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A Study on Retail Credit facilities offered by Commercial Bank (*With Special Reference to Syndicate Bank)*

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Abstract

This paper aims at identifying the retail credit services offered by bank and key financial performances of Syndicate Bank. The study is based on complete secondary data collected from published Annual Report, Financial Statements, website, journal and research articles etc. It also provides suggestions to improve the performance of the services offered by bank.

Key words: Syndicate Bank, Retail Credit Facilities, Financial Performance.

1.INRODUCTION

Finance is that the allocation of assets and liabilities over time underneath conditions of certainty and uncertainty. A key purpose in finance is that the note value of cash, that states that a unit of currency these days is price quite identical unit of currency tomorrow. Finance aims to cost assets supported their risk level, and expected rate of come. one in all the spectacular innovations within the business banking secor is that the retail banking. It refers to banking during which banks bear transactions directly with customers instead of with corporates or different banks. line is that the heart of retail banking. In retail banking the banks give services to people and tiny business issues and therefore the dealings square measure in giant volumes and low values. The quickest growing division within the banking sector is that the retail sector. Retail banking may be a system of providing soft loans to the overall public like family loans, house loans, personal loans, loans against property, car loans, motorcar loans etc. The product square measure backed by world category service standards and delivered to the purchasers through the growing branch network, moreover as through different delivery channels like ATMs, Phone Banking, internet Banking and Mobile Banking. Today's retail banking sector is characterised by 3 basic options • Multiple products-deposits, credit cards, insurance, investment and securities • Multiple channels of distribution- centre, branch, web • Multiple client groups- shopper, little business and company Retail banking is turning into AN more and more complicated conception to outline. Generally, retail banking is outlined to be the supply of mass market banking services to non-public individuals; it's been distended over the years to hide the small- and medium sized businesses conjointly. Some leading banks may additionally categorise their "private banking" business (i.e. services to high internet price individuals) in their definition of retail banking.

The advantages of a retail franchise square measure numerous: Retail banking purchasers square measure typically loyal and have a tendency to not modification from one bank to a different terribly often; there's less volatility in demand and credit cycle than giant corporates giant numbers of purchasers will facilitate promoting, mass commerce and therefore the ability to classes / choose purchasers exploitation grading systems / data processing. withal, there may be some drawbacks conjointly There may be issues in managing giant numbers of purchasers, particularly if IT systems aren't sufficiently sturdy fast evolution of product will cause accounting and conjugation complications. the prices of maintaining branch networks and handling giant numbers of low worth transactions four tend to be comparatively high.

There square measure some factors inside the economy that have contributed to retail banking growth initial, economic prosperity and therefore the ensuant rise within the financial gain of the middle-class section of the country increase in overall buying power of the section, that have given a lift to a shopper boom. After 1992, India's economy grew at a median rate of vi.8 p.c and continues to grow at nearly identical rate, ANd reached at an astonishing rate of nine.2% within the recent years - not several countries within the world may match this performance. Sustained producing activity and spectacular performance of the services sector with affordable support from the recovery in agricultural activity have superimposed larger momentum to the current growth method. Second, ever-changing shopper demographics indicate large potential for growth in consumption each qualitatively and quantitatively. Asian country is one in all the countries having highest proportion (70%) of the population below thirty five years mature (young population). The BRIC report of the Goldman-Sachs, that foretold a bright future for

Brazil, Russia, Asian country and China, mentioned Asian countryn demographic advantage as a crucial positive issue for India. Third, technological innovations compete a significant role. Convenience banking within the style of ATMs, credit / debit cards, Digital banking like web banking, mobile-banking, e-passbook etc has attracted several new customers into the banking field and conjointly contributed to the expansion of retail banking in Asian country. Fourth, the Treasury financial gain of the banks, that had reinforced rock bottom lines of banks for the past few years, has been on the decline throughout the last 2 years. In such a state of affairs, retail business provides an honest vehicle of profit maximization. Considering the actual fact that retail's share in impaired assets is much below the general bank loans and advances, retail loans have place relatively less provisioning burden on banks except for diversifying their financial gain streams. Fifth, Interest spreads square measure wide, since customers square measure too fragmented to discount effectively; Credit risk tends to be heterogeneous, as loan amounts square measure comparatively small; Sixth, The ever-changing dynamics of the pattern of company financing: The equity base of the company sector, relative to debt, appears to own magnified, and few corporates square measure presently money surplus, presumptively to satisfy their investment commitments. Besides, the corporates even have access to different funding sources, particularly external business borrowings and domestic and international capital markets.

