

A STUDY ON BANK LOAN APPRAISAL MECHANISM OF TMB BANK DURING COVID PERIOD

Submitted in partial fulfillment of the requirements for the award of
Master of Business Administration

by

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Register No. 39410196



SCHOOL OF BUSINESS ADMINISTRATION

SATHYABAMA

INSTITUTE OF SCIENCE AND TECHNOLOGY

(DEEMED TO BE UNIVERSITY)

Accredited with Grade “A” by NAAC | 12B Status by UGC | Approved by AICTE

Jeppiaar Nagar, RAJIV GANDHI SALAI, CHENNAI – 600 119

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BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of **Ms.SHINY MARY HELDT 39410196** who carried out the project entitled “**A STUDY ON BANK LOAN APPRAISAL MECHANISM OF TMB BANK DURING COVID PERIOD**” under my supervision from January 2021 to March 2021.

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DECLARATION

I **SHINY MARY HELDT I (39410196)** here by declare that the Project Reportentitle **A STUDY ON BANK LOAN APPRAISAL MECHANISM OF TMB BANK DURING COVID PERIOD** done by me under the guidance of **Dr. VELUMONI**, MBA. M.Phil, Ph.D is submitted in partial fulfillment of the requirements for the award of **Master of BusinessAdministration degree**.

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ABSTRACT

For TMB Bank to minimize loan losses, it's essential they develop an effective Loan risk management. Loan management starts with the sales and does not stop until the full and final payment has been received. The central bank annual supervision report 2020 indicated high incidence of Loan risk reflected in the rising levels of non-performing loans by the TMB Bank in the covid period. This results in loan losses when ultimately loan recovery flops and also creation of provision for doubt debts thus affecting overall profitability. Therefore, this study aims at assessing the effectiveness of Loan appraisal on loan performance in TMB Bank in Vellore. This study was intended to be of significance to various parties namely the banks management, customers, investors and even the government. This study suffered difficulties due to confidentiality of Loan information but the researcher obtained an introductory letter from the university and assured respondents of confidentiality. Descriptive research design was used. The population comprised of 86 respondents. That is, one Loan manager and one Loan officer from one branch of each of the 43 TMB Bank registered with central bank of Vellore as at this year. A census study was conducted since the target population was small. Data was collected using a self-administered questionnaire through drop and pick later method. The questionnaire was both open and closed ended. Test retest method was used to ensure reliability while piloting was used to check the validity of the research instrument. Data was analyzed using frequencies, percentages and means. Correlation was used to compute the degree of association between variables. The hypothesis were tested using chi square. Data was thereafter presented using tables and pie charts. Loan appraisal was found to be very important in influencing performance of TMB Bank. Findings revealed that lending placed much reliance on use of past information and thus Loan referencing and Loan history were applied more in Loan appraisal. It was recommended that Loan appraisal should be carried out by the technical people who are experienced and competent Loan officers. Use of a multi-variate approach to Loan risk appraisal was also recommended.

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CHAPTER – 1

INTRODUCTION

1.1 INTRODUCTION OF THE STUDY :

A loan is when you receive money from a friend, bank or financial institution in exchange for future repayment of the principal, plus interest. The principal is the amount you borrowed, and the interest is the amount charged for receiving the loan. Since lenders are taking a risk that you may not repay the loan, they have to offset that risk by charging a fee - known as interest. Loans typically are secured or unsecured. A secured loan involves pledging an asset (such as a car, boat or house) as collateral for the loan. If the borrower defaults, or doesn't pay back the loan, the lender takes possession of the asset. An unsecured loan option is preferred, but not as common. If the borrower doesn't pay back the unsecured loan, the lender doesn't have the right to take anything in return.

