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Non Performing Assets in Housing loan segment

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I. INTRODUCTION

Banking sector successfully operates on the cycle of cash inflow and cash outfow. Any disturbance in this cycle may affect working of this sector. The major role of bank is to extend credit. Simultaneously it also has to successfully recover back the credit which is extended. In some cases the lender may have some doubts of recovery or there might be default on the part of the borrower regarding payment of installments continuously for a period of 90 days. Such doubtful of recovery or actual default is called as NPA.NPAs have direct impact on profitability and credibility of banks. NPAs are one of the unavoidable problems of any bank. Non-performing assets (NPAs) are those assets which do not earn interest income along with default in repayment of loan to bank as per the repayment schedule affecting income of the bank with the subsequent impact on the profitability. The non- performing assets ceases to generate interest but at the same time require banks to make provision for such non- performing assets out of their current profit further eroding their current profits.The term Non-Performing Assets was featured in the Indian banking sector after introduction of financial sector reforms in 1992 along with implementation of prudential norms on income recognition, assets classification and provisioning as per the recommendation of the committee on the Narsimham Committee. The stability and sound health of the banking system hence is necessary for overall economic development and financial stability. The Non-Performing Assets (NPA) is an important indicator to find out the financial health of the banking sector. NPAs affect the operational efficiency, which in turn affects profitability, liquidity and solvency position of banks **(Michael, *et al*, 2006).** The consequences of NPAs would be reduction in interest income, high level of provisioning, stress on profitability, gradual decline in ability to meet steady increase in cost, increased pressure on net interest margin (NIM) thereby reducing competitiveness, steady erosion of capital resources and increased difficulty in augmenting capital resources **(Batra, 2003).** The asset quality problems could be contagious, insidious and they prey on the weak. NPAs generate a vicious cycle of effects on the sustainability and growth of the banking system, and if not managed properly could lead to bank failures. Empirical evidence indicates a relationship between bank failures and higher NPAs worldwide **(Chijoriga, 2000 and Dash, *et al*, 2010).** In the Indian context also empirical research suggests that asset quality is one of the main determining factors of credit, besides time deposits and lending interest rate **(RBI, RCF, 2006-08).** In the period immediately following the global financial crisis, when asset quality of banks in most advanced and emerging economies was impaired, the asset quality of Indian banks was largely maintained **(RBI, AR, 2011-12).** Nevertheless, in the recent years, particularly since 2012, concerns regarding impairment in asset quality of Indian banks have come to the fore.*NPA is a "termite" for the banking sector****(Nilanjan Ray,2014).*** The present study is concerned with the study of nonperforming assets of State Bank of India in the housing loan segment particularly in Mumbai and NaviMumbai. The dimension and character of this study is largely influenced by study of socio-economic profiles of both defaulters and nondefaulters of the bank as well as credity policy followed by State Bank of India in the discharge and delivery of credit etc.

II. REVIEW OF LITERATURE

Review of literature is important part of the scientific research. It enables the researcher to understand different aspect of the study or the problems to be investigated. On this background a brief review of literature on Non-Performing Assets is taken in the following pages. A modest attempt is made to review the earlier studies in the arena of housing finances with a focus on NPAs. It is also attempted to identify the aspects covered and gaps **.**The main sources of literature review includes the following:

- Articles and books of the various known authors.

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- Articles related to Non Performing assets published in newspaper.
- Reserve Bank of India publications
- Reserve Bank of India Bulletins.
- Audited financial statements and reports of SBI.
- Reference books related to the research study.
- Related research papers published in various national and international journals.
- Thesis related to the research study.
- Articles by professionals in the field of Banking.

In the context of banking sector, the issue of Nonperforming assets has been studied and keenly observed by plenty of researchers, a synoptic review of the relevant literature on the topic of NPAs has been described as under:

1.RBI Study(1999) explained how the second phase of reform is an improvement in the organisational efficiency of banks and the most critical area in the improvement of profitability of banks in the reduction of NPAs.

2.Berger and Yang(1997)has examined the relationship between problem loan and bank efficiency by employing Granger-Casualty technique which means a statistical hypothesis test for determining whether one time series is useful in forecasting another and found that high level of nonperforming loans act as a burden on banks by increasing expenditure on monitoring,working out and/or selling off these loans and possibly become more diligent in administering the portion of their existing loan portfolio that is currently performing.

3.Gupta(1997) has also concluded in his study that NPAs effect the profitability of banks which further leads to liquidity crunch and slow down in the growth in GDP.

4.Murthy(1998)has also examined that any default in payment by borrowers bring down the returns and reduces effective rate of interest which further reduces the fund recirculation and increases their dependence on external sources thereby increasing the costs.

5.Sudhakar(1998)in his study attempted to analyse the policies adopted by the banks with prime focus on PSBs whose NPA level were considerably high. The policies followed by different banks vary based on the magnitude of the problems faced by them and limitations imposed by the practices they follow. He made an attempt to relate incidence of NPAs to industry, geographical area, scheme of finance sector, etc.

III. RESEARCH METHODOLOGY

A. About the study

The study includes a study of nonperforming assets of public sector banks in the housing loan segment with special reference to State Bank of India particularly in the Mumbai &Navi Mumbai region.The study includes the study of nonperforming loans in the housing loan segment of state bank of India particularly in the Mumbai &Navi Mumbai region by analyzing the profile of defaulters, profile of non defaulters and selected branches taken for study.The study locates the causes for default on the part of the defaulter like low income, loss of job, more dependents in the family etc.It also locates the reasons for non default in case of performing loans and also understands any negligence on the part of banks in sanctioning loans. To locate the causes of default on the part of the borrower and to recommend remedies the researcher undertook the study nonperforming assets in the housing loan segment in Mumbai & Navi Mumbai region.

