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A STUDY ON THE FUNCTIONING OF HOUSING LOAN DEPARTMENT OF SBI

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ABSTRACT

Home loan is basic requirement of most of the people who wish to buy a house in the city. Almost all the commercial banks give home loans to the customers. SBI is a leading bank in disbursing housing loans to the customers in India. The present paper is a comparative study of various aspects of housing loan facilities of various banks operating in Navi Mumbai with special reference to State Bank of India (SBI). The present paper also focuses on various unique features of housing loan facility like processing fees, insurance, no guarantor etc. provided by SBI to attract more customers and their Debt management policy.

KEYWORDS: Housing loan, Debt Management, processing fees.

INTRODUCTION (SBI)

State Bank of India (SBI) is an Indian multinational, public sector banking and financial services company. It is owned by government of India and has its headquarters in Mumbai, Maharashtra. As of 2016-17,

it had assets of Rs.30.72 trillion (US\$460 billion) and more than 14,000 branches, including 191 foreign offices spread across 36 countries, making it the largest banking and financial services company in India by assets. State Bank of India has 20% market share in deposits and loans among Indian commercial banks. The company is ranked 232nd on the Fortune Global 500 list of the world's biggest corporations as of 2016.

The bank traces its origin in British India, through the Imperial Bank of India in 1806, of the Bank of Calcutta, making it the oldest commercial bank in the Indian subcontinent. Bank of Madras merged into the other two "Presidency Banks" in British India, Bank of Calcutta and Bank of Bombay, to form the Imperial Bank of India, which in turn became the State Bank of India in 1955. The Central Bank of India that is 'Reserve Bank of India' purchased 60% of the stake of Imperial Bank of India and renamed it as the State Bank of India in 1955. In 2008, the government took over the stake held by the Reserve Bank of India.

OBJECTIVES OF THE STUDY

- To gain knowledge of banking structure in India
- To study the organizational structure of SBI
- To understand the process of loan disbursement
- To compare the interest rate of SBI with other banks
- To study the debt management policy of SBI

RESEARCH METHODOLOGY

The research is based on- primary as well as secondary data. Primary data is collected from 100 people. 50 of them were SBI customers who have availed loan facility from SBI and remaining 50 are customers of other bank than SBI who have taken loan from other banks.

Primary data is also collected from various branches of SBI bank in Navi Mumbai

The secondary data is collected from various web sites.



LIMITATIONS OF THE STUDY

This study has following limitations:

1. The data is collected from the customers of Navi Mumbai area of Maharashtra.
2. Only selected branches of SBI has been visited by researcher for collecting information.

HYPOTHESIS

The study has following hypothesis-

1. The rate of Interest on Home loan from SBI is than other banks
2. The customers prefer the housing loan from SBI.

FUNCTIONING OF LOAN DEPARTMENT

The most preferred home loan provider" voted in AWAAZ Consumer Awards along with the most preferred bank award in a survey conducted by TV 18 in association with AC Nielsen-ORG Marg in 21 cities across India.

SBI Home Loans come to you on the solid foundation of trust and transparency built in the tradition of State Bank of India. Best Practices followed in SBI are mentioned below which will prove to you that why it makes sense to do business with State Bank of India.

SBI Home Loans Unique Advantage:

1. **Low Processing Charges:** The processing charges of loan are very low as compare to other banks. Sometime loans are disbursed with zero processing fees.
2. **Low interest rates:** The SBI housing interest rates are lower than other banks.

Table No.1

Rates of Interest on Housing Loan in various banks in the month of March 2017

Name of the Bank	Housing Loan Rate of Interest
SBI	8.65%
HDFC	8.70%
GP PJSB	10.00%
Bank of Maharashtra	8.75%
Bank of India	8.65%
ICICI	8.75%
Punjab National Bank	8.65%
Abhyudaya Co-operative Bank	9.75%

The rate of interest in SBI bank is lower as compare to many banks. The co-operative banks rate of interest is very high in comparison to SBI whereas the rate of interest of HDFC bank is quite similar. Being a government company, SBI has this advantage.

3. Interest on a daily reducing balance: The interest is charged on reducing balance by all the banks. Most of the bank charges interest on monthly reducing balance but SBI interest is charged on daily reducing balance.
4. No hidden costs or administrative charges: No other administrative charges or hidden cost are imposed on customers for processing of loan.
5. Switchover facility available: The customers are given freedom to switchover his loan to other banks at any time.
6. No prepayment penalties: The customers are allowed to pay the principal amount of loan before maturity of loan. No penalties are imposed on prepayments of loan.
7. State Bank Rewards for Home Loan: SBI gives special rewards for home loan.
8. No guarantee required from others: Most of the banks ask for two guarantors from applicant side before sanctioning the loan. The applicant has to bring all the documents from the guarantors and sometime guarantors need to remain present in the bank for submitting the documents. But in SBI, no such guarantors are required. The applicant has to just give the names and contact numbers of two known persons.

DEBT MANAGEMENT

In simple words recovery means to get back our own thing back which we have given it to others. In banks recovery means to get back the amount back which they have given to the customers in the form of loans and advances. The main business of bank is through loans and advances. They accept deposits from the public and lend it to the needed customers in the form of loans and advances and they charge interest plus a certain portion of premium from them and then they provide a certain portion of amount of interest to the customers who had deposited in the bank and the difference of interest is their profit.