In finance, a loan is the lending of money by one or more individuals, organizations, or other entities to other individuals, organizations etc. The recipient (i.e., the borrower) incurs a debt and is usually liable to pay interest on that debt until it is repaid as well as to repay the principal amount borrowed. The document evidencing the debt (e.g., a promissory note) will normally specify, among other things, the principal amount of money borrowed, the interest rate the lender is charging, and the date of repayment. A loan entails the reallocation of the subject asset(s) for a period of time, between the lender and the borrower.

The interest provides an incentive for the lender to engage in the loan. In a legal loan, each of these obligations and restrictions is enforced by contract, which can also place the borrower under additional restrictions known as loan covenants. Although this article focuses on monetary loans, in practice, any material object might be lent. Acting as a provider of loans is one of the main activities of financial institutions such as banks

and credit card companies. For other institutions, issuing of debt contracts such as bonds is a typical source of funding. A loan is a type of debt. The borrower needs to repay the lender the sum of money loaned part by part over time in order to clear the debt. Acting as a provider of loans is one of the main tasks for financial institutions. For other institutions, issuing of debt contracts such as bonds is a main source of funding.

1.2 INDUSTRY PROFILE :

In finance, a loan is the lending of money by one or more individuals, organizations, or other entities to other individuals, organizations etc. The recipient (i.e., the borrower) incurs a debt and is usually liable to pay interest on that debt until it is repaid as well as to repay the principal amount borrowed. The document evidencing the debt (e.g., a promissory note) will normally specify, among other things, the principal amount of money borrowed, the interest rate the lender is charging, and the date of repayment. A loan entails the reallocation of the subject asset(s) for a period of time, between the lender and the borrower.

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➤ **The history of Tamilnad Mercantile Bank** dates back to 1921. The idea to establish a bank for the Nadar business community was first proposed at the annual meeting of the NadarMahajanaSangam held at Thoothukudi in 1920. In 1921, A. M. M. SinnamaniNadar, then only 27—took the initiative and played a pivotal role in formation of the bank. A. M. M. SinnamaniNadar also took the initiative to identify other founding members for TMB.

- The bank was originally registered on 11 May 1921, as Nadar Bank Limited under the Indian Companies Act, 1913. M. V. ShanmugavelNadar was elected as the first chairman on 4 November 1921. The bank was opened to the public by T. V. BalagurusamyNadar on 11 November 1921 in Ana Mavanna Building at South Raja Street, Thoothukudi.
- In 1937, Nadar Bank opened a branch in Sri Lanka, but by 1939 it had closed it. By 1947, the bank had only four branches: Thoothukudi, Madurai, Sivakasi and Virudhunagar. The bank opened its first Indian branch outside the state of Tamil Nadu in 1976 at Bengaluru. The first fully computerised branch was opened at WGC Road, Thoothukudi on 9 December 1984. The Bank launched its ATM Card on 11 November 2003.

1.3 BANK PROFILE :

Tamilnad Mercantile Bank Limited (TMB) is a bank headquartered at Thoothukudi, Tamil Nadu, India. TMB was founded in 1921 as the Nadar Bank, but changed its name to Tamilnad Mercantile Bank in November 1962 to widen its appeal beyond the Nadar community. For the financial year 2018–2019, the bank reported a net profit of 2585 million. The bank currently has 509 full branches throughout India, 12 Regional offices and eleven Extension Counters, six central processing Centres, one Service Branch, four Currency Chests, 19 eLobbycentres and 1094 Automated Teller Machines (ATM). The bank has been expanding its footprint all over India.

TMB was rated as the fastest growing Private Sector Bank continuously for the five years from 2010 to 2015. It was also rated as the Best Bank in the years august 2020, 2020 and 2015, due to its robust growth. During the years of 2018 and 2019 it did total business of 616 billion rupees. The bank's planned outlay for the financial year is to reach business worth 600 billion rupees, add an additional 24 branches, and increase its

ATMs to 1150. The bank has won the Lokmat BFSI Best Private Sector Bank 2020-15 award.



