



A Study on Coustomer's Perceptions Towards Housing And Service Offered By Sbi Namakkal Branch

¹ Dr. V Kaarthiekheyam, ² V Sarath kumar

¹ Associate Professor, ² PG Student
Department of Management Sciences

HINDUSTHAN COLLEGE OF ENGINEERING AND TECHNOLOGY COIMBATORE INDIA

Date of Submission: 26-06-2024

Date of Acceptance: 04-07-2024

ABSTRACT: Loans and Advance section of a bank is very important because the success of this department helps to increase its business. If this section does not properly work, the bank itself may become bankrupt. Bank makes loans and advances mostly to traders, businessmen, and industrialists. Although the nature of credit may differ in terms of security requirement, disbursement provision terms and conditions etc. To ensure secured banking works closely with its clients, the regulatory authorities, the shareholders, other banks and financial institutions. This bank recently achieved lots of milestones rather than other banks. The credit administration of this bank works very efficiently where loan documentation is performed by the experienced bankers. Presently the management is focusing on reducing Non-performing loans (NPLs) which is a big step of loan recovery. Apart from these Bank provides other services and some kinds of value added services for the welfare of the people. However, Loan and Advances is the most important asset as well as the primary sources of earning of a bank which help to improve financial health of a bank.

Keywords - Loans, Advance, Credit Disbursement, Charge Documents, Non-performing loans (NPLs), Recovery

I. INTRODUCTION

The term 'loan' refers to the amount borrowed by one person from another. The amount is in the nature of loan and refers to the sum paid to the borrower. Thus, from the view point of borrower, it is 'borrowing' and from the view point of bank, it is 'lending'. Loan may be regarded as 'credit' granted where the money is disbursed and its recovery is made on a later date. It is a debit for a borrower. While granting loans, credit is given for a definite purpose and for a predetermined period. Interest is

charged on the loan at agreed rate and intervals of payment.

'Advance' on the other hand, is a 'credit facility' granted by bank. Banks grant advances largely for short-term purpose, such as purchase of goods traded in and meeting other short-term trading liabilities. There is a sense of debt in loan, where as an advance is a facility being availed of by the borrower.

"Loans and Advances" the topic deals with the financial growth of society's the bank will plays an important role. Public will borrow the loans for various purpose from the banks. By providing loans to the skilled people to build their infrastructure, so that it creates employment opportunities. These loans and advances granted by commercial banks to the highly beneficial to firms and individual, companies for meeting their short term & long term financial needs for their business.

LENDING OF MONEY

The commercial bank lends money in four different ways:

- (a) Direct Loans.
- (b) Cash Credit.
- (c) Overdraft. and
- (d) Discounting of bills.

a) LOANS

Loan is the amount borrowed from bank. The nature of borrowing is that the money is disbursed and recovery is made in installments. While lending money by way of loan, credit is given for a definite purpose and for a pre-determined period. Depending upon the purpose and period of loan, each bank has its own procedure for granting loan.

b) CASH CREDIT

Cash Credit is a flexible system of lending under which the borrower has the option to withdraw the funds as and when required and to the extent of his



needs. Under this arrangement the banker specifies a limit of loan for the customer (known as cash credit limit) up to which the customer is allowed to draw. The cash credit limit is based on the borrower's need and as agreed with the bank.

c) OVERDRAFT

Over draft facility is more or less similar to 'cash credit' facility is the result of an agreement with the bank by which a current account holder is allowed to draw over and above the credit balance in his/her account. It is a short-period facility. This facility is made available to current account holder who operates their account through cheques. The customer is permitted to withdraw the amount of overdraft allowed as and when he/she needs it and to repay it through deposit in the account as and when it is convenient to him/her. Overdraft is generally granted by a bank of the basis of a written request by the customer.

d) DISCOUNTING OF BILLS

Apart from sanctioning loans and advances, discounting of bills of exchange by bank is another way of making funds available to the customers. Bills of exchange are negotiable instruments which enables debtors to discharge their obligations to the creditors. Such bills of exchange arise out of commercial transactions both in inland trade and foreign trade

NATURE AND SECURITY OF LOANS

To ensure the safety of funds lent, the first and most important factor considered by a bank is the capacity of borrowers to repay the amount of loan; the bank therefore, relies primarily on the character, capacity and financial soundness of the borrower. But the bank can hardly afford to take any risk in this regard and hence it also has the security of tangible asset owned by the borrower. In case the borrower fails to repay the loan, the bank can recover the amount by attacking the assets. It can sell the assets offered as a security and realize the amount.

