

## A STUDY ON ISSUES OF HOUSING LOANS OF SBI

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### ABSTRACT:

This study delves into the critical issues surrounding housing loans offered by the State Bank of India (SBI) over the period from 2018 to 2020. The housing loan sector is a cornerstone of the financial industry, facilitating home ownership for millions. However, it is not immune to challenges, and understanding these challenges is crucial for both policymakers and financial institutions.

Using a mixed-methods approach, this study examines the multifaceted issues affecting SBI's housing loans during the specified timeframe. Quantitative analysis involves scrutinizing loan approval rates, default rates, and trends in loan disbursement. Qualitative analysis comprises interviews and surveys conducted among SBI loan officers, borrowers, and industry experts.

The findings reveal several key issues. Firstly, bureaucratic red tape and lengthy approval processes often hinder timely loan disbursement, impacting customer satisfaction and delaying home acquisitions. Secondly, economic fluctuations and interest rate volatility significantly influence borrowers' ability to repay loans, leading to increased default rates during periods of financial instability. Additionally, the study uncovers challenges related to the documentation process, wherein incomplete or inaccurate paperwork prolongs loan processing times and increases administrative burdens for both borrowers and lenders.

Furthermore, the study sheds light on the impact of regulatory changes and government policies on housing loan dynamics. The implementation of new regulations, such as stricter eligibility criteria or changes in down payment requirements, can either facilitate or impede access to housing finance.

Ultimately, this study provides valuable insights for SBI and other financial institutions seeking to enhance their housing loan services. Addressing the identified issues could streamline loan processes, improve risk management strategies, and ultimately contribute to greater financial inclusion and stability in the housing sector.

### INTRODUCTION

The State Bank of India (SBI) stands as a cornerstone in India's financial landscape, serving as a vital conduit for housing finance. Over the years, SBI has played a pivotal role in facilitating home ownership aspirations for millions of Indians through its housing loan products. However, the journey towards affordable and accessible housing finance is not without its challenges. The years 2018 to 2020 witnessed a confluence of economic, regulatory, and operational factors that significantly impacted the housing loan sector, and thereby, the functioning of SBI's housing loan division.

Against this backdrop, this study endeavors to explore and analyze the critical issues that marked SBI's housing loan operations during the period from 2018 to 2020. By delving into the intricacies of these challenges, the study aims to provide actionable insights for policymakers, regulators, and SBI itself to enhance the efficacy and accessibility of housing finance.

The housing loan sector in India is not merely a financial service but a vehicle for socio-economic development, fostering homeownership, wealth accumulation, and social stability. However, several pressing issues have emerged, affecting the smooth functioning of housing loan operations. These issues range from bureaucratic hurdles and regulatory complexities to macroeconomic fluctuations and borrower-specific challenges.

Understanding the nuances of these issues is imperative for SBI, given its pivotal role in the housing finance landscape. As the largest public sector bank in India, SBI's housing loan portfolio holds significant sway over the overall health of the housing finance market. Therefore, a comprehensive analysis of the challenges faced by SBI's housing loan division during the specified period is essential for devising informed strategies to address them.

This study adopts a mixed-methods approach, combining quantitative analysis of loan data with qualitative insights gathered from interviews with SBI loan officers, borrowers, and industry experts. By triangulating data from multiple sources, the study aims to offer a holistic understanding of the issues plaguing SBI's housing loan operations.

In conclusion, this study seeks to contribute to the discourse on housing finance by offering evidence-based recommendations to mitigate the identified challenges. By doing so, it aspires to pave the way for a more efficient, inclusive, and resilient housing loan ecosystem, ultimately fostering sustainable homeownership and socio-economic development in India.

## **NEED OF THE STUDY**

There are no sources in the current document. Every human being wants their ownhouse.

House is a profitable and useful in the future and furnished propulsion to economic development. But the today scenario buying the home is a challenge chore. Because it is a major expenditure. A middle classes family



cannot afford this expenditure. To resolve this activity. Government provides housing finance loan facility for every person at lower.

### LIMITATIONS OF STUDY

- There was limitation of time to conduct such a big survey in limited available time.
- Lack of data was also the other limitation of the study as some of banks do not have proper data on topic.
- To access such many customers was difficult because of non-cooperative attitude of respondents.

The present study has got all the limitations of case study method of data collection.

### REVIEW OF LITERATURE:

- 1) In August 2001 James B. Thomson and Ben R. Craig had studied about the Federal Home Loan Bank Lending to Community Banks, are Targeted Subsidies Necessary? The Gramm-Leach-Bliley Act of 1999 amended the lending authority of the Federal Home Loan Banks to include advances secured by small enterprise loans of community financial institutions. Three possible reasons for the extension of this selective credit subsidy to community banks and thrifts are examined, including the need to: subsidize community depository institutions, stabilize the Federal Home Loan Banks, and address a market failure in rural markets for small enterprise loans.