TMB new logo

Type	Private
Industry	Banking and Financial Services
Founded	11 May 1921; 99 years ago
Headquarters	Thoothukudi, Tamil Nadu, India
Number of locations	509
Area served	Worldwide
Key people	K. V. Rama Moorthy (MD & CEO)[2]

Products :

- Credit cards
- Consumer banking
- Corporate banking
- Finance and Insurance
- Mortgage loans
- Private banking
- Wealth management

Revenue Increase	□ 3,992.52 crore (US\$560 million) (2020)
Operating income Increase	□ 995.05 crore (US\$140 million) (2020)

Net income Increase □ 407.69 crore (US\$57 million) (2020)
Total assets Increase □ 42,758.79 crore (US\$6.0 billion)
(2020)Capital ratio 16.17% (2019)
Website www.tmb.in

Documents Required for Loan

➤ For Salaried Individuals

- Proof of Residence - Any one of Ration Card / Telephone Bill / Electricity Bill / Voters Card.
- Proof of Identity - Any one of Voters Card / Aadhaar Card/ Drivers License / Employers Card.
- Latest Bank Statement / Passbook (where salary / income is credited for past 6 months).
- Latest 6 Months Salary Slip with all deductions and last 2 years Form 16.
- Copies of all Property Documents.

➤ For Self-Employed Individuals

- Certified Financial Statement for the last two years.
- Proof of Residence - Any one of Ration Card / Telephone Bill / Electricity Bill / Voters Card.
- Proof of Identity - Any one of Voters Card / Aadhaar Card/ Drivers License / Employers Card.
- Latest Bank Statement / Passbook (where salary / income is credited for past 6 months).
- Copies of all Property Documents

➤ **Documents Required for a Personal Loan**

The following documents are required along with your Personal Loan application:

- Identity proof (copy of passport/voter ID card/driving license/Aadhaar)

- Address proof (copy of passport/voter ID card/driving license/Aadhaar)
- Bank statement of previous 3 months (Passbook of previous 6 months)
- Latest salary slip/current dated salary certificate with the latest Form 16

➤ **Documents Required for a Business Loan**

The following documents are required along with your Business Loan application:

- PAN Card - For Company/Firm/Individual
- A copy of any of the following documents as identity proof:
 1. Aadhaar Card
 2. Passport
 3. Voter's ID Card
 4. PAN Card
 5. Driving License

A copy of any of the following documents as address proof:

1. Aadhaar Card
 2. Passport
 3. Voter's ID Card
 4. Driving License
- Bank statement of the previous 6 months
 - Latest ITR along with computation of income, Balance Sheet and Profit & Loss account for the previous 2 years, after being CA Certified/Audited
 - Proof of continuation (ITR/Trade license/Establishment/Sales Tax Certificate)
 - Other Mandatory Documents [Sole Prop. Declaration Or Certified Copy of Partnership Deed, Ce ..

➤ **Documents Required for Commercial Vehicle Loan**

If you are running a small business, chances are you may need a loan to buy a vehicle to carry out your work. The documents required to apply for a commercial vehicle loan are as follows:

- Age proof
- ID proof
- Application form
- Photograph
- Residence proof
- Income proof
- Current repayment track
- Work in hand/Contract copies
- Signature ..
- Existing vehicle ownership proof
- Pro forma invoice
- Post-sanction/Pre-disbursement documentation:
- Loan Agreement duly signed along with RTO set
- Post Dated Cheques (PDCs)/ECS Form/Standing Instruction (SI) request
- Margin money receipt
- Insurance cover note

The documents mentioned above are a general set of documents asked by the lenders. The list of documents might be slightly different from one lender to another. As you may notice, the list varies depending on the profession. It is also important to note that a loan is approved only when document verification is successful. So, to get the approval, a borrower must have all documents.

1.4 STATEMENT OF THE PROBLEM :

The loan are now a days a fashion of taking but when its paying customers don't pay loan back. The loans which cannot easily be recovered from borrowers are called Problem loans. When the loans can't be repaid according to the terms of the initial agreement or in an otherwise acceptable manner, it will be called problem loans. Agreement is followed on law wise model where case goes for a period of time but in check leaf it is a small issue.

