

## A STUDY ON CREDIT EVALUATION OF LOANS AND ADVANCES AT SBI BANK, BANGALORE

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**Abstract**—Loans and Advance is the endurance unit of the bank on the grounds that until and except if the achievement of this office is accomplished, the endurance is an inquiry to each bank. In the event that this part doesn't as expected work the bank it might get bankrupt. This is significant in light of the fact that, this is the acquiring unit of the bank. Banks are tolerating stores from their contributors in state of giving revenue to them just as protected keeping their premium. Presently the inquiry may bit by bit emerge how the bank will give revenue to the customers and the basic answer is – Loans and Advance. Credit is persistent cycle. Recuperation of one credit leads to another credit. In this interaction of spinning of assets, bank procures pay as revenue. A bank can put its asset from numerous points of view. Bank makes advances and advances to merchants, money supervisors, and industrialists. Additionally, nature of acknowledge may differentiate the extent that security need; apportioning game plan, terms, and conditions, etc the agents need to recollect that crediting is for the prosperity of the neighbourhood advancing should be composed to productive regions in a manner of speaking.

**Keywords**—Advance, Bank, Credit, Loans, Money Supervisor.

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### INTRODUCTION

The term 'advance' is the sum acquired by one individual from another. The sum is in the idea of advance and alludes to the aggregate paid to the borrower. Hence, from the viewpoint of borrower, it is 'getting' and from the viewpoint of bank, it is 'loaning'. Advance might be viewed as 'credit' conceded where the cash is dispensed, and its recuperation is made on a later date. It is a charge for a borrower. While conceding advances, credit is given for an unequivocal reason and for a foreordained period. Premium is charged on the advance at concurred rate and time periods. 'Advance' then again, is a 'credit office' allowed by bank. Banks's award propels generally for momentary reason, for example, acquisition of merchandise exchanged and meeting other transient exchanging liabilities. There is a feeling of obligation in credit, where as a development is an office being profited of by the borrower. Notwithstanding, similar to credits, propels are likewise too reimbursed. Hence, a credit office repayable in portions over a period is named as advance while a credit office repayable inside one year might be known as advances. Advances and advances conceded by business banks are exceptionally helpful to people, firms, organizations, and modern concerns. The development and expansion of business exercises are influenced generally through bank financing. Advances and advances allowed by banks help in gathering present moment and long-haul monetary requirements of business ventures.

### STATEMENT OF THE RESEARCH PROBLEM

- SBI Branch, Bangalore need to think about the client recognition about the development item given by them to the general population.
- To discover that what is the least demanding rout for giving development item.
- To discover the need of the client and subsequently figure the methodology to level the economy in the public.

## **REVIEW OF LITERATURE**

- **Mishkin (2017):** analysed point out the money related transmission instruments incorporate the financing cost channel, the swapping scale channel the benefit value channel and the credit channel. The loan fee channel is the essential money related transmission in the traditional microeconomics model, per example, IS-LM model. Those models hold that fiscal arrangement works through the risk side of bank balance sheet given some level of value stickiness, an adjustment in cash.
- **Karthikeyan K (2011):** an investigation of booked business banks in india for the time of 10 years with the reason to examine the size of NPAs, viability of NPA administration and the view of branch supervisors in regard to administration of NPAs. Factual procedures like compound development rates, averages, correlation, and component examination have been utilised for the study.
- **Bhaskaran and Josh (2000):** presumed that the recuperation execution of co-agent credit establishments proceeds to inadmissible this adds to the development of NPA even after the presentation of prudential regulation. They proposed authoritative and approach remedies to make co-agent credit establishments more effective, beneficial, and productive association tuned in to focused business managing an account.
- **Dutta and Basak (2008):** recommended that co-agent banks ought to enhance their recuperation execution, embrace new arrangements of automated observing of advances, actualise legitimate prudential standards and sort out consistent workshops to support in the focused savings money environment.
- **Krishna (2003):** considered in their examination paper, “Execution of Regional Rural Banks in Karnataka. An application of principal components and Discrimination function Analysis” attempted to distinguish the critical separation qualities of the two recognized gathering of Regional Rural banks in the condition of Karnataka. They reasoned that the quantity of workers per branch had most extreme separating energy to the degree of 55%, trailed by measure of borrowings (18%), credit store proportion (14%) and pay to use proportion (13%).

