15

Revisiting 'Loan Melas'

Qualitative Study and Analysis of Practice in Credit Marketing

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15.1. Introduction

Recently, in September 2022, a federation of bank employees voiced their concerns against the marketing events or 'loan melas'[1] organized by state owned banks to enhance their flow of credit. Such events, they contended, added to the retail non-performing assets as loans were granted without much diligence. Public sector banks pursue social welfare objectives and lend to under-served sectors under government schemes or differentiated lending policies for the development of the nation, which may not be entirely aligned to market based practices of profit oriented bank lending. The practice of 'loan melas' is historically rooted and now a part of credit marketing tradition of public sector banks in India.

The use of 'loan melas', however, has not been limited to the public sector banks. There have been several instances of private banks organizing such events.[2] However, the 'loan melas' as practiced by these banks seem to be quite different than of the former banks. Usually advertised, these events have been mostly used to market loan products, such as for purchase of consumer durables during festive seasons or to grow credit portfolio in new markets. They are designed in a manner to affect sales promotion by offering interest rate discounts, added benefits, insurance covers, etc.

The above differences of viewpoints on 'loan melas' between banks begets questions such as: Are these valid practices in credit marketing? Do they have any foundation within the existing theories of credit marketing? The word 'mela' in Hindi dialect origins from the word 'mel', which means a coming together, while 'mela' itself refers to a village fair, or a place where artisans display and sell their wares. It seems that commercial banks expropriated the term to market and sell finance. The phenomenon of 'loan mela' is thus interesting but also contentious, partly because of the tentativeness of its positioning within the theory of credit marketing, and partly because of the associated value judgements in regards of its appropriateness as practice.

This chapter looks at 'loan melas' as a practice and also as a concept in credit marketing strategy. It examines the occurrence of the practice in its real-life context and also evaluates it as a theoretical construct within the underlying framework of credit marketing theory. It, thereby, makes an attempt to assess the suitability of 'loan melas' as a strategy for credit marketing.

A qualitative methodology using techniques of phenomenological analysis (Groenewald, et al., 2004) has been adopted for the study. Phenomenology is a research approach to theorize upon the meaning of human experience through the process of describing the essence of a phenom-

1. https://www.business-standard.com/article/finance/bank-union-opposes-public-sector-banks-loan-melas-on-npa-pile-up-fears-122090500904_1.html
2. https://www.business-standard.com/article/pti-stories/hdfc-bank-to-hold-1-000-grameen-loan-melas-over-next-6-months-119092200433_1.html

enon by exploring it from the perspective of those who have experienced it (Neubauer et al. 2019). Thus, while the study has drawn upon data from various published material, including news articles and commentaries, which have discussed the phenomenon, shared experiences of bankers, as participants in the study, were elicited through structured interviews. Qualitative analysis of the responses obtained was conducted using methodology suggested by Pentland (1999) and Elo et al. (2010) to reach at the underlying meanings and interpretations of the participants about the practice.

In the following section, the phenomenon of 'loan melas' is first discussed as a marketing practice as observed in Indian banking. In section 15.3, the theoretical domain of credit marketing is surveyed to discern the functions served, the challenges and concerns within, and the developments of the related concepts. In section 15.4, the emergence of the construct of 'loan mela' is examined through the phenomenological point of view. Section 15.5 attempts to evaluate the 'loan mela' as a valid strategy for marketing of credit. Section 15.6 concludes.

15.2. History of 'Loan Melas' as Means for Credit Dispensation

The practice of 'loan mela' in Indian banking emerged in the backdrop of commercial banks' increasing involvement in rural lending. Prior to nationalization, banks were reluctant to lend to the farm sector with fears of defaults. Post nationalization, various schemes such as the Differential Rate of Interest (DRI), the Integrated Rural Development Program (IRDP), etc., were introduced to enhance lending to the rural sector. It was in the 1980s that the concept of 'loan mela' was introduced[3] to address existing deficiencies in lending processes particularly to the rural and poorer segments of the society. There was lack of awareness about banking facilities in rural areas where due to absence of formal credit farmers had high dependence on money lenders. Organized in venues called 'shamiana camps', the events elicited the presence of various stakeholders including the senior management of banks and persons of high standing in the local areas. Over the years, the practice of organizing 'loan melas' continued, often with patronage of the ruling political establishment.

In the decade of 1990s, with regulatory changes like liberalization of interest rate, and rising competition from new private sector banks, the purpose of 'loan melas' became broadened. Privatization, growth of information technology and rise of the consumer segment, created demand for retail loans, including the personal and home loans. Led by the private sector banks who started offering these products, public sector banks also realized the potential of these lending avenues. Banks began to conduct 'loan melas' to enhance their customer outreach, educate prospective borrowers and also grow their credit portfolios. 'Loan melas' began to be set up for various segments, such as for farmers for purchase of agriculture equipment, or retail customers for housing loans, auto loans, etc.