B. Objectives of the study

The main objectives of the study are as follows:

1)To study the pattern of financing to housing loan segment of State bank of India .

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2)To study the causes of NPA's in housing loan segments.

3)To study the profile of defaulters under housing loan segment.

4)To study the recovery policy and procedure adopted by the SBI during the period of study.

C. Hypothesis

Hypothesis -1

H_0 Defaulters have more earning members in the family.

H_1 Defaulters don't have more earning members in the family.

Hypothesis-2

H_0Defaulters don't have a bigger family size.

H_1 Defaulters have a bigger family size

Hypothesis-3

H_0Defaulters donot have more dependents in the family.

H_1 Defaulters have more dependents in the family

D. Research Methodology

The present study has been pursued with primary as well as secondary data. The primary data was collected on the basis of questionnaire, interviews, discussions and observations of stratified random sample survey of defaulters, non defaulters and branch managers. For the purpose of collection of primary data the respondents are classified as –

a)Defaulters

b)Non defaulters

c)Branch Managers

E. Methods of data collection

To collect the required primary data and secondary data, the following techniques of data collection were used.

Primary sources of Data

Information was collected through the questionnaire,field visits and interviews with the respomdents of defaulters,nondefaulers and branch managers of State bank of India.

Questionnaires:

Three sets of questionnaires were prepared to collect detailed information for research work.Sets of structured questionnaires were prepared for the data collection.These sets of questionnaires were mainly used for collecting information from defaulters,nondefaulters and branch managers of state Bank of India.

Field visits

In addition to above techniques of data collection,field visits were also arrange to visit zonal offices of State Bank of India for Mumbai &Navi Mumbai region and corporate office of State Bank of India to understand their NPA management policies and procedures in the housing loan segment.

Interviews and discussions

Personal interviews and meeting with the Zonal officers, NPA management team and Branch managers was conducted regarding various issues related with housing loan and managent of NPAs of SBI.

Secondary sources of data

Information was collected from reference books,articles,researchpapers,periodicals and newspapers on the same areas.Further the information was collected by visiting various libraries.Thesesourses of literature have enriched the knowledge in this subject.

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F. Limitations of the study

The following are the limitations of the research

a.This research study is related only with State Bank of India.

b.The focus of the study is limited only housing loan segment.Other forms of advances are not taken under study.

c.The findings are based on the information provided by the respondent.

G.Techniques of analysis of data

For analysis and interpretation of data the researcher used different statistical methods and techniques such as a)Tabulation b)Percentage, c)Graphical representation etc.

Researcher also used predictive statistical techniques wherever necessary such as -

1)Mean, weighted average mean etc. statistical technique had been used.

2.'T' test :This test have been used to find out whether the means of two groups are statistically different from each other and to test the statement of hypotheses.

3.Chi-square test:this test is being used to find out whether there is significant association between two variables and to test the statement of hypotheses.

H. Population & Valid sample of branches

Sr. No	Classes of respondents	Total population of branches	No.of sample selection	% of sample selection	No. of sample selection	No. Of Actual responders	% of actual respondents to sample selection	No. of the valid respondents	% of valid respondents to sample selection
1	Greater Mumbai district	195	60	30.77	60	58	96.67	54	60.00
2	Mumbai district	70	30	42.86	30	27	90.00	26	86.67
3	Thane district	91	30	32.97	30	25	83.33	22	73.33
	Total	356	120	33.70	120	110	91.67	102	85.00

I. Findings

The Findings of the research study is extracted from the information collected through questionnaires, observations, interviews and analysis of the research study and have further classified in the following segments.

1. Individual findings

a. Defaulters

b. Non defaulters

2. Comparative findings of Defaulters & Non Defaulters.

3. Findings regarding Credit Policies and NPA management in housing loan segment of the bank taken under study.

Individual findings

The individual findings are the generalized and conceptual information collected from the respondents of the research study.Individual findings are further categorized into:

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A. DEFAULTERS
B. NON DEFAULTERS
A. Defaulters

