

Study of Problem Related to Loan Granting and Recovery on SBI Banks

R. Revathi^{1*}, M. Thinesh Kumar²

¹Student, Department of MBA, Sathyabama University, Chennai, India

²Assistant Professor, Department of MBA, Sathyabama University, Chennai, India

Abstract: This research work was undertaken to assess the Loan granting and its recovery problems on SBI Banks. The research was intended to achieve the following objectives: To find out the several problems facing loan recovery, the effects of loan default on SBI banks and the measures that will be used in reducing the incidence of loan default. Relevant data were collected from both primary and secondary sources. And also, customer's attitude towards loan payment. Questionnaires were the main primary data collection instrument employed while data from various relevant publication constituted the sources of secondary data. Also, before granting loan, they should examine critically the project statement submitted by the customer or borrower which will help them to find out the realistic repayment pattern and also help them in knowing if the projects are realistic based on the customer's past performance.

Keywords: Loan granting, recovery.

1. Introduction

This research work was undertaken to assess the Loan granting and its recovery problems on SBI Bank. The research was intended to achieve the following objectives: To find out the several problems facing loan recovery, the effects of loan default on SBI bank and the measures that will be used in reducing the incidence of loan default. Relevant data were collected from both primary and secondary sources. Questionnaires were the main primary data collection instrument employed while data from various relevant publication constituted the sources of secondary data. Upon the analysis of data, the following conclusions were drawn: That problem of loan default stemmed from the fact that there is unavailability of security to be disposed by banks to realize funds. And also customer's attitude towards loan payment. On the basis of the above findings, it was recommended that SBI bank should use some risk control measures to guide against loan default. Also, before granting loan, they should examine critically the project statement submitted by the customer or borrower which will help them to find out the realistic repayment pattern and also help them in knowing if the projects are realistic based on the customer's past performance.

2. Review of Literature

Aurora and Malhotra (2010) studied the level of customer satisfaction and marketing strategies in both private and public

sector banks in India. But in private banking sector, they found seven factors in total, having staff factors as the top ranked and situational factors as the lowest ranked items. Instead of price factor.

Belay (1998) in his case study at Alemegena District found out a significant positive relationship of livestock ownership and loan repayment performance of farmers. Accordingly, animal production was found to be important source of cash income during sharp fall of crop prices. Also, Bekele (1995) in his Ethiopian case study using logit model revealed that value of total livestock holding has positive impact on loan repayment performance of smallholder farmers.

Neeru Mundrai, Kamni Tandon, Nidhi Malhotra (2011) excel books found that there is significant impact on the SBI's performance due to entry of new private sector banks as the new banks are profit oriented institutions while traditional banks are operating with the shackles of social responsibility towards the society. The other reasons that can be attributed are slow technological up gradation, poor staffing and employment practices which affect long term profitability of public sector banks. The study revealed that profitability of SBI is lower than that of private sector banks even predicting of private sector banks (business per employee) is higher than state banks.

Ravinder Kaur (May 2012): A comparative study of SBI and ICICI Bank, the author has written an International Multidisciplinary Research Journal. Due to globalization, banking sector has developed a lot. The banking sector in India has very large network. One of the popular banks is the State Bank of India.

SBI has over 16,000 branches over a wide range of banking. The main objective of study is to examine the financial performance of SBI and ICICI Bank. SBI is a public sector bank and ICICI bank is a private sector bank. Ratio analysis was applied to analyze and to compare the trends in banking business and financial performance.

Pawankumar Avdhanam and Srinivas Kolluru, Ramkrishne Fonnd, (2013) in their study that state bank group other than SBI home finance has performed better throughout the period of study. Though there was a decline in PAT for the year 2000-01 but then there was continuous rise in PAT. Most public sector banks have performed better over year.

Edwin M. & Fathima S. (2011) conducted a study on the

*Corresponding author: swetharea292@gmail.com

impact of service quality and customer satisfaction in commercial banks. This study shows that there is close link between the customers' perception on the service quality factor and customer satisfaction. It further showed that the impact of the service quality factor on customer satisfaction is unique. It brought the suggestion that bank managers have to formulate appropriate marketing strategies to satisfy their customers.