2. LITERATURE REVIEW

*BismarkMaka and Dr. N Suresh (2018)*A paradigm shift to financial performance analysis, which explores the nature and extent of impact of the internal key performance indicators on the overall financial performance of firms, will complement financial performance analysis literature both in industry and academia. This approach will serve as empirical inputs into business planning and budgeting processes as well as prioritization and investment decision making. Because performance of the internal KPIs are trackable and measurable, their extent of contribution to overall performance can be easily determined. Hence non achievement of financial goals can be traced to specific indicators, causes diagnosed and remedial measures implemented to arrest financial under performance. This will lead to efficiency and effectiveness yielding improved financial performance, which ultimately will be reflected in the overall financial statements.

*Gowsalya R S, Mohammed Hasan M(2017)*The study entitled the financial performance analysis an Company. The objective of this study is to compare the current financial performance with last five years and to study the existing financial position of Company.

The data used in this study is secondary data through annual report. The data that used in this study, comparative balance sheet, common size balance sheet, comparative balance sheet analysis, that the current liabilities is higher than the current asset in every year and it is to be suggest that the company can concentrate on their increasing the level of the current asset. So, the company improves this financial position. The study of financial performance on The Company has revealed the great deal of their various financial aspects for five years. The comparative analysis unlocks the overall performance methodology.

*Nita L Paden (1996)*Takes an initial look at ways consumers use credit and how differences in credit usage by store type may be used to develop relationship building marketing programs. Retailers are recognizing the importance of developing and maintaining long- term relationships with customers. Using credit usage information is one way of identifying consumers’ purchasing behaviour. Illustrates how differences in retail credit usage could be used to individualize marketing efforts by retailers. Also suggests how these efforts will benefit retailers in terms of creating loyal customers.
Under Basel II, retail and SME credit (R&SME) receive special treatment because of a supposedly smaller exposure to systemic risk. Most research on this issue has been based on parameterized credit risk models. They present new evidence by applying Carey's (Carey, Mark. “Credit Risk in Private Debt Portfolios.” Journal of Finance 53, no. 4 (1998), 1363–1387.) nonparametric Monte-Carlo resampling method to two banks' complete loan portfolios. By exploiting that a sub-sample of all borrowers has been assigned an internal rating by both banks, they can compare the credit loss distributions for the three credit types, and compute both economic and regulatory capital under Basel II. They also test if our conclusions are sensitive to the definitions of R&SME credit. Our findings show that R&SME portfolios are usually riskier than corporate credit. Special treatment under Basel II is thus not justified.
Credit to the private sector has risen rapidly in European emerging markets, but its risk evaluation has been largely neglected. Using retail-loan banking data from the Czech Republic, they construct two credit risk models based on logistic regression and classification and regression trees. Both methods are comparably efficient and detect similar financial and socioeconomic variables as the key determinants of default behaviour. They also construct a model without the most important financial variable (amount of resources), which performs very well. This way, they confirm significance of

sociodemographic variables and link our results with specific issues characteristic to new EU members.

An Alternative to Credit Card Sales". The study examined the marketing and financial implications of granting discount amount to customers who pay cash or cheque rather than paying by credit card. The model was applied using two surveys of credit card users in a Major South Western City. The relationship between price and credit card acceptance had been explained with three reasons in the usage of credit cards: the consumer's requirement to make purchases, 9 advantage of the convenience of not carrying cash and the price sensitiveness and recognition of the implicit dollar savings involved in "Buying now and paying later". It was concluded that the retailers encouraged cash purchases rather than credit cards.

3. OBJECTIVES OF THE STUDY

3.1 To study the key financial performances of a Bank.

3.2 To study the most profitable Retail credit services offered by Syndicate Bank

3.3 To analyse the performance of various services offered by Syndicate Bank.

4.RESEARCH METHODOLOGY:

4.1DATA COLLECTION The study is based on secondary data. Data were collected purely from published Annual Reports, financial statements i.e. Balance Sheet and Profit and Loss a/c with reference to Syndicate Bank, websites,journals, research paper on retail banking facilities, books etc. The study is conducted from the period of 2015 to 2019 financial statement.

4.2 DATA ANALYSIS: The data collected has been reduced to a form of table for the purpose of consolidation. It has then been analysed and interpreted using logic and rationality. The analysed data has been inferred using Tables, Charts, and Graphical Representation for better understanding.

