



FOREIGN EXPERIENCE AND PECULIARITIES OF RETAIL LENDING IN COMMERCIAL BANKS.

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Abstract: In the world, commercial banks pay special attention to scientific research aimed at improving the quality of retail lending, modernizing retail lending mechanisms, applying innovations in retail lending, and increasing lending efficiency. Using modern models to determine the creditworthiness of bank customers, increasing lending opportunities and reducing problem loans by introducing the credit-scoring method, paying fines to the borrower bank for overdue payments when overdue amounts on retail loans appear, determining interest rates for retail loans in international practice Scientific research is being conducted in areas such as the use of widely used methods.

Key words: bank loans, retail credit, problem loans, bank assets, credit provision, consumer credit, housing loan, mortgage loan, car loan, pledge, guarantee, surety, insurance policy.

The theoretical and practical aspects of the organization of retail lending in commercial banks have been widely analyzed in the economic literature and scientific research. In particular, experts in the field have theoretically deeply analyzed issues such as credit and lending, retail lending, credit mechanisms. In international practice, retail loans are explained by the terms "retail credit", "personal loan", "private credit".

However, in economic developments, scientific publications, regulatory documents, mass media, terms related to the field such as "banking service", "retail banking services", "retail credit", "retail banking business", "credit efficiency of banks", "credit products" used, their economic significance has not yet been fully explored.

Review of literature on the subject

Foreign economists Luminița Cernenco, Marilena Pieleanu Lazarencu came to the conclusion during their research that " The duration of loans to individuals, their issuance and guarantee, are carried out on the basis of the contract ¹according to the creditor's internal procedures approved by the responsible authorities . " The authors have expressed their opinion in terms of the terms of providing loans, lending powers and rules. But credit monitoring, which can be used for its non-returning part, is left out of the

¹Luminița Cernenco, Marilena Pieleanu Lazarencu Some hints on individual lending and different factors affecting.

scope.

In their research, Orazio Attanasio, Britta Augsburg, Ralph De Haas, Emla Fitzsimons, and Heike Harmgart found evidence that lending to individuals is more likely to open family businesses in rural areas. In addition, they witnessed an increase in consumption among non-highly educated women in the villages that received loans from them². This group of scientists is based on the results of research on lending to individuals. Business loans and consumer loans given to individuals were discussed. In our opinion, retail loans do not consist only of business and consumer loans, in particular, mortgages, overdrafts and microloans are left out.

Also, another foreign economist N.V. Mordvintseva considers retail banking services as "retail business in the activity of banks is understood as an independent, prospective direction of development of banking activity, and its goal is to provide services and sell products by banks to the majority of the population."³ In fact, the author prefers to do research relating retail banking services to the banking business. These ideas are appropriate at a time when the financial literacy of the population and customers is increasing. The definition of retail banking as a separate banking business is particularly commendable. Because the population's demand for banking services and the volume of its use are increasing year by year.

Analyzes and results

French banks are an important part of the country's financial system and play a decisive role in the national and international economy. The French banking system is highly developed and complex, with several large banks as well as a number of smaller regional and local banks.

The French banking system consists of several types of banks: commercial, investment, cooperative, and regional. Regional banks, also known as regionals, are smaller banks that serve specific areas of the country. These banks play an important role in providing financial services to local businesses and individuals and often focus on agricultural lending.

In general, French banks are an integral part of the country's economy, providing financial services to businesses and individuals. With its diverse banking institutions, the French banking system can withstand economic fluctuations and continue to support economic growth and development.

BNP Paribas offers a variety of credit cards and loans to help individuals finance their personal needs. They offer personal loans for a number of purposes such as personal loans: home improvement, paying off current debts and unexpected expenses. These loans have fixed interest rates and fixed repayment terms. Interest rates on personal loans can range from 3.5 percent to 8 percent, depending on factors such as the loan amount, loan term, and the borrower's credit history.