The following debt collection practices are normally applied to all debts which have been outstanding for 90days; First reminder letter will be forwarded, requesting payment within 14 days or to contact Council to enter into an arrangement. Where no response is received, second reminder letter will be forwarded requesting payment within 14days or to contact Council to enter into an arrangement. Where no response has been received a letter of demand for payment within 7 days will be forwarded. The letter will state that failure to make payment in full or to enter into an arrangement will result in the commencement of legal action. Where no response has been received, outstanding debt will be forwarded to Council's debt collection agent.

VARIOUS RECOVERY PROCEDURES

State Bank of India adopts various recovery procedures to recover the debt from its defaulters. The various recovery procedures are mentioned below:

DEMAND NOTICE: When a defaulter does not repays loan a demand notice is issued to him that he has to repay his loan with a stipulate time period.

LEGAL NOTICE: When a defaulter does not respond to the demand notice a direct notice is issued to him that if he does not repay the loan action would be taken against him legally and the court notice is issued against him.

TRANSFER TO NPA ACCOUNT: When a defaulter does not respond to respond to any legal notice or he becomes bankrupt the Whole account is transferred to NPA account.

PRECAUTION TO MINIMISE BAD DEBTS:

There are various reasons for default from customers like shortage of income, stoppage of income, increase in expenses or willful default etc. SBI take various factors into account before lending a loan.

- 1. Strict documents checking:** Due care is taken by SBI staff before sanctioning loan to the customers. All the required documents are strictly checked by the bank staff.
- 2. Paper work formalities:** The paper work is very strict in SBI as it is also strict in other banks. But documents required by SBI are more in numbers than other. Strict checking of documents is also done by bank staff.
- 3. Insurance cover:** At the time of getting loan from SBI or even during the repayment period, the customer can avail insurance facility from bank by paying insurance premium. If anything happened to the customer during the repayment period, insurance company will pay rest of the installments.
- 4. Checking of any debt on applicant:** Few other things are also checked by SBI before disbursing loan to the applicants like if the customer has been named as guarantor for loan to others, the defaults of others also need to be cleared before availing loan from SBI.

ANALYSIS OF DATA

Table No. 2
SBI in Comparison to other Banks

Details	Number of Customers	
	Yes	No
Paper work formalities are less	52	48
Loan disbursement period is less	55	45
Processing fees is less	79	21
SBI is better option for availing housing loan than other banks	71	29

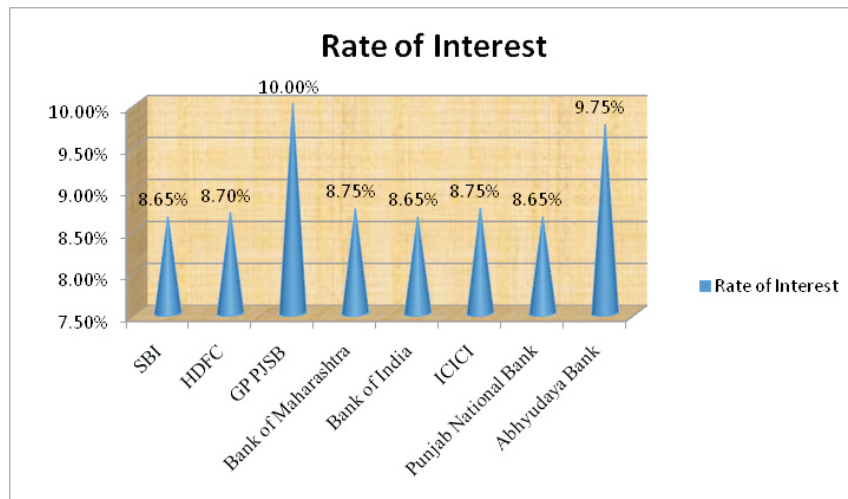
(Source: Questionnaire)

- 52% of the customers think that the paperwork formalities are not so dreadful in SBI than other banks.
- The loan disbursement period is around 10 to 15 days in all banks. If all the required documents are submitted, the applicant may get the loan sanction within two period of time.
- 79% of the customers are saying that the processing fee in SBI is less than other banks.
- 71% customers are of the opinion that SBI is better option for availing housing loan.

TESTING OF HYPOTHESIS

1. The rate of Interest on Home loan from SBI is than other banks:

The rate of interest in SBI is 8.65% which is the lowest as compare to other banks (refer Table No. 1).



Hypothesis one is positively proved.

2. The customers prefer the housing loan from SBI:

The rate of interest in SBI bank is lower as compare to many banks. The co-operative banks rate of interest is very high in comparison to SBI(Refer Table No. 1). 52% of the customers think that the paperwork formalities are not so dreadful in SBI than other banks. The loan disbursement period is around 10 to 15 days in all banks. If all the required documents are submitted, the applicant may get the loan sanction within two period of time. 79% of the customers are saying that the processing fee in SBI is less than other banks. 71% customers are of the opinion that SBI is better option for availing housing loan. (Refer Table No.2). Hence second hypothesis also proved positively.

CONCLUSION:

SBI is a better option for housing loan. Being a government bank, it can offer lowest rate of interest as well as charges lowest processing fees. The customer can apply for housing loan in SBI with proper document in support. If all the required documents are attached, loan can be disbursed to the applicant within fifteen days.

REFERENCES

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