4.3STATEMENT OF THE PROBLEM

Recently the Banking Sector is focusing on the retail credit schemes and there is tremendous growth in the said sector. Under the Retail Lending, banks have given impetus to the Housing, Personal and Vehicle loans. Syndicate Bank is one of the nationalized banks, which is also giving thrust on lending to expand its credit base. However, the lending institutions are also facing various challenges and problems in lending, identify the clear titles and also to face cut throat competition from their peers. Marketing these products in the scenario of severe competition is difficult. Recovery is another area which is causing concern to the lending institutions.

4.4SCOPE OF THE STUDY: The scope of this study is limited to Syndicate Bank. The information is related to the trends seen in retail credit with respect to Syndicate Bank. It covers overall financial position of the Bank which includes data collection from sources such as Annual Reports, Balance Sheet, P&L. This study is used to observe the trend seen in the credit sector for the past three years in the Bank. It also helps us to analyse the growth that can be seen in the bank as well as the credit sector market. The information analysed will be very useful to the Bank, and other stake holders. The study will help the Bank to take steps based on the suggestions and recommendation given a

5.LIMITATION OF THE STUDY:

1. The study and recommendations are applicable only to Syndicate Bank, Bangalore.

2. The findings and conclusion arrived is based on the information derived from the secondary data.

3. Accumulation of certain data was restricted for the study as it is a confidential data.

6. FINDINGS SUGGESTION AND CONCLUSION

- The study of different Trends in the Financials of Syndicate Bank is based on the data and annual report for the Financial Year 2015-16, 2016-17 and 2018-2019.
- The Share Capital of the Bank has increased from Rs.624.58 Crores for the FY 2016- 2017 to Rs.662.06Crores (i.e. 3%) for the FY 2017-2018. The share capital has further increased to Rs.703.37 Crores in the financial years 2018-2019.
- The Reserves of the company has increased from Rs.10,273.04 Crores in the FY 2016- 17 to Rs.11,478.24Crores (6%) in financial year 2017- 2018 & to Rs.10,022.25Crores (12%) in the financial year 2018-2019.
- The Net worth of the company stood at Rs.11,428.99 Crores for the financial year 2017-18. There is an increase of 11% in FY 2018-2019 when compared to Rs.11,522.20 Crores for the financial year 2016-17.

- The deposits of the Bank have increased from Rs. 212,343.30 Crores in the FY 2016-2017 to Rs. 255,388.10 Crores (20%) in the FY 2017-2018 further increased to Rs.261,735.34Crores (23%) in the FY 2018-2019.
- The borrowings of the company have also increased from 2016 which was Rs. 19,224.51 Crores to Rs. 26,502.99 Crores (37%) in 2017 and the borrowings was less when compare to previous year to 25,501.2 Crores (32%) in the FY2018-2019.
- The Total Debt of the company stood at Rs. 287,236.54 Crores for the financial year 2018-2019 with an increase of 24% when compared to 231,567.81 Crores for the financial year 2016-17.
- The Cash & Balances with RBI of the Bank has decreased from the FY 2016-2017 which was Rs. 12,711.99 Crores to Rs. 11,974.54 Crores (6%) in the FY 2017-2018, and has increased to Rs.13,338.56 Crores (4%) in the FY 2018-2019.
- The Balances with Banks, Money at Call of the company have increased from the FY 2016-2017 which was Rs. 2,295.13 Crores to Rs. 11,856.81 Crores in FY 2017-2018, and increased to Rs. 15876.82 Crores in the FY 2018-2019.
- The Loans & Advances of the company have increased from the FY 2016-2017 which was Rs.173,912.41 Crores to Rs.202,719.82 Crores (16%) in the FY 2017-2018, and decreased to Rs.201368.49 Crores (15%) in the FY 2018-2019.
- The Investments of the company have increased from Rs. 55539.38 Crores in the FY 2016-2017 to Rs.69339.67Crores (24%) in FY 2017-18. The investments have further increased to 68621.87 Crores (23%) in FY 2018-2019.
- That the Other Assets of the Bank have decreased from the FY 2016-2017 which was Rs.5,933.72Crores to Rs. 5,636.06Crores (-6%) in the FY 2017-2018, and has increased to Rs. 6,354.79 Crores (7%) in the FY 2018-2019.
- The Contingent Liabilities of the company have increased from the FY 2016-2017 which was Rs.100,651.10 Crores to Rs. 137,058.21 Crores (36%) in the FY 2017- 2018, to Rs. 142,167.31 Crores (41%) in the FY 2018-2019.
- That the Other Liabilities & Provisions of the company have decreased from the FY 2016-2017 which was RS. 8,449.46 Croresto Rs. 8,185.39 Crores (-4%) in the FY 2017- 2018, and has decreased to Rs.7,652.93 Crores (-10%) in the FY 2018-2019.
- The Housing Loan portfolio of the Bank has increased from Rs.10,152Crores in the FY 2016-17 to Rs.11,980 Crores in FY 2017-2018, showing an increase of 18% compared to

