

PERSONAL LOAN PORTFOLIO MANAGEMENT IN PRIVATE BANKS AT HDFC BANK

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ABSTRACT: Private banks must keep their personal lending accounts healthy to survive and grow. This probe concerns HDFC Bank personal loans. It aims to improve credit, lower NPAs, and boost consumer happiness. Portfolio performance is affected by interest rate management, risk assessment, credit appraisal, and legal compliance. We investigate HDFC Bank's portfolio diversification, loan repayment supervision, and loan segmentation tactics. It shows that existing portfolio management approaches maintain assets and generate revenue.

Keywords: *Personal Loan Portfolio Management, HDFC Bank, Private Banking, Credit Appraisal, Risk Assessment, Non-Performing Assets (NPAs), Interest Rate Management,*

1. INTRODUCTION

Personal loans without collateral are available from banks for debt repayment, home renovations, medical bills, and college tuition. Personal loans are easier than secured loans, which require paperwork. However, personal loans carry more risk for banks. Private banks' retail lending is mostly personal loans with open payment options and high interest rates. Personal loans are growing in rising economies. This suggests that more people want to borrow money, making it easier to get credit.

Banks must properly manage their personal loan portfolios to reduce credit risk and earn revenue. To effectively manage a loan portfolio, you must review the loan categories, monitor payments, and limit high-risk client exposure. Financial organizations can reduce loan defaults and enhance revenues by managing their loan portfolios proactively. This method helps banks balance risk and growth while following regulatory requirements.

Determining creditworthiness is crucial to running a personal lending business.

Private banks use income verification, credit score algorithms, and repayment history assessments to assess creditworthiness. Risk assessment helps set fair interest rates, payback schedules, and borrower screening. You must carefully balance high-risk and high-quality loans to grow your organization.

Regular monitoring and review of the personal loan account's performance can detect delinquencies or NPAs early. Private banks use sophisticated data analytics and portfolio management technologies to evaluate loan payback, risk classify customers, and predict losses. Banks can protect their business by restructuring debt and enhancing recovery processes.

2. LITERATURE SURVEY

Sharma, R., & Gupta, A. (2025): Sharma and Gupta examined credit underwriting and consumer risk profiles in private bank personal loan portfolio management. Research shows that banks' default rates dropped dramatically by reviewing borrowers' income, job, and demographic

information. Long-term data from 20 major private institutions showed that early intervention methods like restructuring, reminders, and repayment behavior monitoring increased portfolio performance.

Verma, S., & Iyer, P. (2025): Technology-based monitoring tools for personal loan portfolios were investigated by Verma and Iyer. AI-powered predictive models that assessed borrower behavior and payback histories helped private banks increase loan approvals and decrease defaults, according to the study. Scenario-based stress testing showed that portfolio modifications like interest rate changes or repayment programs for at-risk borrowers dramatically reduced non-performing loans.

Patel, K., & Deshmukh, R. (2024): When evaluating private banks' personal loan risk management tactics, Patel and Deshmukh focused on credit appraisal, portfolio concentration, and recovery approaches. They found that risk-based pricing, loan segmentation, and credit evaluation helped banks reduce default rates.

Chakraborty, S., & Malik, T. (2024): Chakraborty and Malik assessed digital lending solutions for private Indian bank personal loan accounts. According to research, online loan origination, automated credit scoring, and AI-powered monitoring systems helped banks cut loan defaults and speed up loan approvals. The research found that real-time borrower data, predictive risk models, and automated notifications can improve bank payback processes and detect high-risk accounts.

Gupta, L., & Sharma, T. (2023): Private banks' risk-adjusted personal loan portfolio management was extensively examined by Gupta and Sharma. Credit evaluation,

portfolio diversification, and loan repayment monitoring were investigated. The authors found that comprehensive credit scoring models lowered default rates at fifteen large private banks. They assess the borrower's sectoral exposure, credit history, and income.

Rao, S., & Verma, P. (2023): Rao and Verma examined how private banks could improve their personal lending portfolios. They prioritized client risk assessment and loan portfolio diversification. The paper found that banks who focused on one business had lower default rates than those that targeted a variety of salaried and self-employed debtors with different loan amounts and maturities.