3. Need for Study

Banks in recent times has failed as a result of loan recovery problems. Loan is the major source of bank profitability. However, in going about their lending activities, banks have their own objectives among which are profitability, growth, safety, suitability and liquidity.

Loan, when not recovered could adversely affect banks. It is easily granted than recovered. It usually needs proficiency i.e., competency and expertise in the recovery process. It sometimes become an uphill task to recover. When they are not recovered, the impact is often disastrous to the bank. It can lead to illiquidity, insolvency and even distress as the case may be.

There is therefore a need for arriving at strategies for efficient loan recovery. That is the peak of the problem.

4. Statement of the Problem

This study is intended to analyze the problems of loan recovery in SBI banks and their poor system of management of loan. The result of this study will be immense important to some of us and even the bankers in particular. Banks will become conscious in their loan disbursement. They have to determine the kind of people that will benefit from the loan disbursement, the type of loan to give the criteria to use in granting loan and the procedures to be used for loan recovery.

5. Objective of the Study

Having known that lending objectives of a SBI bank is to provide growth, profitability and liquidity, and its representing chunk of deposit as a source of income to the bank, the cumulative effect of loan default will be a loss of confidence in the banking system.

- Finding out the several problems facing loan recovery.
- The effects of loan default on SBI banks.
- The measures that will help to reduce the incidence of loan default.

6. Research Methodology

Research is the process of systematic and in-depth study or search for any particular topic, subject or area of investigation, backed by collection, compilation, presentation and interpretation of relevant details or data.

7. Research Process

In research process, the first and foremost step is defining and selecting a research problem. A Researcher should at first find the problem. Then he should formulate it so that it becomes susceptible to research. For a systematic presentation, the

process of research may be classified under three stages- primary stages, secondary stage, and the tertiary stage.

8. Data Collection

- Sample Size: 50 Above
- Population: 100
- Location: Cuddalore
- Target People: Customers perception
- Type of Industry: Banking and financial service Industry

9. Data Analysis and Interpretation

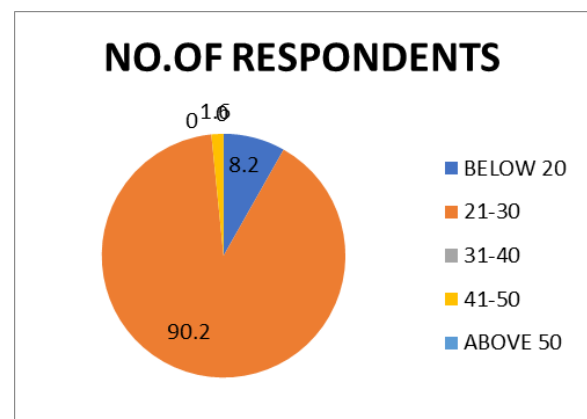
A. Chi-square

Table showing the significant difference between Fastest mode of E-recruitment and Designation.

1. Null Hypothesis (H0) – There is no significant difference between Fastest mode of E-recruitment and Designation.
2. Alternative Hypothesis (H1) – There is significant difference between Fastest mode of E-recruitment and Designation.

Table 1
Age of the response

Particular	No. of Respondent	Percentage of Respondent
Below 20 years	5	8.2
21-30 years	55	90.2
31-40 years	0	0
41-50 years	1	1.6
Above 50 years	0	0
Total	61	100

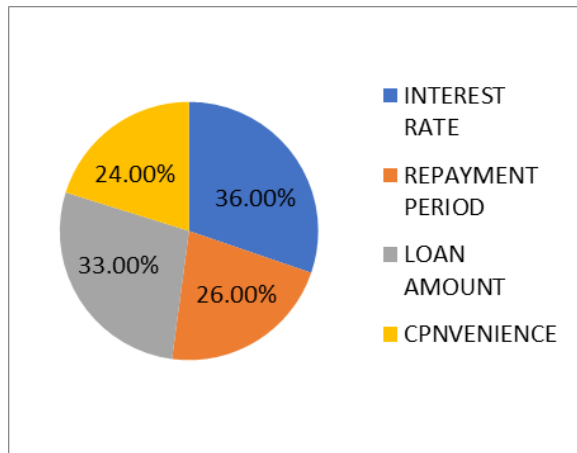


Inference:

90.2% of the respondents in the age category of 21-30 years are majority.