Thus from the view point of security of loans, we can divide the loans into two categories:

- (a) secured, and
- (b) unsecured.

Secured loans

On the other hand, Secured loans are those which are granted against the security of tangible assets, like stock in trade and immovable property. Thus, while granting loan against the security of some assets, a charge is created over the assets of the borrower in favor of bank. This enables the bank to

recover the dues from the customer out of sale proceeds of the assets in case the borrower fails to repay the loan. There are various types of securities which may be offered against loans granted, but all of those are not acceptable to the banks.

The types of securities generally accepted by the bank are the following:

- Tangible assets such as plant and machinery, motor-van, etc
- Documents of title to goods, like Railway Receipt (R/R), Bills of exchange, etc
- Financial securities (Shares and Debentures)
- Life-Insurance Policy
- Real Estates (Land, Building, etc)
- Fixed Deposit Receipt (FDR)
- Gold Ornaments, jewellery etc

Unsecured loans

Unsecured loans are those loans which are not covered by the security of tangible assets. Such loans are granted to firms/institutions against the personal security of the owner, manager or director.

STATEMENT OF THE PROBLEM

- SBI bank want to know about the customer perception about the advance product provide by them to the people.
- To find out that what is the easier way for providing advance product.
- To find out the need of the customer and hence formulate the strategy to level the economy in the society.
- To find out the need of the customer in Bangalore region and introduce new product or facilitate new service in existing product.

OBJECTIVES OF THE STUDY

- To know about the working of the bank
- To study the loans & advances in SBI bank
- To study the loans & advances sanction procedure
- To know the borrowing of the SBI bank
- To know the statutory and other reserve

SCOPE OF THE STUDY

- The scope the study concerned with to the SBI bank
- The present study "Analysis on Loans and Advances" is empirical and description in nature.
- The study title is loans and advances on main branch based on the and information given by the SBI bank



- The study is limited only to SBI bank branch and considered only that branch activities.

LIMITATION OF THE STUDY

The present study has been conducted based on the following limitation

- The current study is limited to Namakkal district
- Time is important limitations. The whole study was conducted in a period of time
- Loans and advances is based on understand easy to calculate. Therefore, there has been tendency to over the agriculture loans detail.

II. REVIEW OF LITERATURE

Ituwe (2017) also asserted that, “a bank’s ability to grant further advances is checked by the available cash in its vault. Customers’ drawings are paid in two ways, either in cash or through bank accounts. Since cheques have to be met in cash in many cases, commercial banks, therefore, have to stock reasonable quantity of cash to meet customers’ demands”. Where a bank grants advances in excess of its cashing ability, the bank soon runs into difficulty in meeting its customers’ cash drawings.

Adedoyin and sobodun (2017) “lending is undoubtedly the heart of banking business. Therefore, its administration requires considerable skill and dexterity on the part of the bank management”. While a bank is irrevocably committed to pay interest on deposits it mobilized from different sources, the ability to articulate loanable avenues where deposit funds could be placed to generate reasonable income; maintain liquidity and ensure safety requires a high degree of pragmatic policy formulation and application. Commercial banking in Nigeria witnessed an era of impressive profitability, characterized by high competition, huge deposits and varied investment opportunities; in an effort to make quick profits the commercial banks relied essentially on self-liquidating loans and diversified their portfolio into less risky investments with safe margin.

Chizea (2018) asserted that “there are certain aspects of fiscal and monetary policies which could affect the decision of the discerning and informed public to patronize the bank and the lending behaviour of commercial banks. Paramount amongst these measures is what could be called the interest rate disincentive. Interest rates have been so low in the

country that they are negative in real terms”. As inflation increased, the purchasing power of money lodged in deposit accounts reduce to the extent that savers per force pay an inflation tax. There is also the fear that the hike in interest rates would increase inflation rates and make a negative impact on the rate of investment

Osayameh (2018) further stressed that, “the major objective of commercial banks’ lending is to maximize profit”. The staggering increase in volume of banks credit in Nigeria in 2005 alone lends credence to this Assertion. In 2005, aggregate banks credit to the domestic economy grew by 30.8% to a staggering increase of N2, 007.4 billion compared with the rate of 22.5 per cent, while credit to the core private sector increased by 29.4 per cent to N1,950 billion(CBN). Management of such resources should therefore transcend the use of traditional techniques based mainly on the use of rule-of-thumb, hunches and experience. The present volume and complexity of transaction in bank lending and credit administration in Nigeria call for the use of scientific techniques like those of management science and operations research to aid their lending and credit administration.