1. Defaulters fall in the age group 40-46 years.It means defaulters are from middle age groups.
2. 91.2% of the defaulters are males and 2.2% of the defaulters are females. It means majority of the defaulters are males because females enjoy the status second earning member in the family with the financial support of the spouse in India.Further more many banks provide relaxation in interest rates to females as compared to males.
3. 14% of the defaulters are servicemen,49% are Businessmen and 37% are professionals.Thus majority of the defaulters are from business and profession.Salaried employees have much more certain income monthly credited to their bank accounts as compared to business and profession.recovery of EMIs become easy for the bank from salaried employees as compared to business and professionals.
4. 14 % of the defaulters are servicemen.Out of it around 33.33% are government employees and 66.67% are nongovernment employees.Because government employees enjoy more stability of jobs as compared to nongovernment employees.Government employees also enjoy other monetary and nonmonetary privileges as compared to nongovernment employees making them much more financially sound as compared to government employees.
5. 89.4% of the defaulters are single loan account holders and 10.6% of the defaulters are joint loan account holders.Thus a significantpoint to note that majority of defaulters were single loan account holders.Single loan Account holders have to face more financial pressure in repayment of loans as compared to joint loan account holders wherein the financial burden of repayment gets distributed between both the loan account holders.
6. It is observed that 93.8% of the defaulters fall in the income group between Rs 30,001-Rs 60000 and 6.2 % of the defaulters fall in the income group above Rs 60,000.Thus majority of the defaulters are from the income group between Rs 30,001-Rs 60000.It means defaulters fall in middle income group wherein they face a situation of more financial commitments than their income.
7. It is observed that 94.7% of the defaulters were single earners whereas 5.3% of the defaulters were having two earning members in the family.Thus a significant point to note that majority of the defaulters were single earners.It means being single earner will bring limited cash inflow for the family leading to defaulting of their loans.
8. It is observed that defaulters have dependents ranging between 4-10 persons.Thus defaulters have a very high number of dependents .High number of dependents means less earning members in the family leading to less income for the household which is not able to meet the financial needs of the family.Further with limited resources and more expenses to be done there is a mismatch with high imbalance in the financial equation leading to defaulting.
9. Size of the family of the defaulters ranges between 5-11 persons. There were 7.1 percent of the defaulters having a family size of 5, 12.4% of the defaulters having a family size 6, 18.6% of the defaulters having a family size 7, 29.2% of the defaulters having a family size 8, 20.4% of the defaulters having a family size 9, 10.6% of the defaulters having a family size 11 and 1.8% of the defaulters having a family size 12.Thus defaulters had a big family size. Big family size with less income contributes to defaulting on the part of defaulters.
10. It is observed that 88.5% of the defaulter had a total monthly income of Rs30,001-60000 whereas 11.5% of the defaulter had a total monthly income of Rs 60,001-1,00,000.Thus majority of the defaulter had a total monthly income in the range of Rs.30,001-60000.
11. It is observed that the loan amount sanctioned ranges between Rs 19,00,000 –Rs 45,25,000.Thus the loan amount sanctioned is in accordance with the total income of the households.

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12. It is observed that 14.2 % of the defaulter have purchased SBI Maxgain and 85.8% of the defaulters have purchased SBI term loans.Thus majority of the defaulters have purchased SBI term loans.As seen earlier maximum defaulters are in business and profession category,they have purchased SBI term loan as home product.Business and professional class are not eligible for SBI Maxgain home loan product.
13. 64.6% of the defaulters have taken loan from any other sources for the same house and 35.4% of the defaulters do not have any such loan obligation.Thus majority of the defaulters have taken loan from any other sources for the same house apart from their homeloan from SBI increasing the debt burden on the defaulter.Increasing debt burden with limited income have contributed to default on the part of defaulters.
14. It is observed that the loan from any other sources for the same house apart from their home loan ranges within Rs 1,00,000-Rs 3,45,000.Thus 64.6% of the defaulters taken loan from any other sources for the same house ranging within Rs 1,00,000-Rs 3,45,000 increasing extra debt and financial burden with limited resources.
15. 62% of the defaulters have any other loan as liability at the time of taking home loan and 35.4% of the defaulters donot have any such loan obligation.Thus majority of the defaulters have pre-existing liability at the time of taking home loan increasing their chances of default.
16. It is observed that no defaulter have taken home insurance policy.Thus the defaulters taken for study have not taken home insurance policy to cover the home loan defaults.Home Insurance policy is optional policy which is offered by SBI to cover their home loan defaults.Since it is optional % of the defaulters have not opted for such insurance.Thus contributing to insecurity on the part of defaulter in case of default.
17. It was observed that 80.5% of the defaulters were sanctioned loan under the said scheme and 19.5% of the defaulters were not sanctioned loan under teaser scheme.Thus a very significant point to note that majority of the defaulters were sanctioned loan under teaser scheme. Banks follow the practice of sanctioning housing loans at teaser rates i.e. at comparatively lower rates of interest in the first few years, after which rates are reset at higher rates. This practice raises concern as some borrowers may find it difficult to service the loans once the normal interest rate, which is higher than the rate applicable in the initial years, becomes effective. It has been also observed that many banks at the time of initial loan appraisal, do not take into account the repaying capacity of the borrower at normal lending rates.This is one of the major reasons contributing for default.
18. It is observed that 6.2% of the defaulters read the loan documents before signing where as 93.8% of the defaulters donot read the loan documents before signing.Thus a very significant point to note majority of the defaulters donot read the documents before signing and so they are not aware about the terms and conditions of sanction.
19. It is observed 100% of the defaulters agreed that the bank didn't educated them about SARFESAI ACT at the time of sanction of home loan.Thus the bank didnot educated the defaulters about SARFESAI ACT at the time of sanction of home loan. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act(also known as the Sarfaesi Act) is an Indian law .It allows banks and other financial institution to auction residential or commercial properties to recover loans.Since the defaulters are not made aware about this Act,they are not aware about the procedure followed for auction of their properties in case of default.
20. It is observed that all the defaulters agreed that the bank didn't made the defaulters aware of the consequences in case of default in future at the time of sanction of home loan.Thus the bank didn't made the defaulters aware of the consequences in case of default in future at the time of sanction of home loan which is again one of the important right of the borrower.
21. It is observed 56.6% of the defaulters agreed that the bank have pressurized them to accept terms that were obviously not feasible at the time of sanction.43.4% of the defaulters agreed that the bank have

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not pressurized them to accept terms that were obviously not feasible at the time of sanction.Thus majority of the defaulters agreed that the bank have pressurized them to accept terms that were obviously not feasible at the time of sanction .Pressurizing them to accept terms that were obviously not feasible at the time of sanction will create problems for the borrowers in future in repayment of loans leading to bad loans for the bank.