In the late 2000s, 'loan melas' began to target the festive spending made by consumers. Most of these were featured by promises of hassle free credit, on the spot processing, pre-approved loans, availability of panel of lawyers, builders, vaastu experts, and automobile dealers, etc. 'Loan melas' also included marketing promotions such as community event participation, property melas, special offers on home loan balance transfer products, and relaxing margin money requirements.

Over the years, concerns over the conduct of 'loan melas' arose as loans granted during such events led to higher levels of retail NPAs. With significant constraints in the recovery process, and incidences of loan waivers, the credit culture became vitiated. Most importantly, such initiatives increasingly became based on top down instructions and done for target fulfilment, instead of being local, regional or branch level initiatives. Constraints of time for organizing the events and funds for promotion and publicity led to lowering of footfalls. More importantly, the conversion of footfalls and loan requests at the 'loan melas', to actual disbursement became lower as customers realized that despite access and easy on-boarding, the price of the loan were high and unaffordable.

3. https://economictimes.indiatimes.com/et50-poojarys-mela-turned-into-a-melee/articleshow/5906880.cms

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The practice of 'loan mela', has evolved into a number of forms, depending upon the type of organizing entity (bank, government, businesses, state level bank's committee or SLBC, etc.), their objectives (enhancing welfare, providing access, enlarging portfolio, meeting target, etc.), and geographical factors (rural, urban, etc.). In the context of public and private sector banks, there are certain differences in the approach towards 'loan melas'. For public sector banks, such events are meant to give thrust on priority sector lending and accordingly their focus is on retail, agriculture and MSME sectors. Accordingly, they organize 'loan melas' to fulfil the outreach targets of government schemes like MUDRA, kisan credit cards, etc. On the other hand, private sector banks seem to pursue 'loan melas' for business development, lead generation, and cross selling. Their organization structure characterized by most branch managers not having powers for loan sanctioning may necessitate such initiatives, so that specialist attention be given to accelerate the credit processes. While in the rural areas, the focus is more upon agriculture, SHG or MSME loans, in the urban areas, retail 'loan melas' are more prominent.

Recently in October 2019, a renewed impetus for reviving 'loan melas' by public sector banks in around 400 underbanked districts (later extended to another 200 districts) was initiated by the government, seeking a five-fold increase in the customer base in these areas . Banks were allowed to select the districts to cover and 'shamiana' (ceremonial tent) meetings were planned to be attended by ministers or Member of Parliaments from the region. Contrasting the 'loan melas' of earlier times, these were timed to enable pickup of credit and turn around several sectors, such as automobiles, consumer durables, etc., in the broader economy.[4] The announcement of the 'loan melas', however, elicited concerns from several quarters.[5]

The emerging practice of 'loan melas' indicates to their changed role from being a tool for dispensation of directed lending. Whereas earlier, the objective for 'loan melas' was to enhance credit outreach, today the same has turned towards advertising bank's readiness to lend. The events have increasingly gravitated towards becoming a segment specific marketing strategy Indeed, it is observed that upon announcement of 'loan melas', sales effort gets a boost for certain portfolios at the respective branches.

15.3. Evolution of Practice and Theory in Credit Marketing

Concepts in marketing of bank credit have their antecedents in the emergence of theories in two areas: (i) marketing and (ii) banking and credit (Figure 15.1). Marketing, defined by Kotler and Armstrong (2012) as 'the process by which companies create value for customers', has witnessed several paradigm shifts: from a functional view before 1900, to the dominance of product life cycle in early 1900s, to the selling of products by 1950s, and to marketing as satisfying the needs and wants of the buyer in the 1980s (Keelson, 2012; Golebiewski, 2015). During such course, several concepts came up, such as brand loyalty (Cunningham, 1956), marketing mix (Borden, 1964), 4 Ps: product, price promotion and place (McCarthy, 1960), market share (Kotler, 1967), service quality (Parasuraman et al., 1985), market segmentation and product differentiation (Dickson and Gintner, 1987; Levitt, 1980), relationship marketing (Berry,1983; Sheth and Parvatiyar, 1995), brand equity (Aaker, 1991), etc. There were other recent paradigms of social and holistic marketing, wherein the conflicts between consumer's short term wants and society's long term welfare became addressed (Keelson, 2012). In such sense, marketing as a function became developed from giving a 'push' effect for the seller to creating a 'pull' effect for the buyer. Many of its concepts, such as customer loyalty, customer relationship management, etc., emerged from practice; while others such as customer value became developed from their bases in other disciplines such as economics, sociology, psychology, etc.