1.5 OBJECTIVES :

Primary

- ❖ To Identify the bank involvement during covid, types of loan given and wheather the interest applicable for them.

Secondary

- ❖ A study on bank loan appraisal mechanism of TMB bank during covid period
- ❖ To Find the rate of interest in Private bank Before/After covid 19.

1.6 IMPORTANCES / NEED OF THE STUDY :

On 31 December, 2019, first of all the news came on Novel Coronavirus outbreak from Wuhan city of China. This coronavirus is a new [virus](#) that has not been identified in human so far. Literature indicates that Coronavirus is a large family of viruses that causes illness. This disease may cause from the common cold to more severe respiratory syndrome. To combat with COVID-19, Indian Government announced complete lockdown in the country starting on March 24, 2020 and the same was extended to 3rd May, 2020. A similar action has been taken by many governments around the world. WHO has appreciated the timely action in the form of lockdown by Indian Prime Minister-Narendra Modi and many others as it seems the best alternate to stop the spread of the virous in the absence of any cure or vaccine of this disease. However, the Transnational institutions like IMF and World Bank, central banks of various countries, economists, fund managers and consulting firms have expressed their fear regarding the devastating effect of lockdown on GDP world over in general and emerging economies like India in particular. On April 14, for instance, the IMF released its global growth projections, revealing that in 2020, the global economy is expected to plunge into the worst recession since the Great Depression in the 1930s, which might be far worse than the Global Financial Crisis. IMF made a projection of 1.9 per cent growth in GDP for India in 2020 because the global economy is affected by the COVID pandemic, the worst recession since the Great Depression in the 1930s.

India is expected between 1.5 per cent to 2.8 per cent. Moreover, the lockdown and pandemic is hitting several other sectors including banks, NBFCs, MSME, hospitality, civil aviation, agriculture and allied sector. However, different experts and authorities have given different opinions about the impact of Pandemic, Covid-19 caused lockdown on current position and future of Indian Financial sector, primarily on Banks and NBFCs. So, the flooding of information has confused investors, depositors, borrowers and other stakeholders in this sector of high importance. It is under the above background the present article entitled, "Covid-19 Pandemic and Lockdown Impact on India's Banking Sector: A Systematic project report ," has been prepared.

1.7 IMPORTANT CONCEPTS OF A LOAN :

- ❖ **Income:** Lenders main concern is your repayment capacity. So, meeting the bank's income requirement is the most important criteria for a loan applicant. Higher the Income, easier the process to apply for larger loans with longer tenure.
- ❖ **Age:** A person with more working-age on his side (but not without at least 2-3 years' work experience) is more likely to get a long-term loan approved as compared to an older person closer to retirement or a fresher.
- ❖ **Down payment:** This is the loan applicant's share towards the payment for which he needs the loan for. For instance, if you are planning to buy a house costing 1 Cr, and the bank agrees to give you a loan of Rs. 80 lakhs, the remaining amount will be your down payment, which is Rs. 20 lakhs.
- ❖ **Tenure:** This is the time allotted to repay the lender. If you fail to repay or miss an EMI, the bank can levy you fine or even seize your property.
- ❖ **Interest:** This is the amount of money charged by the lender to the borrower for handing out a loan. Interest rates vary from loan to loan and sometimes even person to person based on their credit scores. You can opt for fixed interest rate (same throughout the tenure) or floating rate (changes as per the market).
- ❖ **Equated Monthly Instalments (EMI):** This is the monthly repayment of a loan from a borrower to a lender. An EMI includes the principal + interest borrowed.