Car Loans: also offers car loans for people looking to buy a new or used car. These loans have competitive interest rates and flexible repayment terms and can be used to finance up to 100 percent of the vehicle purchase price. Interest rates on car loans can vary depending on the year and condition of the vehicle, the down payment amount and the borrower's creditworthiness. By 2023, rates for new car loans could range from 1.5 percent to 5 percent, and for old car loans from 3 percent to 8 percent.

Home Improvement Loans: Provides loans for individuals who want to renovate or renovate their homes. These loans have fixed interest rates and fixed repayment terms and can be used to finance large-scale home improvement projects. Interest rates on home improvement loans can also vary based on factors such as the amount of the loan, the term of the loan and the creditworthiness of the borrower. By 2023, interest rates on home improvement loans could range from 2 percent to 8 percent.

²Orazio Attanasio, Britta Augsburg, Ralph De Haas, Emla Fitzsimons, Heike Harmgart Group lending or individual lending? Evidence from a randomized field experiment in Mongolia. MPRA Paper No. 35439, posted 16 Dec 2011 23:37 UTC .

³Mordvintseva N.V. Roznichnyy bankovskiy business // Vestnik OGU #13 (119) // December 2010.

Mortgage Loans: offers a range of mortgage loans for people looking to buy a home or refinance an existing mortgage. These loans come with a range of interest rates, including fixed and variable-rate mortgages. Interest rates on mortgage loans can be affected by several factors, including the term of the loan, the type of mortgage, and the creditworthiness of the borrower. By 2022, interest rates on fixed-rate mortgages may range from 1.5% to 3%, and variable-rate mortgages may range from 1% to 2%.

Credit Cards: offers a variety of credit cards for individuals, each with its own rewards programs and benefits. The bank's credit cards can be used for purchases both in France and abroad. It comes with various security features to protect against fraud and theft.

Overdraft Services: Offers overdraft services to cover unexpected expenses and for individuals who need a little extra cash. These facilities allow customers to withdraw more money from their accounts than is available in the account up to a pre-approved limit. Interest is charged on the borrowed amount.

Table 1.

BNP Paribas retail credit products and terms for individuals⁴

<i>Type of loan or loan</i>	<i>Amount</i>	<i>Term</i>	<i>Interest rates</i>	<i>Conditions of eligibility</i>	<i>Formalization process i</i>
Loan for personal needs	€1,500 - €75,000	12-84 months	3.5% - 8%	A steady source of income, good credit history, employment status, financial stability	Apply online or visit a branch
Mortgage	It varies depending on the value of the property and the financial situation of the borrower	up to 30 years	1.5-3%, variable interest mortgage loans up to 1-2% interest	Good credit history, employment status, sufficient income	Apply online or visit a branch
Auto loan	Varies depending on the price of the car	up to 6 years	It can range from 1.5% to 5%, and for car loans, it can range from 3% to 8%.	A steady source of income, good credit history, employment status, age, financial stability	Apply online or visit a branch
Credit card	Varies depending on the purpose of the loan and the type of credit card	-	Varies depending on the purpose of the loan and the type of credit card	Good credit history, sufficient income	Apply online or visit a branch
Student loan	the borrower's financial situation and	up to 25 years	the borrower's financial situation and the contract payment	Satisfactory academic record, attended an accredited school,	Apply online or visit a branch

⁴Author's development based on information from the official website of BNP Paribas

	the contract payment			good credit history or good credit	
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Retail services of UK commercial banks.

The UK is an important financial centre that attracts investors from around the world, bringing diversity to the British banking industry in terms of both the products, services and solutions offered and the countries of origin. Along with investment and private banking, retail banking is an important part of the British banking system: 76 out of 307 banks operating in the UK provide retail banking services. Retail banks provide banking services, loans and financial advice to businesses and residents through large branch networks.