22. 41.6% of the defaulters agreed thatthe bank have fixed realistic repayment schedule keeping in mind actual cash inflow at the time of sanction whereas 58.4% of the defaulters agreed that the bank have not fixed realistic repayment schedule keeping in mind actual cash inflow at the time of sanction.Thus majority of the defaulters agreed that the bank have not fixed realistic repayment schedule keeping in mind actual cash inflow at the time of sanction.Not fixing realistic repayment schedule at the time of sanction will definitely disturb the budget of the borrower and he is more likely to default in the payment of his loans.
23. It is observed that 8.8% of the defaulters intimated the bank about their inability to pay EMIs whereas 91.2% of the defaulters have not intimated the bank about their inability to pay EMIs. Thus majority of the defaulters do not intimate the bank about their inability to pay EMIs.It is normal human tendency not to express inability to pay his loans to the bank.
24. It is observed that 99.1% of the defaulters have defaulted between 12-24 months and 0.9% of the defaulters have defaulted at 48 months.Thus majority of the defaulters have defaulted between 12-24 months of sanctioning the loan.Thus it is observed that the defaulters tend to default within a very short period after taking loans because of the reasons as discussed earlier like teaser loan,no realistic repayment schedule and pressuring the borrower to accept terms which were not obvious at the time of sanction.
25. 72% of the defaulter gave loss of job as the reason,30% gave hike in interest rate and 11% gave other reason as the reason for default.Thus majority of the defaulters gave loss of job and hike in interest rate as the reason for default.
26. It was observed 96.4% of the defaulters were offered moratorium for this period.3.5% of the defaulters were given other offers.Thus majority of the defaulters were given moratorium for the period.
27. It is observed that 92% of the defaulters agreed that the bank was co-operative in rescheduling of loans whereas 8% of the defaulters agreed that the bank was not co-operative in rescheduling of the loans.Thus majority of the defaulters agreed that bank was co-operative in rescheduling of the loans.
28. 94.7% defaulters agreed that the bank made them aware about the recovery procedure whereas 5.3% agreed that bank did not made them aware about the recovery procedure.Thus majority of the defaulters agreed that the bank made them aware about the recovery procedure.But a very important point to be noted,borrowers were made aware about the recovery procedures after default and not at the time of sanction
29. It is observed that 16.8% of the defaulters paid after demand notice no. 3,59.3% of the defaulters paid after legal notice under SARFESAI ACT and 23.9% of the defaulters didn't paid even after demand notice 3 and after legal notice under SARFESAI ACT.Thus majority of the defaulters were able to pay the dues after legal notice under SARFESAI ACT.Thus every borrower has emotional attachment to his house.So any how majority of the defaulters cleared their dues after legal notice under SARFESAI ACT.Defaulters who didn't paid even after demand notice 3 and after legal notice under SARFESAI ACT basically have purchased the said house for investment purposes and that emotional bonding with the said house was missing.
30. It is observed that the house property is seized after 6 months of default.Thus house property was seized after 6 months of default.Seizure of property was applicable to those who didn't paid even after demand notice 3 and after legal notice under SARFESAI ACT.

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31. Defaulters who couldn’t pay their dues even after legal notice under SARFESAI ACT agreed that the bank refunded excess sale proceeds after deducting the total home loan obligation to the defaulter.Thus the bank refunded excess sale proceeds after deducting the total home loan obligation to the defaulter.
32. Defaulter’s perception regarding the step to be taken by the bank in case of home loan defaults was that the bank should follow persuasion through counseling.Actually defaulters were expecting a lighter approach in case of default of home loans.
33. All the defaulters felt bank should follow persuasion through counseling as an option to recover back their dues instead of going for legal measures.

B. NON DEFAULTERS.

1. It is observed that thenon defaulters are drawn from 30-44 age group & 46-56 age group.
2. It is observed that 93.1% of the non defaulters are males and 6.9% of the non defaulters are females.Thus majority of the non defaulters drawn are males.Thus throwing light on the most crucial point that still housing loan is taken primarily by males.To motivate women to apply for housing loan State bank of India offers loan to females at concessional rate of interest.
3. It is observed that 90% of the non defaulters are from Service,5% non defaulters are from business and remaining 5% are from profession.Thus majority of the non defaulters are drawn from service.Thus proving that due to certain and stable income enjoyed by service class helps them to service their debts regularly.
4. It is observed that majority of the salaried non defaulter employee are government employees which is again one of the important reason for nondefaulting.
5. It is observed that 12.9% of the non defaulters were single loan A/c holder & 88% of the non defaulters were joint loan A/c holders.Thus majority of the non defaulters were joint loan a/c holders.The liability gets divided when the loan is jointly taken and helps the borrowers to service their debts regularly without default.
6. It was observed that majority of the joint loan Account holders belonged to the salaried category.The occupation of the co-borrower was service class which further contributes to stability and certainty of income and resulting into less default.
7. It is observed that all the non defaulters belong to income group above Rs 60,000.
8. It is observed that 87.1% of the non defaulters had 2earning members whereas 12.9% of the non defaulters had 1 earning member.Thus majority of the non defaulters had 2 earning members. Thus a significant point to note that majority of the non defaulters were double earners.It means being two earning members in the family which will bring good cash inflow for the family leading to non defaulting of their loans.
9. It is observed that 47.5% of the non defaulters had 2 dependents,30.7% of the non defaulters had 1 dependent & 21.8% of the non defaulters have 3 dependents.Thus majority of the non defaulters have less dependents.A significant point to note that non defaulters have more earning members and less dependents which will contribute to better financial stability of the non defaulter.
10. 39.6% of the non defaulters represented the 3 as the size of the family.42.6% of the non defaulters represented 4 as the size of the family.17.8% of the non defaulters represented 5 as the size of the family.Thus majority of the non defaulters represented 4 as the size of the family. The size of the family of the non defaulters is small leading to better management of finances.
11. It is observed that 87.1% of the non defaulter represented their total monthly household income is above Rs 1,00,000 whereas 12.9% of the non defaulter represented their total monthly household income as between Rs 60,001-1,00,001.Thus majority of the non defaulters represented their total monthly household income as above Rs 1,00,000 which contributes to nondefaulting.