## **RESEARCH METHADODOLOGY**

### **Scope of the study**

- The study is about customer satisfaction.
- The study gives details about various loans and advances and interest rates.
- By knowing about study of research the bank will come to know about current position and future plans.

### **Research Objectives**

- To determine the extent of loan and advances they are granted to examine the bank execution in the matter of credit.
- To analyse the loans and advances recovered and to study the rules of governing the process of granting a loan.

### **Framing of Research Hypotheses**

In the present study the researcher formulated and tested the following hypothesis.

H<sub>0</sub>: There is no difference in loan service provided by SBI between customers.

H<sub>1</sub>: There is difference in loan provided by SBI and other banks.

H<sub>0</sub>: There is no difference in satisfaction level of customers in SBI bank.

H<sub>1</sub>: There is difference in satisfaction level of customers in SBI and another bank.

H<sub>0</sub>: There is no gap in customer’s expectation and services provided by SBI.

H<sub>1</sub>: There is gap in customer’s expectation and services provided by SBI and another bank.

The following hypothesis is tested using ANOVA single factor.

**H<sub>0</sub> Null Hypothesis:** There is no difference in loan service provided by SBI between customers.

**H<sub>1</sub> Alternative Hypothesis:** There is difference in loan provided by SBI and other banks.

### **Research Design**

Here the information is gathered from both primary source and secondary sources.

- **Primary Data** – This is a type of unique information source; the data is directly collected by the specialists of bank authorities for explicit reason or venture.
- **Secondary Data** – In this type, the data is collected from other than the primary data source where the information is collected from yearly reports and cost sheet etc. Where in other words the data is collected from data journals, published materials, balance sheets and records.

**ANOVA Single Factor – Loan Service**

Source of Variation	SS	Df	MS	F	F crit	Result
Between Groups	6.05E+12	3	2.02E+12	4.78	2.86*	Significant
Within Groups	1.52E+13	36	4.21E+11			
Total	2.12E+13	39				

\* Significant at 5 % level

It is clear from the table there is a significant difference in the service by SBI and Other bank under study because the calculated value of F is higher than the critical value of F. So, the null hypothesis is rejected, and alternative hypothesis is accepted. Hence, there is significant difference in service of banks under study.

**H<sub>0</sub> Null Hypothesis:** There is no difference in satisfaction level of customers in SBI bank.

**H<sub>1</sub> Alternative Hypothesis:** There is difference in satisfaction level of customers in SBI and another bank.

**ANOVA Single Factor – Satisfaction level**

Source of Variation	SS	Df	MS	F	F crit	Result
Between Groups	3.12E+11	3	1.03E+11	15.76	2.86*	Significant
Within Groups	2.37E+11	36	6.59E+09			
Total	5.49E+11	39				

\* Significant at 5 % level

It is clear from the table that there is significant difference in the satisfaction level between SBI and other banks under study because the calculated value of F is higher than the critical value of F. So, the null hypothesis is rejected, and alternative hypothesis is accepted. Hence, there is significant difference in satisfaction under study.

**H<sub>0</sub> Null Hypothesis:** There is no gap in customer’s expectation and services provided by SBI.

**H<sub>1</sub> Alternative Hypothesis:** There is gap in customer’s expectation and services provided by SBI and another bank.

**ANOVA Single Factor- Gap in customer’s expectation**

Source of Variation	SS	Df	MS	F	F crit	Result
Between Groups	4.18E+11	3	1.4E+11	4.35	2.87*	Significant
Within Groups	1.15E+12	36	3.2E+10			
Total	1.57E+12	39				

\* Significant at 5 % level

It is clear from the table that there is significant difference in gap of customer expectation and services between SBI and Other banks under study because the calculated value of F is higher than the critical value of F. So, the null hypothesis is

rejected and then the alternative hypothesis is accepted for expectation. Hence, there is significant difference in gap of customers expectation under the study.

## **DATA ON LOANS AND ADVANCES**

### **SBI SARAL PERSONAL LOAN**

Whenever needed the funds are readily available, in the event that an unexpected get away that you plan with your family or pressing finances required for medical treatment etc. SBI Saral - In such situations personal loans are very helpful.