The main types of retail banking services in the UK are:

- car loans;
- insurance products;
- mortgage;
- foreign currency and money transfer services;
- credit cards and credit instruments;
- transaction accounts;
- savings accounts;
- debit cards;
- loans;
- other products.

of Great Britain The best banks and their services :

1. **HSBC Holdings:** HSBC Holdings is headquartered in London and is a British multinational bank located in It is one of the world's largest financial institutions by total assets and the third largest by market capitalization. HSBC Holdings operates in more than 200 countries and territories and employs more than 466,000 people. HSBC Holdings provides products and services in retail banking, business banking and corporate banking. The bank offers retail products such as current accounts, credit cards, savings accounts, time deposit accounts, personal loans, auto loans, mortgage loans, overdrafts, mutual funds, and trading accounts. HSBC UK Bank Plc provides its services to individuals and companies.

Table 2.

HSBC personal loan ⁵rates

Credits	Loan Amount (£)	Minimum interest rate	Maximum interest rate
Personal loans	1000 to 2999	21.90%	24.90 %
	3000 to 4999	18.90%	24.90 %
	5,000 to 6,999	7.90%	17.90%
	7,000 to 15,000	5.80%	19.90%
	15,001 to 25,000	6.70%	17.90 %
Premier private loans	1000 to 2999	21.90%	24.90%
	3000 to 4999	18.90%	24.90
	5,000 to 6,999	7.90%	17.90%
	7,000 to 15,000	4.90%	18.90%
	15,001 to 25,000	4.90%	15.90%
	25,001 to 30,000	4.90%	15.90%
	30,001 to 50,000	6.90%	6.90%

⁵Author calculations based on data from the official website of HSBC UK Bank Plc

Spanish commercial banks are among the most active banks not only in the European continent but in the whole world in terms of providing retail services, in particular, retail lending. Spain has a strong banking sector, with several major banks operating in the country, including:

1 . Banco Santander - It is not only the largest bank in Spain but also one of the largest retail banks in Europe. It provides a wide range of banking services such as retail banking, commercial banking and investment banking.

2 . BBVA is the second-largest bank in Spain and operates in more than 30 countries around the world. It provides a range of banking services, including retail banking loan products, asset and wealth management services and corporate banking services for large clients.

3 . CaixaBank is the third largest bank in Spain, headquartered in Barcelona. It offers a range of banking services, including retail banking, insurance and investment banking.

4 . Bankia is a state-owned bank, which was formed in 2010 as a result of the merger of seven regional savings banks. It stands out for offering modern retail banking services to individuals. Including retail banking credit products, innovative banking services and asset management.

5 . Banco Sabadell is a medium-sized bank based in Sabadell, near Barcelona. It offers a range of banking services including retail, corporate and wealth management.

Banco Santander is a multinational commercial bank based in Spain. It was founded in 1857 and is now one of the largest banks in the world by market capitalization. Banco Santander offers a wide range of financial products and services, including personal and business banking, wealth management, insurance and asset management. The bank has a significant presence in Europe, Latin America and the United States and serves millions of customers worldwide. In recent years, Banco Santander has been actively implementing its digital transformation strategy, investing heavily in technology and innovation to improve its products and services and improve customer experience. The bank has also focused on sustainability by committing to invest in renewable energy projects by 2050.

Retail banking refers to the type of banking services provided to individuals rather than corporate or institutional customers. These services include typical banking activities such as savings and checking accounts, personal loans, mortgages, credit cards and investment products.

Retail banking is also commonly referred to as consumer banking or personal banking. It is the most visible aspect of the banking industry and is often the primary means by which banks build relationships with their customers. Retail banks typically have many branches and offer online and mobile banking services, as well as ATMs and other electronic banking services.

The main purpose of retail banking is to provide financial services to individual customers while generating income for the bank through interest and fees. Retail banks also play an important role in the economy by lending to individuals and small businesses, which helps stimulate economic growth.

Banco Santander is a large retail bank to its customers and is a global bank offering services. Some of the types of retail banking offered by Banco Santander include :

1 . Savings services. Banco Santander offers a variety of checking and savings accounts to meet customer needs. These accounts may have a variety of features, such as free ATM access, overdraft protection, and online banking.

2 . Credit cards. Banco Santander offers a range of credit cards with various rewards programs and benefits such as cash back, travel rewards and points redemption.