4. https://economictimes.indiatimes.com/markets/stocks/news/loan-mela-effect-bank-credit-soars-in-oct-nov/articleshow/73221163.cms?from=mdr

5. https://www.magzter.com/stories/Newspaper/The-Hindu-Business-Line/Loan-Melas-May-Trigger-Fresh-NPA-Crisis

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One particular concept that emerged in the area of services marketing and understanding of purchase decision making by customers, has been the idea of 'moment of truth' (MOT). MOT is defined as the moment when a customer first encounters a product or a service in real life (Normann, 1978, 1984; Carlzon, 1987). There are other moments of truth such as the second MOT when the customer has bought and used a product and gained certain experience that may support the purchase decision made earlier (Lofgren, 2005). The third or the ultimate moment of truth is when the customer subscribes to the brand and provides content and goodwill for its support (Moran et al., 2014). A more insightful development, however, has been the zero MOT occurring in the upstream process of decision making, when the customer recognizes the need and begins the search for information to make a future purchase (Lecinski, 2011).

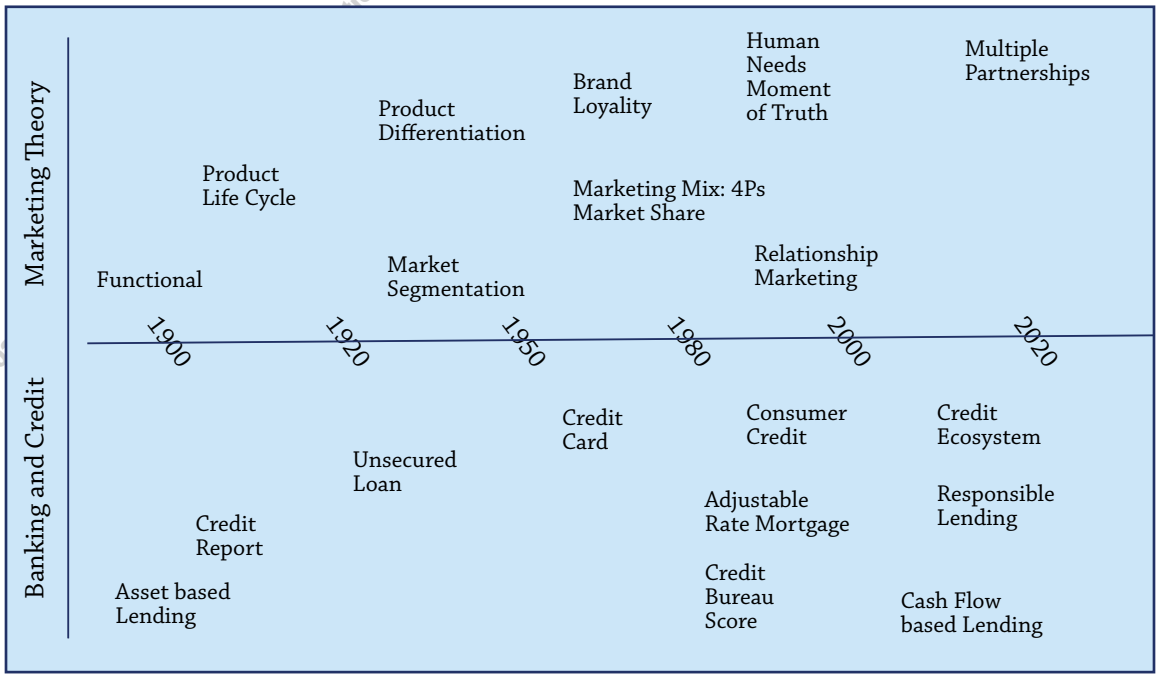
In the area of banking, the dominant theoretical paradigm has been the development of the theory of financial intermediation (Allen and Santomero. 1998; Scholtens and Wensveen, 2000). The function of banks involves taking deposits and creation of credit by lending to firms and households in the presence of transaction costs and asymmetric information. There are challenges and risks in performing the functions of financial intermediation, such as moral hazard, owing to which the banking industry is highly regulated. Accordingly, various regulatory concepts such as fractional reserve, risk capital, etc., have been developed that serve to constrain the banks in regards of their risk taking.