Usman (2018) also supported this position by stating that “a major regulation affecting commercial banks’ lending in Nigeria is the restriction on the amount of interest they are allowed to pay on deposits in an effort to attract additional depositors and the interest they charge on their fund based activities”.

Ojo (2019), in a study on roles and failure of financial intermediation by banks in Nigeria revealed that, “commercial banks can lend on medium and short term basis without necessarily jeopardizing their liquidity. If they must contribute meaningfully to the economic development, the maturity pattern of their loans should be on a long term nature rather than of short term period”.

Oloyede (2019) claimed that “it is generally acknowledged that commercial banking by its nature is highly prone to volatility and fragility – whether arising from exogenous shocks or endogenous policy measures – and therefore, amenable to regulations and supervision”. The forms of regulation vary, but in general, they embrace statutory regulations or rules of behaviour that may be administratively imposed or that can be guided through a market-oriented approach. For instance, a bank is not allowed to grant unsecured credit facilities in excess of one year to any of his officers and employees.



Nwankwo (2019), “credit constitutes the largest single income-earning asset in the portfolio of most banks. This explains why banks spend enormous resources to estimate, monitor and manage credit quality”. This is understandably, a practice that impact greatly on the lending behaviour of banks as large resources are involved.

Chodechai (2020) while investigating factors that affect interest rates, degree of lending volume and collateral setting in the loan decision of banks, says: Banks have to be careful with their pricing decisions as regards to lending as banks cannot charge loan rates that are too low because the revenue from the interest income will not be enough to cover the cost of deposits, general expenses and the loss of revenue from some borrowers that do not pay. Moreover, charging too high loan rates may also create an adverse selection situation and moral hazard problems for the borrowers.

Ezirim (2020), further stressed that “Bank lending decisions generally are fraught with a great deal of risks, which calls for a great deal of caution and tact in this aspect of banking operations. The success of every lending activity to a great extent therefore, hinges on the part of the credit analysts to carry out good credit analysis, presentation, structuring and reporting.

Carletti et al (2020) further stressed that “banks’ lending decisions are also influenced by the past relationship with the borrowers”. Past relationship according to him can help banks to obtain more private information, leading to a more accurate understanding of the borrower’s business and financial situation.

Dhanabhakyaam and Kavitha (2020) Indian financial framework faces a few troublesome difficulties. The choose open segment banks have performed will on the wellsprings of development rate and money related proficiency amid the examination time frame. The old private part banks and the new private segment banks assume a crucial job in showcasing of new kind of stores and advances plans.

Radha Swamy (2021) "Commercial banks deal with other people's money. They have to find ways of keeping their assets liquid so that they could meet the demands of their customers. In this anxiety to make profit, the bank cannot afford to lock up their funds in assets, which are not easily releasable. The

depositor must make to understand that the bank is fully solvent. The depositor's confidence could be secure only if the bank is able to meet the demand for cash promptly and fully. The banker has to keep cash for this purpose. Cash is an idle asset and the bankers cannot afford to keep a large possession of his assets in the form of cash. Cash brings in no income to the bank.

Crosse (2021) "Lending is the essence of commercial banking, and consequently the formulation and implementation of sound policies are among the most important responsibilities of bank directors and management. Well-conceived lending policies and careful lending practices are essential if bank is to perform its credit creating function effectively and minimize the risk inherent in any extension of credit".

Khanal, (2021) "The term loan means the disbursement of amount; direct of indirect guarantee and right to recover the loan against its interest or other charges; refinancing against the collateral given for loan or investment; renew or restructure of loan; and guarantee issued or commitment made for clearance of loan. It also denotes any kind of credit."

Rajiv kumar (2021) In his paper wrote that Banks are the backbone of Indian Financial System co-operative banking has been playing a crucial role in the development of rural economy this paper only focuses on medium & short term rural co-operative banks working in the Haryana which is predominately a rural economy state.

R.Renuka and C. Elamathi (2022) In this study, the performance of the bank has been evaluated in terms of loans disbursement year wise as well as district wise, membership, share capital, total advance, total overdue, present recovery etc. study the progress relating to revival of rural co-operative. In his research paper writes that a co- operative movement plays a major role in development of social and economic environment in India. But, Govt. of India has not provided a good support to the co –operative due to which many problems has been faced by them. Thus, an attempt has been made to elaborate the problems and the relative perspective of co- operative banks in Indian economy.