3 . Credits. Banco Santander offers its customers personal loans, car loans, home loans and other types of loans. The bank also offers loan consolidation services to help customers manage their debt.

4 . Investment services. Banco Santander serves its retail customers. These services include brokerage, financial planning and wealth management services.

5 . Insurance. Banco Santander offers a range of insurance products including home insurance, car insurance, life insurance and health insurance.

6 . Online banking. Banco Santander offers online banking services that allow its customers to manage their accounts, pay bills, transfer money and use other banking services from a computer or mobile device.

Overall, Banco Santander offers its customers a comprehensive range of retail banking services, making it a popular choice for individuals looking for a one-stop shop for their banking needs.

- Personal loans: These are loans that individuals can take out for use, such as vacations, home renovations, or to pay for unexpected expenses.

- Credit Cards: Credit cards are widely used in Spain and allow individuals to make purchases and pay for them over time. Some credit cards also offer rewards and cash-back programs.

- A mortgage is a loan for the purchase of a house or other real estate. They are long-term loans that are usually repaid within 20-30 years.

- An overdraft is a type of loan that allows individuals to withdraw more money than their bank account holds. Overdrafts often come with high-interest rates and fees.

- Credit lines. A line of credit is a type of loan that allows individuals to borrow money up to a certain limit. The borrower can access the line of credit as needed and they only pay interest on the amount borrowed.

- Car loans - these are loans for the purchase of a car. They are similar to personal loans, but they are designed specifically for the purchase of a car.

In developing countries as well as in developed countries, providing retail services, retail lending is showing its attractiveness year by year. For this purpose, it is appropriate to consider the experience of India, which is one of the largest economies and banking systems in Asia. As we know, India has officially been recognized as the most populous country in the world in 2023. The larger the population, the greater the need for retail loans, and to meet them, regulation of retail lending becomes important.

State Bank of India (SBI), one of the largest banks in India, is a leader in the field of retail services. The bank was established in 1806 through the Imperial Bank of India and today provides a variety of banking and financial services and is headquartered in Mumbai.

State Bank of India provides loan types at the lowest interest rates and personal loans can be availed as term loans or Overdraft facilities. Individuals can choose the loan procedure according to their needs.

The advantages of these types of loans are competitive interest rate, which is 9.60-16.60 per cent. The bank offers its customers several types of personal loans. These include:

- SBI Xpress Loan;
- SBI Fast Personal Loan;
- securities loans;
- SBI Loans for Pensioners;
- SBI Dual Preferential Loan;
- car loan;
- Mortgage loan.

In the table below, we will consider the criteria for granting loans to individuals.

Table 3.

Criteria for disbursement of retail loans in SBI⁶

1 USD=82.82 Rupees

Service name	Profitability indicator	The age criterion is yes	Loan amount	Loan period

⁶Author's development based on information from official website of SBI

SBI Xpress Loan is for individuals who have a salary account with SBI	Minimum Monthly - Income Rs. 15000 (\$181)	Monthly to the salary to e persons 21-58 years old	The minimum loan amount is Rs.25,000 (\$301) ; The maximum loan amount is Rs. 20 lakhs (\$24,151)	Minimum 6 months to maximum 6 years
Securities loans	On the basis of supply	Available e mas	The minimum loan amount is Rs.50,000 (\$602) ; The maximum loan amount is Rs. 20 lakhs (\$24,151)	up to 30 months
A loan for pensioners	Available e mas	For those under the age of 76	The minimum loan amount is Rs.25,000 (\$301) ; The maximum loan amount is Rs . 14 lakhs (\$16,900)	up to 36 months
Auto loan	Minimum monthly income of Rs . 2.5 lakh (\$3,018)	Individuals aged 21 to 67 years	For salaried individuals, it is 48 times their net monthly income	up to 7 years
Mortgage loan	Minimum monthly income of Rs. 25,000 (\$301)	Individuals from 21 to 60 years old	For salaried individuals, it is 60 times their net monthly income	15 to 30 years

SBI Bank has its own criteria and aspects of mortgage lending. The term of the loan is determined by the age of the client, that is, if the client is between 21 and 30 years old, he can get a loan for up to 30 years.