Against such background, the developments in marketing of bank credit have taken place. Credit, as a financial concept, embeds features of product (as an amount of money) as well as service (being available at the time of need). It is, however, not a primary need of the customer but a derivative of various other needs related to fulfilling their life cycle objectives. Loans are not simple products or service transactions between buyers and sellers, but more mutually involved long term relationship that depends

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FIGURE 15.1

Developments in Marketing Theory and Banking and Credit Practice



Source: Authors' Construction

on their repeat interaction and bilateral cooperation. The concept is featured by several other dimensions such as interest rate, repayment terms, provisioning of collateral and covenants.

Marketing of credit has traditionally emphasized the development of products leading to new offerings such as revolving credit, adjustable rate mortgages, etc. Loan products have been traditionally marketed for specific end uses such as for purchase of housing, vehicle, working capital, or other assets, under the broad credit process called secured lending (Scott, 1986) or asset based lending. For other types of uses such as for tiding over liquidity problems and smoothening consumption, unsecured lending products such as the personal loan were developed around 1920s (Calder, 1999), while credit cards became available by the late 1950s (Batiz Lazo and Del Angel, 2016). By late 1980s, banks began to pursue relationship lending to address information asymmetry problem while extending lines of credit to borrowers (Greenbaum et al. 1989; Berger and Udell, 1995). For meeting the credit needs of customers whose business model does not provide tangible assets, cash flow based lending evolved, wherein lenders secured the first claim on proceeds from asset liquidations (Ivashina et. al. 2022). Besides, lenders have often used marketing tactics such as teaser rates, relaxation in processing fees, combo offers, zero interest rate loans, buy now pay later loans, etc., to promote the uptake of credit by customers. Lenders also pursue with customers of other lenders to shift their loan account balance in order to grow their portfolio.

With oncoming of new technologies, developments in credit ecosystem began with many actors and agencies coming to play a role, such as loan brokers, peer to peer lenders, account aggregators, credit registries, etc. Besides, lending models for disseminating credit to the under-served customers through creation of self-help or joint liability groups have emerged.

Borrower's decision processes for availing credit are, however, complex wherein situational factors, such as their financial status, as well as their psychological factors come to play a role (Turton et al., 2021). While the former factors can be easily measured by methods of credit scoring, the latter factors usually tend to be ignored. Kamleitner and Kirchler (2007) point out that purchasing goods on credit differ from other purchases, as such transactions may involve making payments for the goods purchased during or after consumption. Accordingly, Kamleitner et al. (2011) have viewed use of credit as a multi-faceted phenomena carrying reflections of the person (or the borrower), the situation (the borrowing need), the cognitive basis (understanding of implications of borrowing) and the social forces (other influencers). They observe credit use as a process that entails phases, such as: (i) before credit acquisition; (ii) at credit acquisition; and (iii) after credit acquisition. The additional aspects to the purchase process are often not envisaged fully.

Bank credit has a principled dimension unto itself. While borrowers are likely to know more about their conditions and idiosyncratic risks than their banks, they may also have limitations in regards of their financial literacy and understanding the implications and obligations arising due to taking out a loan. For such reasons, both access to credit as well as unfettered growth of credit have been of concern in most banking systems. Therefore, while banking regulators in various jurisdictions have taken steps towards credit democratization by relaxation of financial regulations for the underserved sections of the population, they have grappled with concerns over rising over indebtedness and possibility of systemic crisis. The subprime crisis of 2007/08 is a recent example of widespread indebtedness leading to financial crisis across the world.

Competition in credit markets, demand for profit by shareholders, and consumers' desire for immediate gratification, all taken together ensure that banks pursue credit growth at a higher rate. In this context, credit marketing as stimulator of consumption (Filipovic, 2017) has indeed played an important role in the accumulation and over burdening of debt. It has been observed that product specifications such as flexibility of loan terms and conditions are significant for predicting borrower's intentions to acquire future loans (Mbawuni and Nimako, 2015). Kerre et al. (2018) found that in a devel-

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oping country like Kenya, marketing practices of banks, represented through the earlier five Ps, but not later two, affect the usage of credit cards amongst their customers.

In the same vein, the impact of promotion in marketing of credit has been reported to be significant in some studies, such as by Bertrand et al. (2010) who found out that advertising content strongly affects loan demand by appealing "peripherally" to intuition rather than their reason. Another study (Czarnecka and Mogaji, 2020) observed the use of emotional appeals in advertisements for loans, which are positioned as services providing relief, security, and excitement. While they found sporadic use of negative emotional appeals such as guilt, fear, and sorrow, loans carrying the most risk were found to be advertised with positive emotional appeals.