Anirudha Durafe and Dr. Manmeet Singh (2022) study the Banks capital buffer and business cycle: Evidence for India. The Regression analysis has been applied both to public and private sector banks which shows business cycle is having insignificant impact on the capital buffer but with different signs. The study is based on the management in prices of real



estate particularly residential housing is important to the market economy as well as individual household.

P Geetha Rani (2022) the training credit program since its inception as been becoming both as far as number of understudies who have taken instruction advances for seeking after advanced education and the measure of instruction advances released. Nevertheless, these financing component of higher education don't seem to improve access and value in the advanced education framework as confirm from the National Sample Survey Organization and Bank information. Given this, with primary trust of the article is to perceive why and how to distinguish the limit dimension of credits that should be changed over into awards; for tending to the goals of access and value and for in a roundabout way encouraging instruction advances to focus on the princely and special for cost recuperation. Appropriately the article explains the justification and the component through which advance can be changed over into grants

III. RESEARCH METHODOLOGY

Research Methodology is a systematic way to solve a research problem; It includes various steps that are generally adopted by a researcher in studying the problem along with the logic behind them. Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In it we study the various steps that are generally adopted by a researcher in studying his research problem along with the logic behind them

RESEARCH DESIGN

“A Research Design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with the economy in procedure”. The research design adopted for the studies is descriptive design.

Descriptive Research

The researcher has to describe the present situation in order to know the behavior of the consumers. Hence descriptive research study is used. Descriptive research can only report what has happened and what is happening.

SAMPLING DESIGN

Sampling techniques

The sampling technique adopted for the purpose of the study is convenience sampling. As the name implies a convenience sample means selecting particular units of the universe to constitute a sample

SAMPLING SIZE

A sample size is guaranteed to its temperament of information assortment. Information assortment depends on the essential information is 120 respondents are taken as the example for this investigation

DATA SOURCE

It has two types

1. Primary data
2. Secondary data

Primary data:

Primary data means data which is fresh collected data. Primary data mainly been collected through personal interviews, surveys etc. Primary data collection is the process of gathering data through surveys, interviews, or experiments

Secondary data:

Secondary data means the data that are already available. Generally speaking secondary data is collected by some organizations or agencies which have already been processed when the researcher utilizes secondary data; the process of secondary data collection and analysis is called desk research

STATISTICAL TOOLS USED

The commonly used statistical tools for analysis of collected data are:

1. Simple Percentage analysis
2. Chi-square Analysis
3. Correlation
4. Anova

SIMPLE PERCENTAGE ANALYSIS

This method is used to compare two or more series of data, to describe the relationship or the distribution of two or more series of data. Percentage analysis test is done to find out the percentage of the response of the response of the respondent. In this tool various percentage are identified in the analysis and they are presented by the way of Bar Diagrams in order to have better understanding of the analysis.

$$\text{Simple percentage} = \frac{\text{No. of respondents}}{\text{Total No. of respondents}} \times 100$$



CHI- SQUARE ANALYSIS

Chi-square was done to find out one way analysis between socio demographic variable and various dimensions of the program

$$\chi^2 = \frac{(O - E)^2}{E}$$

where

O – Observed value, E – Expected value

In general the expected frequency for any cell can be calculated from the following equation.

$$E = RT \times CT / N$$

The calculated value of chi-square is compared with the table value of χ^2 given degrees of freedom of a certain specified level of significance. If at the stated level of the calculated value of χ^2 the difference between theory and observation is considered to be significant. Otherwise it is not significant.

CORRELATION

Correlation is computed into what is known as the correlation coefficient, which ranges between -1 to +1. Perfect positive correlation (a correlation coefficient of +1) implies that as one security moves, either up or down, the other security will move in lockstep, in the same direction.

$$r = \frac{\sum XY}{\sqrt{(\sum X^2)(\sum Y^2)}}$$

ANOVA

Appraisal of progress, or ANOVA, is a solid certified method that is utilized to show capability between at any rate two systems or parts through importance tests. It likewise shows us an approach to manage make various appraisals a few groups induces. The Anova test is performed by seeing two sorts of grouping, the variety between the model derives, comparatively as the combination inside the entirety of the models. Under alluded to equation watches out for one way Anova test encounters