If 1 year is added to the age after 30 years, the loan period is reduced by 1 year. For example, if a client applying for a mortgage loan is 31 years old, he can get a loan for a maximum of 29 years. If he is 45 years old, he can get a mortgage loan for a maximum of 15 years.

Another major Indian bank is the Punjab National Bank (PNB), which is one of the leading banks in providing retail loans. The bank is located in New Delhi and is a state-owned bank. The bank was established in May 1894 and is the third largest public sector bank in India in terms of business volume and network. The bank has more than 180 million customers and 12,248 branches.

Another unique feature of Indian banks is that banks have started providing loans to citizens who do not have official income. Borrowers in India are classified into the following categories:

- citizens with official income;
- business owners;
- individual entrepreneurs;
- self-employed persons;

- students;
- pensioners;
- housewives.

That is, special types of loans are offered for citizens belonging to this category.

Table 4.

Punjab National Bank on loans for individuals⁷

Category	Details
Interest rate	8.95% - 14.00%
Loan amount	Rs. 50,000 – Rs. 10 lakhs
Term	up to 60 months
Advance payments	Available e mas
Additional fees	1.80% of the loan amount

Punjab National Bank has created various loan services for individuals, examples of which are as follows:

Types of mortgage loans:

1. PNB Pride Loan for Government Servants.
2. Public mortgage loan.
3. Under the Pradhan Mantri Awas Yojana programme

Types of auto loans:

1. PNB Pride Car Loan for Government Servants
2. PNB Car Loan for Public
3. PNB power ride scheme to finance two-wheelers to women

Types of education loans :

1. PNB Saraswati
2. PNB Pratibha
3. PNB Kaushal

Factors Affecting PNB Personal Loan Eligibility Criteria :

Net income. A minimum monthly net income of Rs 30,000 is required to avail of a personal loan from PNB. The bank considers the customer's income (net take-home pay) to determine eligibility.

Commitment to Income Ratio: This is a crucial parameter used by PNB to determine the eligibility of an applicant for a personal loan. PNB will consider all established obligations in deciding the applicant's eligibility. The minimum requirement for a personal loan is 0.45.

Guarantor: Applying for a personal loan with a guarantor can increase the creditworthiness of the customer as it increases the total net income of the customer. It can also guarantee the bank's customer's solvency.

Credit rating is an important factor that determines eligibility for a personal loan. PNB while checking personal loan eligibility reviews the customer's full credit report, including existing credit and past payment history on debt. Higher credit scores increase the chances of getting a loan application approved. However, a low credit score reduces your eligibility for a personal loan. A minimum credit score of 650 is required to qualify for a PNB personal loan.

⁷ Author's development based on information from PNB's official website

Job Stability and Occupation - Job stability helps improve your eligibility for a personal loan from PNB. All work experience and current work experience are considered when assessing job stability and type of occupation.

Residence and Stability – Banks often look at the residence of any borrower. Some areas are considered unfavorable by the bank. PNB has a list of personal loan regions. The bank also has a negative list of areas where it does not give personal loans based on the credit behavior of borrowers. PNB also assesses the applicant's residential stability by verifying the number of years they have lived in their current residence. If an individual stays at his place of residence, it increases his chances of getting a personal loan from PNB. The minimum stability of housing, which is considered good by most banks, is 10-12 months.

Occupation Type - PNB is also included in the list of occupations considered negative. It also looks at the type of industry in which the applicant works. Based on the list, the bank may reject applications because it does not prefer certain types of professions and industries for personal loans. Thus, the possibility of personal loan approval depends on the profession and industry of the client.

Salary amount - most banks consider a salary statement as sufficient proof of income. If the client's income meets the bank's criteria but receives wages by cash or check, the bank may not issue a loan, because the bank requires clear evidence of wages deposited into the payroll account. This guarantees that the bank will be able to repay the loan on time. Hence, monthly salary transfer by PNB is preferred for personal loan applications.

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