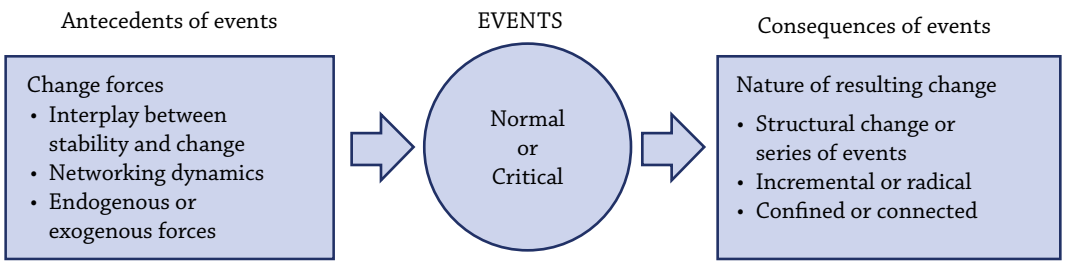
Promotional practices for marketing of credit products often work against the low levels of financial literacy of borrowers. Renke and Steennot (2020) noted the vulnerability of prospective credit consumers to overcommitting their resources and the inherent dangers posed by credit advertising, which necessitate regulation of credit marketing. The banking industry is not renowned for its efforts to improve the understanding and awareness of its customers. In fact, the U.S. financial industry marketing budget is estimated to be 25 times larger than their financial education budget.

15.4. Empirical Methodology and Phenomenological View of 'Loan Mela'

The study undertook an empirical exploration of 'loan melas' to discern the occurrence of the event through semi-structured interviews (Annexures 1 and 2), of thirteen bankers, who were specifically selected as those having first-hand experience of working in the area of credit marketing and, more particularly, have been involved in organizing the event several times during their career. The interviews, of forty-five minutes to one hour duration, were conducted over the telephone and were guided by a set of questions developed to elicit their recollection about their experience of 'loan melas' in their banks. Data capture was primarily by way of making notes of the responses and comments to the questions, but also in general the ensuing discussion made with the participants. Processing of data comprised of preparation of transcripts of the participant's responses, which were verified by them for their correctness, followed by application of qualitative methodologies suggested by Pentland (1999) and Elo et al. (2010). Both of these are based on study of events as part of a larger process from their linkage to process of change. They view the antecedents or the underlying forces that make an event to happen, the event itself as occurring naturally or critically, and the consequences or the outcome of the event leading

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FIGURE 15.2
Framework for Event Analysis



Source: Based on Elo et. al. (2010).

to change. Elo et al. (2010) observe the antecedents as the tenuous situation of balance between stability and change duly affected by network of external and internal forces, leading to the occurrence of the event, and further to the nature and size of change (Figure 15.2). Pentland (1999) specifically suggest the analytical path beginning with the narrative text to reach deeper into the structure of meaning or 'generating mechanism' that drive the variations in respondent's observations.

The following thematic dimensions: (a) goal and objectives (as antecedents), (b) planning and promotion (characterization of the events) and (c) credit growth and loan quality (as consequences), seem to emerge that characterize the phenomena of 'loan melas'. These are described as follows:

Goals and Objectives

It is clear that 'loan melas' were originally initiated at the behest of stakeholders outside of banks. These events were held by banks often to comply with developmental policy and initiatives of national or state governments, such as announcement of loan schemes, directives of the local administration that were taken up by State Level Banker's Committees (SLBC). 'Loan melas' were also organized to take advantage of opportunities emerging during other events such as a 'property mela' organized by builders and real estate agents. The interview responses seem to point towards: (a) certain amount of disconnect between lenders and borrowers despite the widespread access infrastructure of bank branches and therefore (b) the need for external involvement to make bank credit widely available.

> *['Loan melas']…are platforms for bridging the gap between lenders and borrowers.*
>
> *They enhance outreach and access to bank credit to under-served, un-served or far flung prospects.*
>
> *Banks conduct 'loan melas' under compulsion… On direction of government or top authorities to extend loans to weaker sections and underprivileged people.*

However, over time banks seem to have realized that 'loan melas' are also useful for credit marketing in order to (a) boost brand image and present themselves as 'ready to lend' and (b) grow their loan market share in target areas. Hence, 'loan melas' may be purposed towards taking advantage of festive seasons (for retail loans) or cropping seasons (for agricultural loans), for growing the credit business. These events may provide the opportunity to build leads to prospective customers who may decide to borrow from the bank. They may also help branch managers, to face the lending market more directly.

> *'Loan melas' are conducted to develop a bond with people. We give a message to public that we are accessible and to feel free to approach us for their borrowing requirement.*
>
> *Objective of conducting 'loan melas' is customer identification…Large number of leads are identified, often of high value clients who may need personalized approach and service.*
>
> *'Loan melas' provide learning for new people [employees] in sourcing and processing of loans.*

Planning and Promotion

Bank level initiative for organizing 'loan melas' may be part of their credit marketing, but they take place mostly in response to the external stimulus. Oftentimes, a lead bank in an area may take up the responsibility to organize the 'loan mela' where other banks participate. In the process, banks and branches are allocated targets for achieving certain number or amount of lending. Therefore, 'loan melas' may be organized to meet the commitments made by banks for fulfilling larger social objectives.