#### **Advantages of personal loan**

Interest rates are low. Further, interest rates are charged based on a day by day diminishing balance. Low processing fees: just 1%-2% of loan amount. There is no administration and hidden costs. Security is not required; minimal documentations is enough. Not required to pay any prepayment penalties. Because of this the interest burden will reduce and by prepaying the loan can utilize the surplus funds optimally (if you repay the loan before 6 months then the loan amount will charge to 1%).

#### **Purpose**

The loan will be granted for any legitimate purpose. The advance will be allowed for authentic reason at all. For instance, for household and outside movement, medical treatment of self or for a family, meeting any monetary obligation, e.g., marriage of son or daughter and settling instructive costs of wards, meeting the edges for buy of advantages.

#### **Eligibility**

Resident Indian of National having ability to reimburse an advance, with the exception of agriculturists.

#### **Loan Amount**

The individual advance point of confinement would be dictated by the salary and reimbursement limit of the candidate. Least Rs.24,000 in metro and urban areas and Rs.10,000 in urban and semi urban areas. Processing fees is 1% of loan amount + GST. Maximum: 12 times Net Monthly Income (Salaried and pensioners). 10 lakhs for overdraft

## **FINDINGS**

- From this project it is found that SBI advance product having the 1<sup>st</sup> place in the market at Bangalore, there is a great opportunity to compete with ICICI Bank & to retain its customer by fulfilling the requirement of customer in SBI advance product.
- In this project it is found that the sanctioning of loans and advances are increased by the bank every year. And it is providing these loans and advances at a low interest rate.
- From this project the deposits of the state bank of India are increasing by every year. It has been located that about 80% correspondents are using advance manufactured from SBI and 20% aren't using any sort of increase made from SBI in Bangalore.
- All of SBI customers are glad with the services supplied by using the financial institution. Many of these clients satisfied with the low hobby price and longer repayment length of the advance product.
- Most of the clients at Bangalore favour to take mortgage from SBI. Approximately 25% of increase product users stated that the service of SBI in advance product is exceptional.
- A reaction from customer care is so clean & appropriate. Many customers have no time to call customer care in order that they are no longer able to understand about the service & functions of SBI develop product.
- Most clients are shifted from different bank's boost product to SBI because of hidden costs, high hobby rate, less reimbursement duration.
- Government employees are extra situation than personal personnel for enhance product. In 2017-18 the SBI is facing the net loss of Rs.6547 crores. The equity shareholders not getting better returns on their capital in the year 2019.

## **RECOMMENDATIONS**

- Purchaser recognition software is needed in order that more people must attract toward strengthen Product.
- If there are any kind of hidden prices than that must disclose to consumer earlier than giving loan to them
- SBI ought to take feedbacks of clients regarding capabilities & services.

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- SBI needs to take some steps, that the customers can get their loan in time. Like mobile phone verification with the aid of client that, one customer is given their phone verification with the aid of client care that one customer is given their mortgage on time or not. It ought to be earlier than a sure date so vital step can be taken.
- SBI need to greater problem about physical verification as opposed to cell phone verification so it will keep away from fraud or cheating.
- Before deducting or charging any financial rate here SBI must have to discuss with their customer.
- The bank must growth the period for repayment of mortgage.
- SBI need to give awareness on the segmentation based that customer know-how Product imparting primarily is based on the customer demand.

## **CONCLUSION**

From the analysis component it is able to be finish that the clients have an amazing reply toward SBI increase merchandise. SBI is in 1st function having massive wide variety of customers and offering right offerings to them. The bank has a wide client base, so the financial institution has to concentrate on this to preserve those customers. In gift situation SBI is the largest advance product issuer in India. Within a totally short period of time the fulfilment made by using SBI is super, what a everyday financial institution can't expect, but it's miles being carried out through SBI. It occurs due to employee determination closer to the organization, quickest growing Indian economy, and brand photograph. It came to know about the total process of disbursing a commercial loan and all its related aspects and the various types of loans available under the roof of SBI. However, the bank is seen to be taking lot of initiative in attracting customers, helping them financially and provide expert support as and when required to its nearby business units to either setup or expand its operations.

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