They empirically investigate whether funding constraints impact the small-business lending decision by rural community banks. Specifically, they estimate two empirical models of small-business lending by community banks. The data reject the hypothesis that access to increased funds will increase the amount of small-business loans made by community banks.

- 2) In December 2006 Fulbag Singh and Reema Sharma had studied about the housing Finance in India. Housing, as one of the three basic needs of life, always remains on the top priority of any person, economy, government and society at large. In India, majority of the population lives in slums and shabby shelters in rural areas. From the last decade, the Government of India has been continuously trying to strengthen the housing sector by introducing various housing loan schemes for rural and urban population. The first attempt in this regard was the National Housing Policy (NHP), which was introduced in 1988. The National Housing Bank (NHB) was set up in 1988 as an apex institution for housing finance and a wholly-owned subsidiary of Reserve Bank of India (RBI). The main objective of the bank is to promote and establish the housing financial institutions in the country as well as to provide refinance facilities to housing finance corporations and scheduled commercial banks. Moreover, for the salaried section, the tax rebates on housing loans have been introduced.

The paper is based on the case study of LIC Housing Finance Ltd., which analyzes region-wise disbursements of individual house loans, their portfolio amounts and the defaults for the last ten years, i.e., from 1995-96 to



2004-05 by working out relevant ratios in terms of percentages and the compound annual growth rates. A relevant chart has also been prepared to highlight the results.

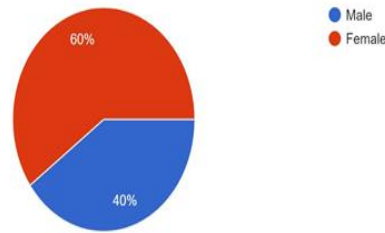
- 3) In May 18, 2007 Michael lacour-Little had studied about the Economic Factors Affecting Home Mortgage Disclosure Act Reporting. The public release of the 2004-2005 Home Mortgage Disclosure Act data raised a number of questions given the increase in the number and percentage of higher-priced home mortgage loans and continued differentials across demographic groups. Here we assess three possible explanations for the observed increase in 2005 over 2004: (1) changes in lender business practices; (2) changes in the risk profile of borrowers; and (3) changes in the yield curve environment. Results suggest that after controlling for the mix of loan types, credit risk factors, and the yield curve, there was no statistically significant increase in reportable volume for loans originated directly by lenders during 2005, though indirect, wholesale originations did significantly increase. Finally, given a model of the factors affecting results for 2004-2005, we predict that 2006 results will continue to show an increase in the percentage of loans that are higher priced when final numbers are released in September 2007.
  
- 4) In may 1991 Stephen F. Borde had studied about the "Is the Savings and Loan Industry Facing Extinction?" This article tells about the Saving and loan crisis. Proposed solutions are discussed in the context of the industry as it currently stands. With a somewhat similar liability structure to that of banks (mainly short-term deposits), the asset structure of S&Ls is quite different. Whereas banks assets consist of short-term loans, S&L assets consist largely of long-term loans, such as home ownership mortgages. Therefore, in the absence of adequate hedging measures, S&Ls are more vulnerable to interest rate risk, which can lead to lower profits when interest rates rise.
  
- 5) In June 29, 2001 Joshua Rosner had studied about the Housing in the New Millennium: A Home Without Equity is Just a Rental with Debt.  
 1990's came from the easing of the credit underwriting process. Such easing includes:
  - a. The drastic reduction of minimum down payment levels from 20% to 0%
  - b. A focused effort to target the "low income" borrower
  - c. The reduction in private mortgage insurance requirements on high loan to value mortgages
  - d. The increasing use of software to streamline the origination process and modify/recast delinquent loans in order to keep them classified as "current"
  - e. Changes in the appraisal process which has led to widespread overappraisal/over-valuation problems

If these trends remain in place, it is likely that the home purchase boom of the past decade will continue unabated. Despite the increasingly more difficult economic environment, it may be possible for lenders to further ease credit standards and more fully exploit less penetrated markets. Recently targeted populations that have historically been denied homeownership opportunities have offered the mortgage industry novel hurdles to overcome. Industry participants in combination with eased regulatory standards and the support of the gses (Government Sponsored Enterprises) have overcome many of them.

**DATA ANALYSIS AND INTERPRETATION**

Q1. Gender

Gender  
50 responses

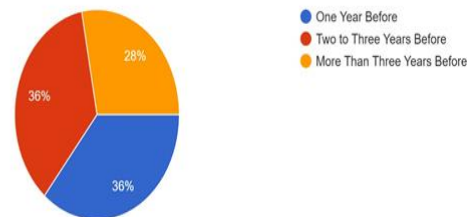


SR. NO.	CLASSIFICATION	NO. OF RESPONDENT	PERCENTAGE
1	Female	30	60%
2	Male	20	40%
	Total	50	100%

INTERPRETATION: From the above chart we find that 60% of respondent are female and 40% of respondent are male.