Table 2
How many times do you visit SBI bank?

Particular	No. of respondents	Percentage
Once in a month	21	34.4%
Twice in a month	8	13.1%
Once in a two month	5	8.2%
Once in a while	27	44.3%
Total	61	100

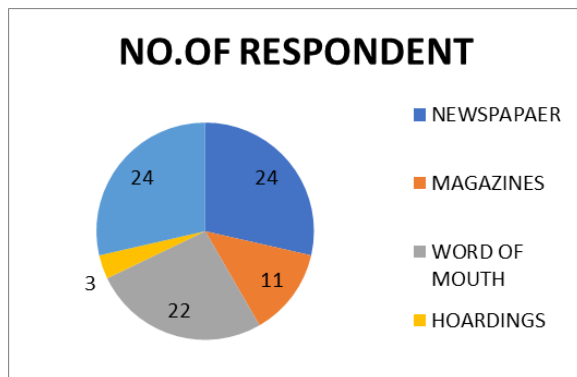


Inference:
44.30% of the respondent have once in a while visiting SBI of the response are majority.

Table 3

From where have you got information about SBI bank

Particular	No. of respondents	Percentage
Newspaper	24	39.3%
Magazines	11	18%
Word of mouth	22	36.1%
Hoardings	3	4.9%
Any other	24	39.3%
Total	61	100



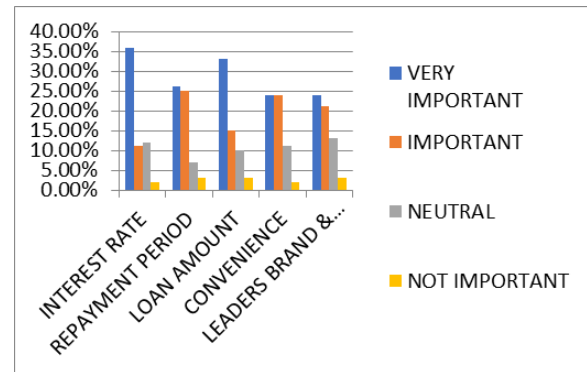
Inference:
24% of the respondent newspaper and any other have got information SBI bank are majority.

Table 4

Most important factor for choosing loan

Particular	No. of respondents	Percentage
Very important	35	57.4%
Important	15	24.5%
Neutral	10	16.4%
Not important	1	1.6%
Total	61	100

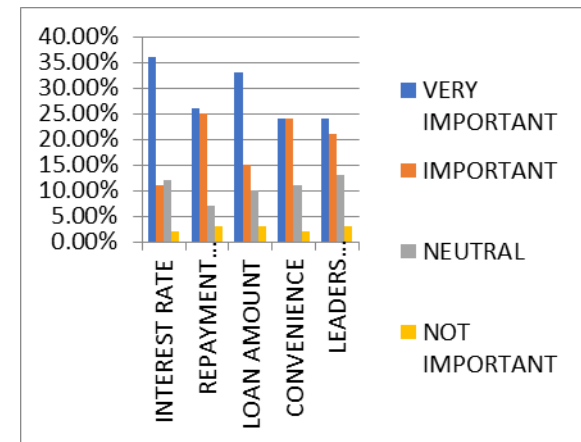
Inference:
57.4% of the respondent are very important factor of choosing loan are majority



10. Statistical Tool Calculation from the Study

1) Aim: To test the relationship between how many times do you visit SBI bank, from where have you got information about SBI.