> *Lead banks take the organizing role and all other banks join.*
>
> *Banks conduct 'loan melas' under compulsion of achieving targeted lending…'Loan melas' are conducted for achieving month-end or year-end targets.*

While 'loan melas' seem to be organized sporadically by banks, there are some amount of operational planning involved through their administrative, credit or marketing offices. Such planning may comprise assessment of potential demand for credit in an area as well as economization of resources such as relationship managers, credit officers, etc. Once decided, the events are executed with immense promotional effort to make them successful. Success of a

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'loan mela' could mean achievement of footfalls of walk-in customers, receipt of a number of loan applications, acquisition or accordance of in-principle approved loans.

Before conducting a 'loan mela' we do a lot of advertisement and publicity.

We cannot post Relationship Managers at every small and big branch. There is usually one for every district who may have to travel almost 60 km a day for sourcing a loan. Thus, he can serve only one branch in a day. Branches are asked to collect leads. Relationship manager shortlists the prospective customers and informs them about the oncoming 'loan mela' and asks them to come with basic documents.

Response depends on Branch Manager and his service penetration in deeper geography… Branch managers are already in touch with customers

Loan mela is conducted for multiple products… Operations cost is reduced.

Planning also includes the decision of locating the 'loan mela'. These are located, close to a branch or a group of branches, or at a place where visibility of the event is assured and where customers may find it convenient to reach. Usually, they are located at a central place where the customer would find easy to access the event. Also, they ensure that business opportunities are captured more effectively by the bank.

[Loan melas]… are held at taluka places where people from nearby villages visit for their purchases or other work…. Less potential branches are associated with the nearest high potential branches where 'loan melas' are set up.

In one single place the customer gets so many options to compare brochures, rates, features, etc. from so many providers.

'Loan melas' help optimizing `branch catchment area business opportunities. They help in synergizing the efforts of multiple stakeholders.

'Loan melas' by individual banks may be planned for offering only a certain line of products, such as car loans, home loans, education loans, etc. Accordingly, the events are organized in tie-up variously with major dealers of vehicle, property or consumer durables. During such events customers may get other benefits such as price discounts.

In 'loan melas' for available vehicles, dealer tie ups lead to discounts.

All banks are doing retail loans…Loan melas should focus on agriculture and MSME sector. Under government benefit scheme only 20% are covered. 80% are not covered. It is a ground reality, people are not getting loans.

Credit Growth and Loan Quality

'Loan melas' enable banks to achieve a boost in their loan portfolio while optimizing their operational cost.

Sudden boost of credit as compared to slower general growth.

Product uptake occurs in large numbers and there is effective reach to the masses. Targets are achieved in a shorter time.

The event serves for acquisition of customer information and certain amount of basic processing, such as registering the application onto the loan portal of the bank, completion of legal formalities, valuation, etc. Unlike the branches, as the 'loan melas' are focused upon only a specified function, i.e. lending, they enable the bank staff to devote themselves to the activity. Accordingly, they help customers to better understand the product, the eligibility requirements and the implications for their uptake.

Dedicated attention is not possible in a normal branch environment. In 'loan melas' we provide detailed guidance on providing loans.

Customer is provided details on the loan features and procedures, document requirements, etc. In a branch we may not be able to give as much attention as people are busy with other work and banking operations.

Bank officials guide prospective customers on their queries related to availing the loan. Customers are better able to understand as they compare the offerings of various products and banks.

In most of these events, however, the new loan applications do not have the final conclusion or approval for the transaction. Customers may choose to baulk after obtaining all the information.

Even after this planned and dedicated effort, customers may not avail loans. We contact them later to know the reasons.

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Customers come as shoppers and are comparatively open to information and promotions. They are less constrained to ask for details of products and the requirements from their side. They do not have the necessity of taking immediate decisions.

Customers can compare and choose the most suitable products. They may also look to specifically design their service requirement.

Banks, on their part, usually accord the final sanction of the loan only after further credit appraisal and processing, which may occur in the branch or other loan processing centres that have been opened by banks.

In principle approval is given subject to all credit parameters, such as CIBIL scores, income certificates, etc., being met.

