shall be paid by the Borrower/s in such manner as ICICI Bank may in its sole discretion decide and the payment shall be made by the Borrower/s accordingly.

So if your salary is 15,000 and ICICI has deducted the entire amount, now it has the right to decide when the rest of the amount is payable and in what mode

You're a defaulter.

Your fixed deposits are in peril

Let's say you have a fixed deposit account with ICICI, which you opened to save for your daughter's wedding. Now you've taken a personal loan of Rs.20,000 to buy a scooter. If you're in default of even a single installment, ICICI has a right to deduct this amount from your fixed deposit account with them. They have a lien on all assets you have with them or their group companies. Since ICICI Direct share trading is also offered by ICICI, if you have shares lying in their demat account, as per their terms and conditions, they can have access to these shares.

Communication is a one-way street here

If ICICI sends a notice to your home or office address, it is assumed that you received it. If you send a letter to ICICI, unless it is received and acknowledged by ICICI bank, it is not considered effective.

Right to choose jurisdiction

If you go to court against ICICI, as per the terms and conditions, you can only approach a court in Mumbai. ICICI however reserves the right to file a suit against you anywhere in the country. We're not sure how far this clause itself would stand in court since it infringes on the right of an individual to legal recourse.

ICICI bank can publish names of defaulters in newspapers or show them on TV or publish them online.

In case the Borrower/s commits any default in payment or repayment of principal amount of the Facility or interest/charges due thereon, ICICI Bank and/or the Reserve Bank of India ("RBI") will have an unqualified right to disclose or publish the details of such default along with the name of the Borrower/s and/or its directors/partners/co-applicants, as applicable, as defaulters in such manner and through such media as ICICI Bank and/or RBI may, in their absolute discretion, think fit.

ICICI bank has the right to publish the name of a borrower who is in default, in any newspaper they choose or show it on television or publish it on the Internet. This is again a right you give them when you take the personal loan. How would you like to open Times of India on a Sunday morning and find your name published in it as the defaulter of a personal loan? This clause also gives them the right to share you information with virtually anyone, if you're in default of repaying your personal loan.

Finally this clause takes the cake:

ICICI Bank has the absolute discretion to amend or supplement any of the Loan Terms at any time and will endeavor to give prior notice of fifteen days by email or put up on the website as the case may be for such changes wherever feasible and such amended terms and conditions will thereupon apply to and be binding on the Borrower. Further, the Loan Terms shall also be subject to the changes based on guidelines / directives issued by the RBI to banks from time to time.

ENVIRONMENTAL THREAT AND OPPORTUNITIES

ENVIRONMENTAL FACTOR	NATURE OF IMPACT	IMPACT ON PERSONAL LOAN
- Inflation	↑	- The impact of inflation on Growth rate of Personal Loan because demand Will decreases.
- Competitor	↑	- It has an impact on it If competitor lending Loan at less interest rate It will affect the growth of Personal loan of bank.
- Regulatory	↑	- RBI which Regulate the Banking policy has an Impact on growth of personal loan of bank.
- Defaulter	↑	- Defaulter increase the NPA of bank.
- Political	→	- No significant impact on Bank.
- Social cultural	↑	- As living standard of urban & suburban area changing demand of loan Increases.

Chapter 4

CONCLUSIONS

After carrying out the detail study of DSA from the information collected from the DSA and the ICICI bank and after speaking to some of the customers who is the barrower of the personal loan of the ICICI bank the following conclusion were inferred.

- The bank Defaulter list of personal loan has increases in the year of 2007.
- There is growth in personal loan in year 2007 compare to 2006.
- Interest rate plays major role in the banks personal loan defaulter because as interest rate increases the EMI also increases and hence sometime customer are not able to repay the loan.
- with reference to above cases the bank in some cases has not sufficient information of customer which is risk for bank.

Chapter 5

RECOMMENDATIONS AND SUGGESTION:

After doing the analysis and study of the personal loan of the ICICI bank, I would like to suggest that the following points

- To resolve the cases of Defaulter to minimize the default amount the bank should take proper care before giving the loan to the customer by the way of proper investigation of the customer record, weather he will have able to repay the loan amount or not
- The loan amount should be sanctioned according to the capability of customer.
- The bank should regularly inform the customer whenever their is changes in the EMI, EMI date, increase in interest rate, so that customer is aware of all these things.
- The bank should be constantly in touch with the customers.

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