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12. It is observed that 64.4% of the non defaulters opted for 25 years of tenure for housing loan whereas 35.6% of the non defaulters opted for 30 years of tenure for housing loan.Thus it is observed that majority of the non defaulters opted for 25 years of tenure for housing loan.Non defaulters opted for higher tenure of housing loan which will result in low monthly EMIS again contributing to nondefaulting.
13. It is observed that all the non defaulters have not taken any loan for the same house.This means less financial burden and liability resulting in nondefaulting.
14. It is observed that all the non defaulters donot have any other loan as liabilities at the time of this home loan taken from SBI. This means less financial burden and liability resulting in nondefaulting.
15. It is observed that 65.3% of the non defaulters have taken home insurance policy to cover home loan defaults and 34.7% of the non defaulters have not taken home insurance policy to cover home loan defaults.Thus majority of the non defaulters have taken home insurance policy to cover home loan defaults which will act as a security for the bank for the housing loan advances sanctioned by the bank.
16. It is observed that no loans have been sanctioned under TEASOR scheme to the non defaulters. Thus a very significant point to note that majority of the non defaulters were not sanctioned loan under teaser scheme. Banks follow the practice of sanctioning housing loans at teaser rates i.e. at comparatively lower rates of interest in the first few years, after which rates are reset at higher rates. This practice raises concern as some borrowers may find it difficult to service the loans once the normal interest rate, which is higher than the rate applicable in the initial years, becomes effective. It has been also observed that many banks at the time of initial loan appraisal, do not take into account the repaying capacity of the borrower at normal lending rates.This is one of the major reasons contributing for default.
17. It is observed that 65.3% of the non defaulters agreed that they read the documents carefully at the time of sanction whereas 34.7% of the non defaulters agreed that they have not read the documents carefully at the time of sanction.Thus majority of the non defaulters are alert and careful borrowers understanding the terms and conditiond against which the loan is sanctioned.
18. It is observed that all the non defaulters agreed that the bank didn't made them aware about the SARFESAI ACT at the time of sanction.
19. It is observed that all the non defaulters agreed that the bank didn't made them aware about the consequences in case of default in future.
20. It is observed that all the non defaulters agreed that the bank didn't pressurized to accept terms that were obviously not feasible at the time of sanction which is also one of the reason for nondefault.
21. It is observed that all the non defaulters agreed that bank have fixed realistic repayment schedule keeping in mind actual cash inflow at the time of sanction.Fixing realistic repayment schedule at the time of sanction will definitely not disturb the budget of the borrower and he is more likely to service his debts properly.
22. It is observed that age of housing loan is ranging from 25-276 months which means non defaulters have been servicing their debts from a longer period of time.

COMPARATIVE FINDINGS FOR DEFAULTERS AND NON DEFAULTERS

1. It is observed that there is no association between gender and defaulting on the basis of comparative findings of defaulters and nondefaulters.
2. There is a significant association between occupation and default.Compared to Servicemen, defaulters are more in Businessmen and Professionals. This may be because of the certainty and stability of the income which is enjoyed by the servicemen as compared to professionals and business class.
3. There is a significant association between the category of salaried employee and default.It found that more defaulters are found among non government employees as compared to government

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employees.This may be because of the job security enjoyed by the government employees as compared to nongovernment employees.Also government employees enjoy more perquisites and benefits as compared to nongovernment employees.

4. There is a significant association between the status of the housing loan and default.It is found that majority of the defaulters were single loan accountholders. The liability gets divided when the loan is jointly taken and helps the borrowers to service their debts regularly without default which is viceversa in case of single borrowers.
5. There is a significant association between the occupation of the joint loan account holder and default.It is found that majority of the defaulters who had taken a joint loan,the occupation of the co-applicant was business whereas it is found that majority of the non defaulters who had taken a joint loan ,the occupation of the co-applicant was salary.This further confirms that there is a significant association between the occupation of the joint loan account holder and default.
6. There is a significant association between income group and defaulting.It is found that majority of the defaulters were in the income group Rs 30,000-Rs 60,000 whereas majority of the non defaulters were in the income group above Rs 60,000.Thus income is one of the important factor for default.
7. There is a significant association between total household monthly income and defaulting.It is found that majority of the defaulters had total household monthly income of Rs 30,000-60,000 whereas majority of the non defaulters had total monthly income of above Rs 1,00,000.. Thus income is one of the important factor for default.
8. There is a significant association between loan taken from any other source for the same house and defaulting.It is found that majority of the defaulters have taken loan from any other source for the same house whereas non defaulters have not taken any other loan from any other source for the same house.
9. There is a significant association between any other loan as liability and defaulting.It is found that majority of the defaulters have any other loan as liability whereas non defaulters donot have any other loan as liability.
10. There is a significant association between loan sanctioned under teasor loan scheme and defaulting.It is found that majority of the defaulters have been sanctioned loan under teasor loan scheme whereas non defaulters were not sanctioned loan under teasor scheme.Sanctioning loan under teasor scheme is also one of the reason for default.
11. There is a significant association between bank pressurising the terms which were obviously not feasible at the time of sanction and defaulting.It is found that majority of the defaulters agree that the bank pressurised terms which were obviously not feasible at the time of sanction whereas non defaulters agreed that the bank didn’t pressurized for the same.
12. There is a significant association between realistic repayment schedule fixed by the bank and defaulting.It is found that majority of the defaulters agree that the bank has not fixed any realistic repayment schedule whereas non defaulters agree that the bank have fixed realistic repayment schedule.. Fixing realistic repayment schedule at the time of sanction will definitely not disturb the budget of the borrower and he is more likely to service his debts properly.