15.5. Contribution of 'Loan Mela' to Credit Marketing Process

From the construction of antecedents, descriptors and consequences of 'loan melas', certain aspects of the phenomena emerge (Figure 15.3) that indicate to the importance of such events and their contribution to the function and process of credit marketing. These are described as follows:

External Influence Upon Flow of Credit

The practice of 'loan melas' indicate that they transcend the typical bilateral buyer-seller transaction involved in credit creation. As discussed earlier, banks are unique institutions in that they specialize in functions, such as loan monitoring, enabling them to lower information asymmetry and transaction costs in lending. But, banks have to lend within regulations and policies that constrain, and more importantly, shape their views of a good or credit worthy customer and lay the pre-conditions for approval of credit. They may have organizational challenges in regards of their customer knowledge and credit management capabilities. Bank's loan portfolios frequently demonstrate pro-cyclical behaviours as they become formed through their internal business and credit planning processes pursuing goals of growth, quality and profitability.

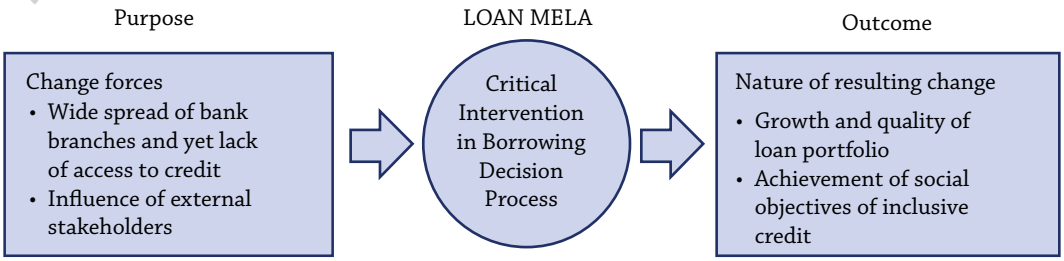
Credit creation, however, has a bigger social and economic purpose. Flow of credit often need to be directed towards the weaker sectors and customers, who by themselves may not be able to fulfil the necessary preconditions set by banks and institutional lenders. The rigidities within the definitions of credit-worthiness and lending processes could be the reason for disconnect between banks and the un-served and under-served population, or those who need credit but fail to get access to the same. There may, therefore, be a need for banks to consider views and perspectives on other ways or methods of lending that could lead to wider development gains.

'Loan melas', enable the inclusion of external stakeholders who may not be directly constrained by the rules and regulations of bank lending. They enable inclusion of goals and objectives of politicians, governments and local administrators who are able to view the distribution of credit as more real-life needs and concerns of their constituencies. Their involvement provides the much needed 'out of the box' motivation and driver for flow of bank credit

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FIGURE 15.3

Event Description of 'Loan Melas' as Unit of Analysis



Source: Authors' Construction.

into the economy, though posing a challenge for banks given the limits and firmness of their lending policies.

Complement to Branch Based Lending

Bank lending is not place or location free function. For reasons of addressing the information asymmetry between borrowers and lenders and thereby the monitoring and transaction costs in credit, lending activities are mostly located in specific geographic regions. Banks establish their physical presence by setting up branches in targeted areas. Branches build the brand image of the bank, serve to develop and grow trust with the local community and provide a point of transaction for basing their credit relationships. Thereby, banks build up their market power in the geographies surrounding their branches and are able to derive economic value from lending.

However, geographic location of branches may not just culminate into bank credit. As Aguirregabiria et al. (2019) observed, local market power may have a negative impact on the geographic flow of credit at the local level following economies of scope between loans and the other major function of banks - deposits. They found that while there are economies of scope between deposits and loans at the local level, the former has a significant effect on the market shares in loan markets. Indeed, branching as marketing strategy has a greater purpose towards generation of savings, such as from households leading to accretion of loanable funds.

Branches create a pull affect for growth of credit. Although, banks do not induce their customers into taking a loan, they pursue market segmentation and targeting to generate leads to prospective borrowers. Because the objective for taking a loan, such as purchase of an asset or meeting need for consumption, are embedded in the real life cycle of a customer, branches may not provide the right setting for the purpose of discovering the real conditions and credit needs of borrowers, given the gamut of activities they do. In this regards, the 'loan mela' may serve as a complementing credit marketing platform, particularly in areas where banks already have branches, helping the latter to achieve the objective of increasing lending in local markets.

Responsible Lending and Borrowing

As a tool for marketing and promotion, 'loan melas' inform about bank's intention to lend and the availability of loan products or 'schemes' for distribution. Branches organize the events and ensure publicity in their service area to try and ensure that they have the desired level of footfalls and enquiries on the loan products.