1. Null Hypothesis (H0) – There is no significant difference between marital status and channel of recruitment to know the job vacancy.
2. Alternative Hypothesis (H1) – There is significant difference between marital status and channel of recruitment to know the job vacancy.



Inference:
57.4% of the respondent are very important factor of choosing loan are majority.

11. Statistical Tool Calculation from the Study

1) Aim: To test the relationship between how many times do you visit SBI bank, from where have you got information about SBI.

1. Null Hypothesis (H0) – There is no significant difference between marital status and channel of recruitment to know the job vacancy.
2. Alternative Hypothesis (H1) – There is significant difference between marital status and channel of recruitment to know the job vacancy.

Crosstabs

Case Processing Summary

	Valid		Cases Missing		Total	
	N	Percent	N	Percent	N	Percent
How_many_times_do_you_visit_SBI_Bank * From_where_have_you_got_information_about_SBI_Bank	61	70.9%	25	29.1%	86	100.0%

How_many_times_do_you_visit_SBI_Bank * From_where_have_you_got_information_about_SBI_Bank Crosstabulation

Expected Count		From_where_have_you_got_information_about_SBI_Bank					Total
		Newspaper	Magazines	Word of Mouth	Hoardings	Any Other	
How_many_times_do_you_visit_SBI_Bank	Once in a Month	8.3	3.8	7.6	1.0	.3	21.0
	Twice in a Month	3.1	1.4	2.9	.4	.1	8.0
	Once in a two month	2.0	.9	1.8	.2	.1	5.0
Total	Once in a while	10.6	4.9	9.7	1.3	.4	27.0
		24.0	11.0	22.0	3.0	1.0	61.0

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	99.237 ^a	12	<.001
Likelihood Ratio	107.666	12	<.001
Linear-by-Linear Association	50.805	1	<.001
N of Valid Cases	61		

a. 16 cells (80.0%) have expected count less than 5. The minimum expected count is .99.

Greater than 0.05 accept null hypos, rejected alternate hypo
 Less than accept after hypo, reject null hypo
 There is no significant relations between variables
 There is significant variable between the variables
 Since the p value is 0.01 it is less than 0.05 so we reject null hypo and accept alternate hypo
 There is significant diff betwo.

Result: Since p value is .001 less than 0.05 then null hypothesis is rejected, alternate is accepted. Hence, there is significant difference between how many times you will visit SBI and where have you got information about SBI bank.

2) **Aim:** To test the relationship between what are the difficulties in borrowing money.

1. Null Hypothesis (H0) – There is no significant difference between Fastest mode of E-recruitment and Designation.
2. Alternative Hypothesis (H1) - There is significant difference between Fastest mode of E-recruitment and Designation.

Oneway

Descriptives

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Credit Card (EMI)	11	1.00	.000	.000	1.00	1.00	1	1
Education loan	17	1.00	.000	.000	1.00	1.00	1	1
Vehicle loan	15	1.93	.258	.067	1.79	2.08	1	2
Personal Loan	18	2.39	.502	.118	2.14	2.64	2	3
Total	61	1.64	.684	.088	1.46	1.81	1	3

ANOVA

What_are_the_difficulties_in_borrowing_money					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	22.854	3	7.618	83.329	<.001
Within Groups	5.211	57	.091		
Total	28.066	60			

PostHoc Tests

Homogeneous Subsets

What_are_the_difficulties_in_borrowing_money				
Which_of_the_following_loan_you_have_taken	N	Subset for alpha = 0.05		
		1	2	3
Credit Card (EMI)	11	1.00		
Education loan	17	1.00		
Vehicle loan	15		1.93	
Personal Loan	18			2.39
Sig.		1.000	1.000	1.000

Means for groups in homogeneous subsets are displayed.
 a. Uses Harmonic Mean Sample Size = 14.708.
 b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

Result: Since p value is less than 0.05 then null hypothesis is rejected, alternate is accepted. Hence, there is significant difference between difficulties in borrowing loan, and what are

the loans you have taken.