$$F = \frac{MST}{MSE}$$

IV. FINDINGS

1. Majority 55.8% of the respondents are male
2. Majority 31.7% of the respondents are in the age group between 25-34 years
3. Majority 30.0% of the respondents are master's degree qualification
4. Majority 30.8% of the respondents are government employees
5. Majority 34.2% of the respondents are earning Rs.15,000 - Rs.20,000.
6. Majority 72.5% of the respondents are applying the loan from a bank.
7. Majority 25.0% of the respondents are applying for personal loan and home loan from the bank
8. Majority 87.5% of the respondents' loan applications are approved from the bank
9. Majority 33.3% of the respondents said insufficient income is the reason for loan application not being approved
10. Majority 32.5% of the respondents said bank offers 10% - 15% interest rate
11. Majority 85.0% of the respondents are never defaulted on a loan payment.
12. Majority 48.3% of the respondents are having financial hardship as the reason for defaulting on the loan payment
13. Majority 40.8% of the respondents are satisfied with the loan application process of the bank.
14. Majority 29.2% of the respondents are satisfied with the loan disbursement process
15. Majority 35.8% of the respondents are satisfied with the customer service provided by the bank.
16. Majority 30.8% of the respondents strongly agree with the loan application process being easy to understand
17. Majority 32.5% of the respondents agree with the bank providing clear information about the loan products
18. Majority 30.8% of the respondents strongly agree with interest rates offered by the bank on loans being competitive
19. Majority 35.8% of the respondents agree with the loan processing time in the bank being reasonable
20. Majority 34.2% of the respondents agree with the bank communicating regularly during the loan application process
21. Majority 30.8% of the respondents agree with the loan disbursement process in the bank being quick and efficient



22. Majority 31.7% of the respondents are agree with loan repayment options provided by bank are flexible
23. Majority 35.8% of the respondents are agree with bank provides regular reminders about upcoming loan payments
24. Majority 85.8% of the respondents are recommend the bank to friend or family member for their loan needs

V. SUGGESTIONS

- Customer awareness program is required so that more people should attract towards advance product.
- If there are any kind of hidden charges than that must disclose to customer before giving loan to them.
- It is the duty of the bank to disclose all the material facts regarding advance product, like interest charged, repayment period, other types of charges, etc.
- The bank should increase the period for repayment of loan.
- SBI bank must focus on Segmentation based on customer knowledge Product offering based on customer demand.
- SBI bank must take feedbacks of customers regarding features & services.
- SBI bank should take steps to solve customer problems immediately.
- Agents should be trained, well educated & proper trained to convince the people about different advance product.
- Loan sanction date should be according to customer convenient.
- A customer awareness program should be taking place in rural area.

VI. CONCLUSION

Above analysis shows that customer satisfaction vary according to the nature of the services and in this case, loans are to be processed faster by extending faster and efficient customer oriented service. They should educate customers about credit facilities in the bank. This will create greater confidence among the interested parties which will help them to choose the most suitable scheme.

The analysis also clearly shows that the information provided by the employees to the customers were good. They should focus more on the neutral customers. The products regarding the loans are also given a huge satisfaction to the customers.

The SBI Bank is able to enjoy appreciable return from loan segment by winning the appreciation of the customers.

BIBLIOGRAPHY

- [1]. Andrew Campbell (2007), "Bank insolvency and the problem of non-performing loans", *Journal of Banking Regulation*, 25-45.
- [2]. KC Shekhar and LekshmyShekhar (2007), 'Banking Theory and Practice', Nineteenth edition, reprint 2007, vikas publishing house Pvt. Ltd.(India), Chapter:16, PP.365- 374.
- [3]. Kamat GG S (1984) "The District of Loans and Advances a view in Perspective" *Indian Cooperative Review New Delhi Vol. II No. 8 Aug.(1984) pp.3-6. 9. Economic survey 2014-2015.*
- [4]. Harish Kumar Singla (2008), "Financial Performance of Banks in India", the ICFAI *Journal of Management*, Vol.7, Issue 1.
- [5]. Srinivasan. R "Priority sector lending: A study of Indian experience", Himalaya publishing House, 1995/1st Edition.
- [6]. Srivastava P. K., *Banking Theory and Practice*, Himalaya Publishing House Pvt. Ltd., Mumbai, Tenth Revised Edition, 2007.
- [7]. Subha Rao, P., "Principles and Practice of Bank Management" Himalaya Publishing House Pvt. Ltd., Mumbai, 1988.
- [8]. Agarwal, B.P.S. (1981). *Commercial Banking in India*. New Delhi: Classical Publication Company.
- [9]. Aacharya, S.C. and Mohanti, A.K. (2006) *Operational Analysis of Regional Rural Banks*, Kalpaz Publications, Delhi.
- [10]. Chandra Kanta, KS, (1998), *Regional Rural Banks in India*, Anmol Publications, New Delhi.

WEBSITES

- a. <https://en.wikipedia.org/wiki/Bank>
- b. <https://www.onlinesbi.sbi/>