CREDIT POLICIES AND NPA MANAGEMENT IN HOUSING LOAN SEGMENT OF THE BANK TAKEN UNDER STUDY.(MANAGERS)

1. It is observed that 75% of the home loan applications are received from the salaried class.16% of the home loan applications are received from business class and 9% of the home loan applications are received from professionals.Thus majority of the home loan applications are received from salaried class.
2. It is observed that all the managers give preference in sanctioning home loan to salaried class reflecting their policy decisions because of the stability and certainty of the income which they enjoyed.

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3. It is observed that all the managers give preference in sanctioning home loan to government employees reflecting their policy decisions. This may be because of the job security enjoyed by the government employees as compared to nongovernment employees.Also government employees enjoy more perquisites and benefits as compared to nongovernment employees.
4. It is observed that 51% of the customers opt for SBI Maxgain,25% of the customers opt for SBI home loan(term loan),10% opt for SBI Her ghar and 14% opt for SBI Yuva home loan.Thus majority of the customers opt for SBI Maxgain.
5. It is observed that all the managers agreed upon critically evaluating the documents at the time of sanction reflecting their organizational policy regarding sanction of credit.
6. It is observed that all managers agreed that it is not compulsory for the customers to go for home insurance policy along with home loan to cover home loan defaults at the time of sanction.Home insurance policy act as a security for the borrower for the home loan taken.
7. It is observed that all the managers agreed that the processing time taken by State BANK OF INDIA in sanctioning loan is less than 1 month reflecting their uniform organizational policy regarding credit disbursement.
8. It is observed that all the managers agreed that the total time taken by State BANK OF INDIA in sanctioning loan is less than 1 month reflecting their uniform organizational policy regarding credit disbursement.
9. It is observed that the managers agreed that 10.8% of the customers read the loan documents and mortgage deed before signing at the time of sanction and 89.2% of the customers donot read the loan documents and mortgage deed before signing at the time of sanction which indicates carelessness on the part of borrowers.
10. It is observed that all the managers agreed that the Bank made the customers aware about SARFESAI ACT at the time of sanction reflecting their uniform organizational policy regarding credit disbursement.But both defaulters and non defaulters agreed that they were not made aware of SARFESAI ACT.
11. It is observed that all the managers agreed that the Bank made the customers aware about the consequences they would face in the event of non-payment of EMIs in future at the time of sanction reflecting their uniform organizational policy regarding credit disbursement. But both defaulters and non defaulters agreed that they were not made aware of the same.
12. It is observed that all the managers agreed that it is compulsory for the customers to go for property insurance policy along with home loan at the time of sanction reflecting their uniform organizational policy regarding credit disbursement.
13. It is observed that 23.5% NPAs are in SBI MAXGAIN and 76.5% NPAs are in SBI term loan segment.Thus it is observed that majority of the NPAs are in SBI term loan segment.
14. It is observed that 2.9% of the defaulters belonged to service class,70.6% of the borrowers belonged to business class &26.5% of the defaulters belonged to professionals.Thus it is observed that majority of the defaulters belonged to business class.
15. It is observed that all managers agreed that majority of the service class defaulters are non government employees.
16. It is observed that 3.9% of the defaulters inform the bank on their own about the inability to pay EMIs whereas 96.1% of the defaulters don’t intimate the bank about their inability to pay EMIs.Thus all managers agreed that majority of the defaulters donot intimate the bank about their inability to pay EMIs.