Q2. When have you taken Home Loan from SBI Bank?

When you have taken Home Loan from SBI Bank?  
50 responses

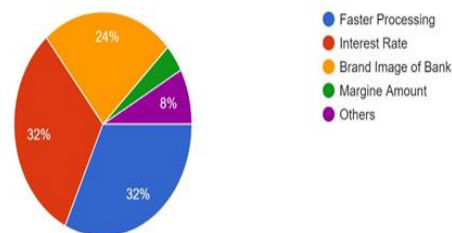


SR. NO.	CATEGORY	NO. OF RESPONDENT	PERCENTAGE
1	1 year before	18	36%
2	2-3 years before	18	36%
3	More than 3 years before	14	28%
	Total	50	100%

INTERPRETATION: From the above chart we can see that 36% of respondent are taken 1 year before home loan, 36% of respondent are taken 2-3 years before home loan, 28% of respondent are taken more than 3 years before home loan.

Q3. Reason for taking home loan from SBI Bank?

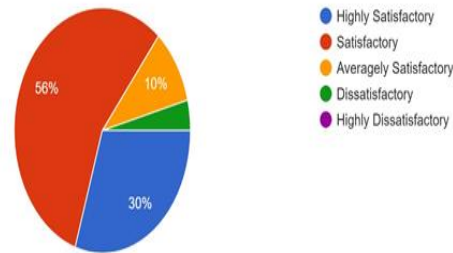
Reason for taking home loan from SBI Bank?  
50 responses



SR.NO	CATEGORY	NO. OF RESPONDENT	PERCENTAGE
1	Faster processing	16	32%
2	Interst rate	16	32%
3	Brand Image of Bank	12	24%
4	Margine amount	2	4%
5	Other	4	8%
	Total	50	100%

INTERPRETATION: From the above chart we can find that 32% of respondent take home loan because of faster processing, 32% because of interest rate, 24% because of brand image of bank, 4% because of margin amount, 8% because of other reasons.

Q4. How do you rate the Interest rates charged by SBI Bank?  
How do you rate the Interest rates charged by SBI Bank?  
50 responses



SR NO	CATEGORY	NO. OF RESPONDENT	PERCENTAGE
1	Highly satisfactory	15	30%
2	Satisfactory	28	56%
3	Averagely satisfactory	5	10%
4	Dissatisfactory	2	4%
5	Highly dissatisfactory	0	0%
	Total	50	100%

INTERPRETAION: From the above chart we can find that the 56% of customers are satisfied with the interest rate charged by SBI bank.

### FINDINGS, SUGGESTIONS AND CONCLUSION

#### FINDINGS:

From this project it is found that SBI advance product having the 1st place in the market at Hyderabad region, there is a great opportunity to compete with ICICI Bank & to retain its customer by fulfilling the requirement of customer in SBI advance product. It has been observed that approximately 85% correspondents are using advance product of SBI and 15% are not using any type of advance product of SBI in

- A response from customer care is so clear & good.
- Many customers have no time to call customer care so that they are not able to know about the service & features of SBI advance product.
- Most customers are shifted from other bank's advance product to SBI because of hidden charges, high interest rate, less repayment period.

#### RECOMMENDATION



- Customer awareness programme 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.
- SBI must take some steps so that customers can get their loan in time. Like phone verification by customer care that one customer is got their loan on time or not. It must be before a certain date so necessary steps can be taken.
- SBI should more concern about physical verification rather than phone verification so it will avoid fraud or cheating.
- Advance product selling agents must not give any type of wrong information regarding advance product.
- For the better service new offers would be require.
- SBI customer care should more concern about the fastest settlement of customer problems.

### **CONCLUSION**

In my study we came to know that many peoples are interested to take a home loan from SBI Bank to construct their homes. Home loans have long period when compared to other personal loans and other loans. So, peoples are confused to take a home loan. The interest rates are low this, peoples are willing to take a loan from SBI Bank. The interest rates are low when compared to other banks. The loan sanction process is fast as compared to other banks. For disbursement process is also it will take low time when compared to other banks.

Finally, the whole research was carried out in a systematic way to reach at exact results. The whole research and findings were based on the objectives. However, the study had some limitations also such as lack of time, lack of data, non-response, reluctant attitude, and illiteracy of respondents, which posed problems in carrying out the research. But proper attention was made to Carry out research in proper way and to make accurate conclusion for the SBI BANK which may be beneficial for banks to enhance their customer base.

### **REFERENCE**

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