12. Suggestion

- This study has a large extent attempted to analyze the loan granting and its recovery problems on SBI banks. The objective was to find out the problems encountered by SBI banks during loan recovery.
- In this regard, the research questions were able to embrace the nature of the loans granted as well as the effect of the default.
- The objective was to find out the problems encountered by commercial banks during loan recovery. In this regard, the research questions were able to embrace the nature of the loans granted as well as the effect of the default. The major causes of these problems as analyzed could be classified into:

1. Adversity
2. Mismanagement

Lending, being a vital function in banking operation is no longer what it used to be. This is because lending entails a lot of risks on the part of the lending banker. The lending policies are no more strictly adhered to.

Issue of loan recovery problems arises when the repayment of the granted loan does not follow as planned and agreed. And if not properly checked, it will have an adverse effect on the operations of the banks and will pose a threat to their expectations.

13. Conclusion

The research is concluded by saying that risk in credit creation through loan granting cannot be completely wiped out because of the futuristic nature of loan repayment schedule. Most of the loans granted by SBI Banks do not get repaid and turn out to be bad debts.

SBI banks should monitor its outstanding loans in order to identify promptly loans which a borrower fails to repay as scheduled. Banks should use some of the risk control procedures to guide against losses. This is convenient which is a written agreement whereby the borrower commits himself of providing specific financial statement at specific intervals during the life of the loan.

References

- [1] Bekele, T. (1995). Rural credit in Ethiopia; Ethiopian Agricultural Problems of Transformation Proceedings of the Fourth Annual Conference on the Ethiopian Economy. Addis Ababa, Ethiopia.
- [2] Belay K. (1998). Agricultural Credit and Factors Impeding Loan Repayment Performance of Smallholders in West Shoa. Unpublished M.Sc. Thesis, Alemaya University.
- [3] Diribsa, D. (2010). Determinants of Mmbers Loan Repayment in Ambo Farmers' Cooperative Union, West Shoa Zone, Oromia national regional state M.A thesis (unpublished), Ambo University.
- [4] Chakrabarty, K. C. (2011, June 17). Deputy Governor, RBI at ASSOCHAM's National Banking Conclave, New Delhi.
- [5] Patel, A., & Bhandari, K. (2017). A study on education loan from students' perspective.
- [6] Adekanye F. (1987). Banks and Nigerian Economy. Nigeria Institute of Bankers Publication.
- [7] Adekanye F. (1983). A Practical Guide to Bank Borrowing F and A Publishes, Lagos.

- [8] Agada, Simeon and Oliakah, Chibisi (1993). Distressed Banks Face Huge Withdrawals, *Business Times*, Vol. 18 No. 24, June 14, 1993.
- [9] Asuzu C.C.N. (2005). *Element of banking for Tertiary Institution*, Second Edition, Onitsha, Nigeria. Adson Educational Publisher.
- [10] Clems J.H. and Dyer I.S. (1979). *Balance Sheets and the Lending Banker Europe*.
- [11] Ebele Ogamba (1999). *Bank Lending and Loan Administrative* Enugu Rhyce Kerex Publisher.
- [12] Ezike, J.E. (2000). *Advance Control and Fund Management* ESUT Business School, Lagos.
- [13] Henderson M.J. (1988). *Banking Operation* D.P. Publication Ltd, London.
- [14] Ike D.N. (1993). *Problems and Prospects of Debts Management* Business Times, Lagos.
- [15] Mather L.C. (1979). *Securities Acceptable to the Lending Bankers* 4th Edition, Water Low Limited, London, U.K.
- [16] Mc Kingsley J. (1985). *Problem Loan Strategy*, Philadelphia Robert Moris Association.
- [17] Ojo A.T. and Adewumi W. (1982). *Banking and Finance in Nigeria*, Graham Burn, Leighton Buzzard, U.K.
- [18] Omobala (1986). *Principles and Practices in bank Lending*.