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17. it is observed that 70.6% of the defaulters defaulted on account of loss of job,22.5% of the defaulters defaulted on account of hike in intrerst rate,2% accounted for death of loan account holder and 4.9% were due to some other reasons which accounted for default.
18. It is observed that all the managers agreed they make an attempt to understand the problems of defaulters reflecting their uniform organizational policy regarding credit disbursement
19. It is observed that all the managers agreed that the bank is co-operative in rescheduling of loans after understanding the problems faced by the defaulter reflecting their uniform organizational policy regarding credit disbursement
20. It is observed that all the managers agreed that the bank doesn't immediately seize the house property after missing two or three instalments reflecting their uniform organizational policy regarding credit disbursement.
21. It is observed that all managers agreed that the bank send reminders to the customers after missing one instalment in the form of phone-call,message or e-mail reflecting their uniform organizational policy regarding credit disbursement
22. It is observed that all the managers agreed that the bank sends demand notice to customers after one default asking the customer to pay as soon as possible reflecting their uniform organizational policy regarding credit disbursement
23. It is observed that all the managers agreed that the bank sends legal notice to defaulters when there is no response to mail and demand notice reflecting their uniform organizational policy regarding credit disbursement.
24. It is observed that all the managers agreed that seizure of the property is the last step which the bank exercise in the recovery process reflecting their uniform organizational policy regarding credit disbursement.
25. It is observed that 14.7% of the defaulters pay after demand notice 3,82.4% of the defaulters pay after legal notice under SARFESAI ACT and 2.9% of the defaulters donot respond either to demand notice 3 and legal notice under SARFESAI ACT.Thus majority of the defaulting customers pay their due EMIs after legal notice under SARFESAI ACT.
26. It is observed that all the managers agreed that they do face difficulties in getting possession of the house property for the purpose of auction reflecting their uniform organizational policy regarding credit disbursement.
27. It is observed that all the managers agreed that the bank opts for legal means in getting the possession of the property reflecting their uniform organizational policy regarding credit disbursement
28. It is observed that all the managers agreed that implementation of RBI norms have given a declining trend for NPAs of the bank
29. .It is observed that 92.2% of the defaulters are in upto Rs 30lakhs slab whereas 7.8% of the defaulters fall in above Rs 30 lakhs.Thus majority of the defaulters fall in upto Rs 30 lakhs slab.
30. It is observed that all the managers agreed that professionally they don't feel bad when they have to take decision about the seizure of property.

J. TESTING OF HYPOTHESIS

Hypothesis 1

H_0 Defaulters have more earning members in the family.

H_1 Defaulters don't have more earning members in the family.

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Group Statistics					
	Group	**N**	**Mean**	**Std. Deviation**	**Std. Error Mean**
Q5. Mention the number of earning members in the family.	Defaulter	113	1.05	.225	.021
	Non-Defaulter	101	1.87	.337	.033

Independent Samples Test					
		t-test for Equality of Means			
		t	df	Sig. (2-tailed)	
Q5. Mention the number of earning members in the family.		-20.647	171.540	.000	

The descriptive statistics for each of the two groups (as defined by the grouping variable.) In this example, there are 113 defaulters(N), and they have, on average, 1.05 earning members, with a standard deviation of 0.225. There are 101non defaulters (N), and they have on average 1.87 earning members, with a standard deviation of 0.337. The last column gives the standard error of the mean for each of the two groups.

The inferential statistics is explained below. To see the results of the t-test for the difference in the two means, p-value for the test need to be calculated. The p-value is labeled as “Sig.” in the SPSS output (“Sig.” stands for significance level).The column labeled "t" gives the observed or calculated t value. T value=-20.647. The column labeled "df" gives the degrees of freedom associated with the t test. In table 7.148 df=171.540.The column labeled "Sig. (2-tailed)" gives the two-tailed p value associated with the test.p value=.000. α level: α = .001.

- If $p \leq \alpha$, then reject H_0 and accept alternate hypothesis
- Output of table 7.148= $t(171.540) = -20.647$, $p = .000$, $\alpha = .001$.

Since p< α = .001,it should be taken as quiet significant and we have to reject Null hypothesis(H_0)and accept alternate hypothesis.Hence we accept the alternate hypothesis that defaulters donot have more earning members.

Above analysis shows that the first hypothesis is proved that Defaulters don’t have more earning members.

Hypothesis No.2

H_0 Defaulters don’t have a bigger family size.

H_1 Defaulters have a bigger family size.

T-Test

Group Statistics					
	Group	**N**	**Mean**	**Std. Deviation**	**Std. Error Mean**
Q7. Mention the size of Family.	Defaulter	113	7.82	1.447	.136
	Non-Defaulter	101	3.78	.729	.073

Independent Samples Test			
	t-test for Equality of Means		
	T	**df**	**Sig. (2-tailed)**
Q7. Mention the size of Family.	26.196	169.412	.000

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The descriptive statistics for each of the two groups (as defined by the grouping variable.) In this example, there are 113 defaulters(N), and they have, on average 7.82 family members, with a standard deviation of 1.447. There are 101 non defaulters (N), and they have on average 3.78 family members, with a standard deviation of 0.729 The last column gives the standard error of the mean for each of the two groups.

The inferential statistics is explained below. To see the results of the t-test for the difference in the two means, p-value for the test need to be calculated. The p-value is labeled as "Sig." in the SPSS output ("Sig." stands for significance level).The column labeled "t" gives the observed or calculated t value. t value=-26.196. The column labeled "df" gives the degrees of freedom associated with the t test. The df=169.412.The column labeled "Sig. (2-tailed)" gives the two-tailed p value associated with the test.In table 7.150 ,p value=.000. α level: α = .001.

- If $p \leq \alpha$, then reject H_0 and accept alternate hypothesis
- Output of table 7.150= $t(169.412) = 26.196$, $p = .000$, $\alpha = .001$.

Since p< α = .001,it should be taken as quiet significant and we have to reject Null hypothesis(H_0)and accept alternate hypothesis.Hence we accept the alternate hypothesis that defaulters have a bigger family size.

Above analysis shows that the first hypothesis is proved that hypothesis that defaulters have a bigger family size.

Hypothesis 3

H_0Defaulters donot have more dependents in the family.

H_1 Defaulters have more dependents in the family.