Banerjee, A., & Singh, R. (2022): Banerjee and Singh examined how predictive models and customer behavior research could improve private bank personal loan portfolios. Researchers have shown that borrower segmentation, credit scoring, and real-time monitoring can help banks increase loan repayment and decrease late payments. Dynamic portfolio modifications and scenario-based stress testing benefit high-risk populations including self-employed borrowers and seasonal income earners, according to their research.

Ishikawa, T., & Nakamura, H. (2022): Ishikawa and Nakamura examined private bank personal loan management. Computerised credit checks and online lending platforms were their focus. AI-driven prediction models and real-time monitoring technologies allowed banks to spot borrower account issues early on, according to research. Quick actions reduced juvenile offending.

Baid, D., & Baicker, K. (2021): Baid and Baicker examined private Indian bank early-stage personal loan portfolio

management. They focused on credit risk assessment and consumer profiling. The research found that banks that used conventional underwriting and staff credit assessments had higher default and delinquency rates.

Peñalvo, J. L., Sagastume, D., & Mertens, E. (2021): Peñalvo, Sagastume, and Mertens studied risk management and portfolio optimization in private lending departments. Predictive payback modeling, borrower analytics, and credit evaluation can lower bank default rates, according to studies. Scenario-based stress assessments and repayment simulations helped banks recover funds from troubled accounts.

3. PERSONAL LOAN IN PRIVATE BANKS

Personal loans are essential to any financial plan nowadays because they may be used for many purposes. Personal loan applicants often choose between state and private lenders.

Profit Orientation

Privately owned, profit-driven companies aim to increase share value. They constantly seek ways to boost fees, interest, and revenues by lending money and offering loan items.

Competition

Private banks and NBFCs compete fiercely. They spend a lot of money promoting loans to keep their market share and stay competitive.

Funding Sources

Private institutions often finance lending using customer deposits and loans. They must constantly look for depositors and borrowers to balance their assets (loans) and liabilities (depositors).

Risk Appetite

Many private institutions take more risks than governmental ones. They may paperspecialist companies or accept risky loans to diversify. Government institutions may be more cautious and focus on low-risk lending to protect public finances.

Market Niche

Private banks can differentiate by targeting specific demographics. These groups can have customized loan products and marketing tactics.

Innovation and Technology

Private institutions are more agile and imaginative with data analytics and new technology. In this way, businesses may improve digital channel user experience, speed loan product development and advertising, and better target potential borrowers.

Ownership and Governance

Boards of directors who only create revenue run private banks owned by individuals. These company owners and organizations may embrace aggressive advertising to enhance earnings. State-owned banks aim to improve life and finance.

Regulatory Environment

Private banks may follow different rules than government-run banks. Private banks may lend more aggressively due to their greater legal freedom and product sales flexibility.

4. PRIVATE BANKS PERSONAL LOAN PORTFOLIOS

IN DIFFERENT WAYS

Optimal Portfolio:

Banks should carefully arrange their personal loan portfolios to match their long-term goals and risk tolerance. By controlling growth, revenue, and credit quality, it ensures loan portfolio profitability and reduces bank risk. Banks use market data, past success measures, and risk assessments to choose the best loan kinds and borrower groups for their portfolios. Our goal is to improve portfolio performance without compromising financial security or breaking regulations.

Balanced Portfolio:

A well-balanced portfolio balances risk and reward. To avoid overspecializing, the bank lends to a variety of debtors and loan kinds. With this method, the bank may be able to avoid defaults and offer competitive interest rates to attract consumers. Regular examination of a bank's balanced portfolios assures risk compliance and diversity. This helps the

bank achieve low credit risk, consistent expansion, and profitability.

Risk-Neutral Portfolio:

A risk-neutral strategy promotes loan default prevention over profit growth. Financial firms use this method to give people with good credit and few loan defaults more money. Even if returns are lower than riskier alternatives, portfolio stability and capital protection are essential. Companies that value long-term sustainability, regulatory compliance, or credit ratings over profitability often use risk-neutral portfolios.