previous year. Further the Housing Loan has increased to Rs.14,619 Crores in FY 2018-2019, thereby showing a substantial increase of 44% compared to FY 2016- 2017.

- The Vehicle Loan portfolio of the Bank has increased from Rs. 1,446.73 Crores in the FY 2016-17 toRs. 2,028Croresin FY2017- 2018, showing an increase of 40% compared to previous year. Further the Vehicle Loan has increased to Rs.2,992 Crores in FY 2018-2019, thereby showing a considerable increase of 101% compared to FY2016-2017. Personal Loan portfolio of the Bank has decreased from Rs.4,404 Crores in the FY 2016-17 to Rs.3,476 Crores in FY 2017- 2018, showing an increase of 3% compared to previous year. However, for the FY 2018-2019 the personal loan has decreased to Rs.4,569.00.
- From the study it is observed that housing vehicle and personal loan has gained a tremendous increase in their portfolio.
- Lower credit off- take by the corporate sector coupled with attractive spread and lower nonperforming assets in retail finance has led the Banks in going for aggressive lending in housing sector. In fact, with banking sector witnessing huge asset quality slippages elsewhere, the banks have begun to focus on home loan market.

8.SUGGESTION

- Bank has to give more focus to Housing Loans, as ‘Housing for all’ thrust is been given by Central Government. Further, the default rate and delinquencies are far lesser than Corporate Lending.
- Encumbrance Certificates must be obtained on all the properties which are mortgaged to the Bank periodically once in a year, to know whether the property mortgaged is still held by the borrower or not.
- That Periodical inspection of the property and the borrower to be made at least once in six months, to know the existence of the borrower and the property.
- Recovery mechanism should be tightened and constant follow up of advances is to be made, as NPA acts as double jeopardy i.e. on the one hand it is a real loss while provisioning also has to be made out of the profits.
- CIBIL reports, Wilful Defaulters List (published by RBI) of borrowers and Guarantors shall be made before sanction of facility.

- Obtention of Regularity certificates from Other Banks, verification of original Income Tax returns filed by borrower to be verified in case of Housing Loans, Vehicle loans and Personal Loans before sanction of facility.
- Marketing Team to be formed at branch level for contacting builders, vehicle dealers, Educational Institution & Corporate so as to market Housing Loans, Vehicle Loans and Personal Loans.

9.CONCLUSION

The share capital and the reserves show steady increase in the year FY-2018-2019 compared to earlier years, which indicates a positive growth of the bank. It also shows that the performance of the bank has improved and is doing really well at present. The Deposits has increased in the year 2019 with a value of 261,735.34Crores which is a good sign for the bank as it indicates more growth which in turn leads to profit maximization. The Value of Other Assets has decreased in the year 2019 with a value of 6,354 Crores mainly due to the various methods of Depreciation on Fixed Assets in the bank. The rate of depreciation starts from 15% and varies according to the asset. When compared to the last two previous years, Housing Loans have considerably increased in the year 2019 with the value of 14,619 Crores. When compared to the last two previous years, Vehicle Loans have substantially increased in the year 2019. When compared to the last two previous years, Personal Loans have increased in the year 2019 with the value of 4,569 Crores. Lower credit off- take by the corporate sector coupled with attractive spread and lower nonperforming assets in retail finance has led the Banks in going for aggressive lending in housing sector. In fact, with banking sector witnessing huge asset quality slippages elsewhere, the banks have begun to focus on home loan market. Accordingly, Bank has also taken right direction and initiative in focusing on Housing since last two years. Similarly, to boost retail finance, Bank has concentrated in vehicle loans and has shown a tremendous growth in Vehicle Loan portfolio since last two years. At the same time due to higher rate of interest, the personal loans could not pick up in the Bank.

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