T-Test

Group Statistics					
	Group	**N**	**Mean**	**Std. Deviation**	**Std. Error Mean**
Q6. Mention the number of dependents in the family.	Defaulter	113	6.77	1.427	. 134
	Non-Defaulter	101	1.91	.722	. 072

I
Independent Samples Test

	t-test for Equality of Means		
	T	df	Sig. (2-tailed)
Q6. Mention the number of dependents in the family.	31.912	169.821	.000

The descriptive statistics for each of the two groups (as defined by the grouping variable.) In this example, there are 113 defaulters(N), and they have, on average 6.77dependents, with a standard deviation of 1.427. There are 101 non defaulters (N), and they have on average 1.91 dependents, with a standard deviation of 0.722. The last column gives the standard error of the mean for each of the two groups.

The inferential statistics is explained below. To see the results of the t-test for the difference in the two means, p-value for the test need to be calculated. The p-value is labeled as "Sig." in the SPSS output ("Sig." stands for significance level).The column labeled "t" gives the observed or calculated t value.The t value=-31.912. The column labeled "df" gives the degrees of freedom associated with the t test. The df=169.821.The column labeled "Sig. (2-tailed)" gives the two-tailed p value associated with the test. The p value=.000. α level: α = .001.

- If $p \leq \alpha$, then reject H_0 and accept alternate hypothesis
- Output of table 7.152= $t(169.812) = 31.912$, $p = .000$, $\alpha = .001$.

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Since $p < \alpha = .001$,it should be taken as quiet significant and we have to reject Null hypothesis(H_0)and accept alternate hypothesis. Hence we accept the alternate hypothesis that defaulters have more dependents in the family.

Above analysis shows that the first hypothesis is proved that hypothesis that defaulters have more dependents in the family.

K. CONCLUSIONS AND RECCOMENDATIONS

1. The bank should motivate the borrowers to go for joint loan as compared to single loan,so that the borrower can share the liability with the co-borrrower resulting in less defaults.
2. The bank should take into account the number of earning members in the family,number of dependents,size of the family and total household monthly income and accordingly the loan should be sanctioned.This will justify the loan liability borne by the family.
3. The bank should critically evaluate at the time of sanction whether the loan applicant has taken loan from any other source for the same house.This will help in sanctioning eligible amount of loan to the loan applicant which will result in less default in future.
4. The bank should critically evaluate at the time of sanction whether the loan applicant has taken loan from any other sources.This will help in sanctioning eligible amount of loan by considering the total liability which the applicant can face financially and efficiently service his debts in future which will result in less default in future.
5. There is a need to be extra cautious for the bank while sanctioning loan under teasor scheme because teasor scheme only increases the needed target for the bank but creates problems for the borrowers in future. Banks follow the practice of sanctioning housing loans at teaser rates i.e. at comparatively lower rates of interest in the first few years, after which rates are reset at higher rates. This practice raises concern as some borrowers may find it difficult to service the loans once the normal interest rate, which is higher than the rate applicable in the initial years, becomes effective. It has been also observed that many banks at the time of initial loan appraisal, do not take into account the repaying capacity of the borrower at normal lending rates.This is one of the major reasons contributing for default.
6. The bank should motivate and make the loan applicant aware about the necessity of reading the loan documents before signing.This will help the loan applicants in understanding the terms and conditions and important clauses included in the loan agreement.
7. The bank should educate the borrowers about the SARFESAI Act at the time of sanction. The act allows banks and other financial institution to auction residential or commercial properties to recover loans. This will make the borrowers aware about the procedure which the bank will follow in auctioning their properties in the event of default in future.
8. The bank should make the borrowers aware about the consequences in case of default in future which will help the borrowers in understanding the severity of the situation and take precautionary steps to avoid default.
9. The bank shouldnot pressurize the borrowers to accept terms that were obviously not feasible at the time of sanction which will not create problems for the borrowers in future in repayment of loans leading to bad loans for the bank.
10. The bank should fix realistic repayment schedule keeping in mind actual cash inflow at the time of sanction.Fixing realistic repayment schedule at the time of sanction will definitely not disturb the budget of the borrower and he is not likely to default in the payment of his loansin future.
11. The bank should provide a feel to the borrower wherein the borrower should feel comfortable in discussing his problems and his inability topay EMIs on time.

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12. The bank should provide for more alternative solutions in case of default to the defaulter.Major reasons of default were loss of jobs and hike in interest rates whereas both the reasons were beyond the control of the defaulters.Providing feasible solutions will help the defaulter in repaying the loan much more easier.
13. State bank of India has its own scoring model which is used at the time of sanction.There is a need to strictly follow the scoring models in case of sanction to avoid defaults in future.
14. The bank should motivate females to apply for home loans as they are very less in the total borrowers of the bank.
15. The suggestions include increasing the accountability of branch managers, especially by making it mandatory for them to visit construction sites before sanctioning housing loans.
16. The bank should ensure proper due diligence of proposals, such as physical inspections and increased vigilance.
17. The bank must check encumbrance and title deeds before clearing loans.
18. The banks must try and bring as many properties as possible under the Central Registry of Securitisation Asset Recon-struction and Security Interest of India (CERSAI). This agency has been created by the government to keep the records of all mortgages deals.CERSAI has the potential to mitigate problems faced by banks due to multiple mortgages. All transactions of housing loans should be linked to CERSAI by banks. On its part,CERSAI needs to work out ways and means to incorporate all titles under its net.
19. The bank should strictly follow the guidelines issued by RBI in sanctioning of loans.

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