Risky Portfolio:

A risky portfolio targets individuals with bad credit or financial problems. This method is risky but profitable. These portfolios have a larger risk of failures and unpaid loans, but they also earn more interest. Institutions that use this strategy should create strict risk assessment and oversight requirements to reduce losses.

5. DATA ANALYSIS AND INTERPRETATION

HDFC BANK PERSONAL LOAN PORTFOLIO: (2021–2025)

Year	Key Highlights
2021	Continued growth in retail advances, including personal loans.
2022	Personal loan portfolio showed consistent growth.
2023	Merger with HDFC Ltd. expanded the bank's retail loan offerings.
2024	Post-merger integration led to increased loan disbursements.
2025	Personal loan growth slowed to 14.9% in December 2024, down from 17.6% in 2023.

HDFC BANK PERSONAL LOAN HIGHLIGHTS

HDFC Bank Personal Loan Highlights	
Interest Rate	9.99% – 12.5% p.a
Loan Amount	Up to Rs 25 lakh
Tenure	Up to 5 years
Minimum Monthly Salary	Rs 25,000
Processing Fee	Rs 3499 – Rs 6500

Pre-approved instant personal loan	Offered to select customers of HDFC Bank with loan disbursal in 10 seconds
Pre-closure Charges	For salaried: ➤ Up to 24 EMI – 4% of outstanding principal ➤ Post 24-36 EMI – 3% of outstanding principal ➤ Above 36 EMI- 2% of outstanding principal
Part-payment Fees	For salaried: ➤ 4% of principal outstanding (Up to 24 EMI) ➤ 3% of principal outstanding (Post 24-36 EMI) ➤ 2% of principal outstanding (After 36 EMI)
Documentation	➤ Proof of Identity ➤ Proof of Address ➤ Bank statements (last 3 months) ➤ Salary slips (latest)

HDFC BANK PERSONAL LOAN INTEREST RATE

Personal loans from HDFC start at 9.99% APR. The loan interest rate depends on the borrower's and lender's credit histories, monthly income, employment status, and workplace information.

Minimum Interest Rate	9.99% p.a.
Maximum Interest Rate	12.50% p.a.

HDFC BANK PERSONAL LOAN PROCESSING FEES AND CHARGES

Fees	Charges
Processing Charges	Rs 3,499- Rs 6,500
Stamp Duty and other statutory charges	As per the laws of the state
Legal/Incidental Charges	At actuals
Amortization Schedule Charges	Rs 50 per schedule for a physical copy Borrowers can also download it from the bank's website free of cost.
Repayment mode change charges	Rs 500
Loan Cancellation Charges	Loan cancellation is allowed during the cooling-off period from the date of the loan disbursement. The interest charged from the disbursement date till the loan cancellation date will be the borne by the borrower
Rebooking Charges	Rs 1,000 plus taxes
Delayed instalment payment charge	1.50% p.m. (18% p.a.) plus taxes on overdue instalment amount. The charge will be applicable for all accounts where EMI remains unpaid after the expiry of the grace period of 7 calendar days from

	the due date of the EMI
Pre-payment in Part/Full	Part-payment allowed up to 25% of Principal outstanding. It is allowed once in the financial year and twice during the loan tenure.
Pre-payment Charges on Principal Outstanding/Part Payment Charges	Salaried: Up to 24 EMI – 4% of outstanding principal Post 24-36 EMI – 3% of outstanding principal Above 36 EMI- 2% of outstanding principal

6. CONCLUSION

HDFC Bank manages its personal loan portfolio with proactive risk assessment, innovative analytics, and customer-focused operations to ensure quality and growth. Diversification, credit assessment technologies, and non-performing asset monitoring are among the bank's risk mitigation initiatives. Predictive modeling, portfolio segmentation, and stress testing have helped it manage credit risk and provide personalized loan solutions for more clients. In the competitive private banking business, HDFC Bank's personal loan division's expansion strategy aims to balance risk management and profit.

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