But, the responses indicate that credit sanctions or disbursal of loan amounts are usually not made at the 'loan mela' itself. Lending decisions need greater due diligence, underwriting and documentation before the final approval of a loan. Often, these activities precede a 'loan mela' when customers with already appraised loan application are invited to receive the disbursement and execute the related documents, creating an impression that 'loan melas' speed up the credit process. Also, the loan appraisal activities may succeed the 'loan mela' when the bank staff process the information sourced to arrive at the decision to lend at a later date. In both ways, 'loan melas' do not appear as a quicker route to consummating a lending and borrowing transaction with lower amount of diligence.

Rather, it seems that 'loan melas' are not merely supply side initiatives organized by banks and lenders. They also provide a venue for firming up loan demand where prospective borrowers are able to consider their borrowing decision more carefully. The event enables the lenders to reach out to a potential borrower and play a role in the zero MOT period of the decision process towards taking a loan. The physical setting of 'loan melas' – well publicised events, brochures and pamphlets with information on loan products, bankers available to advice and counsel, congregation of prospective customers, etc. – address information needs of borrowers as well as certain unmet psychological needs, such as lack of confidence due to low level of financial literacy, and hence their dependence on loan providers to hand hold during such decision period.

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'Loan mela', therefore, can be the setting for responsible lending by banks. It provides a platform to the borrowers to articulate and evaluate their borrowing needs, relate to their underlying financial condition and confront their realities, better understand the benefits and cost of taking out a loan at the given terms and rationally arrive at the decision to take a loan. Borrowers can determine whether a loan product is suitable for their requirement and the subsequent commitments required for making timely repayments and maintaining collateral. 'Loan melas' may, thus, prevent reckless borrowing and lending, leading to better quality of asset portfolio in the future periods.

15.6. Concluding Observations

'Loan melas' are events organized out by banks to attract prospective borrowers for availing credit from them. Such events have a historical background to their origin and adoption by banks. Starting with external impetus, 'loan melas' have been adopted by banks as a credit marketing campaign. With a variety of emerging formats, the concept has indeed become a widespread practice in the banking industry. There are, however, concerns that marketing of credit through such means, may vitiate the quality of loan portfolios originated by banks. This study has adopted a qualitative methodology to view and analyse the phenomena of 'loan melas' and examine the basis for such concerns from the perspective of bankers. The responses and observations of the study point out to the contrary. 'Loan melas', while providing very important 'non-branch' connect between prospective borrowers with lenders, also plays a significant role in shaping up the borrowing decision by facilitating information search, query resolution and better evaluation of suitability of the loan to the circumstance of the borrower. They seem to provide outsider influence to flow of bank credit, complement to branch based loaning and setting for responsible lending and borrowing. Thus, 'loan melas' may actually enable growth with better quality of advances.

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ANNEXURE 1

Questionnaire for in-depth interview-

1. What are the main objectives for conducting loan melas?
2. How many times a year these are conducted?
3. What are the factors determining the timing of these melas?
4. Which department sets up the guidelines for conducting loan melas?
5. What is the role of branch, regional office and head office in these melas?
6. How the planning and organizing is done?
7. What are the key characteristics of a loan mela?
8. What are the determinants of location for conducting loan melas?
9. Which products are marketed and what are the criteria for selecting those products?
10. Is it organized by single bank, or multiple banks?
11. What are the objectives for banks to participate in loan melas organized by builders and other associations?
12. What are the main benefits from loan melas for banks' marketing function?
13. What is the customer response to these melas?
14. What is the additional service /advantage that a loan mela provides to customers (when customer can as well do the banking in branches)?
15. What are your suggestions regarding loan melas?

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ANNEXURE 2

Respondents' Profile

S. No.	*Bank*	*Position*	*Status*
1	Union Bank of India	General Manager, Incharge of Transaction Banking Department	Practicing
2	HDFC Bank	Regional Head, Emerging Enterprises Group (ROM and Goa)	Practicing
3	Bank of Baroda	Deputy General Manager , SCOC	Practicing
4	Canara Bank	Assistant General Manager, Zonal Head	Practicing
5	Canara Bank	Assistant General Manager , Specialized Mid- corporate branch	Practicing
6	UCO Bank	Chief Manager, IT and Wealth Management Department, Head Office	Practicing
7	Utkarsh Small Finance Bank	Independent Director	Practicing
8	CSB Bank	Deputy General Manager, Zonal Manager and Head –Pune	Retired
9	Axis Bank	Senior Vice President and Head , Investment Products Group	Retired
10	State Bank of India	Deputy General Manager	Retired
11	HDFC Bank	Senior Vice President, Head - Retail Banking, Maharashtra and Goa Zone	Retired
12	Bank of Baroda	Faculty and Coordinator Director	Retired
13	Punjab National Bank	General Manager	Retired

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