1.8 FEATURES AND BENEFITS OF A LOAN :

- ❖ **Financial Flexibility:** Loans allows you to meet a financial requirement or expenses you incur in life. Taking a loan gives you a certain degree of financial freedom as it equips you to make big payments or take care of one time expenses without upsetting your planned budget.
- ❖ **Easy availability:** All types of loans are approved as quickly as 48 hours based on details of income financial history of the borrower and in some cases the collateral to be attached.
- ❖ **Get required amount:** Based on your income and financial history, the amount you require as loan can be disbursed to you.
- ❖ **Convenient tenure:** The tenure of a loan is ample depending on the bank and amount. Loans are generally available for a tenure of 12 months to 60 months or even more.
- ❖ **Tax Benefits:** According to the Income Tax Act of 1961, almost all types of loans offer tax benefits which you can avail.

1.9 TYPES OF LOAN :

❖ Personal Loans:

Most banks offer personal loans to their customers and the money can be used for any expense like paying a bill or purchasing a new television. Generally, these loans are unsecured loans. The lender or the bank needs certain documents like proof of assets, proof on income, etc. before approving the personal loan amount. The borrower must have enough assets or income to repay the loan. In case of personal loans, the application is 1 or 2 pages in length. The borrower gets to know about the denial or approval of the loan within a couple of days.

❖ Credit Card Loans:

When you are using a credit card, you must understand that you will have to repay for all the purchases you make at the end of the billing cycle. Credit cards are

accepted almost everywhere, even when you are travelling abroad. As it is one of the most convenient ways to pay for the things you buy, it has become a popular loan type.

❖ **Home Loans:**

When you wish to purchase a house, applying for a home loan can help you to a great extent. It provides you the financial support and helps you buy the house for yourself and your loved ones. These loan generally come with longer tenures (20 years to 30 years). The rates offered by some of the top banks in India with their home loans start at 8.30%. Your credit score is checked before the loan request is approved by the lender

❖ **Car Loans:**

Buying a car can definitely instil a great sense of joy and happiness in you. A car will remain as your asset and it is going to be one of the biggest investments that you make. A car loan helps you to pave the path between your dream of owning a car and actually buying your car.

❖ **Two-Wheeler Loans:**

A two-wheeler is pretty essential in today's world. May it be going for a long ride or a busy road in a city – bikes and scooters help you to commute conveniently. A two-wheeler loan is easy to apply for.

❖ **Gold Loan:**

A gold loan can be used to raise cash to meet emergency or planned financial requirements, such as business expansion, education, medical emergencies, agricultural expenses, etc. The loan against gold is a secured loan where gold is placed as security or collateral in return for a loan amount that corresponds to the per gram market value of gold on the day that the gold has been pledged.

❖ **Education Loan:**

An education loan is availed specifically to finance educational requirements towards school or college. Depending on the lender, it will cover the basic fees of the course, the exam fees, accommodation fees, and other miscellaneous charges. The student is the borrower with any other close relative being the co-applicant, such as a parent, grandparent, spouse, or sibling.

1.10 Scope of the Study :

- Resource Mobilization will not be an easy to do task considering the effect of the pandemic on the critical success factors: reduced per capital income, limited expansion in branch network and saving habit and bank usage. The slowdown in macroeconomic environment, banks' preference towards non-branch channels, limited personal selling and promotion tasks will impact on the level of local resource mobilization.
- Foreign currency mobilization from the two major sources like export and remittances will not follow the usual trend. Commodity price outlook for major export products was not positive. In addition, lockdowns, travel bans, loss of employment, return to home from middle east, Asia etc impacts the amount of remittances from the emigrants; The capital to asset ratio of banks was stable- around 14%. However, due to the imminent high-risk exposure of banks arising from the pandemic, capital growth requirements should remain part of the regulatory precautions in the forthcoming.
- On the resource allocation front, credit growth is challenged by limited growth of resource mobilization, reduced credit demand from rational borrowers and restricted lending appetite of banks. Taking into account the degree of vulnerability of various sectors, it is estimated that the private banking system might not collect around Birr 40 billion and Birr 10 billion per annum and per quarter, respectively from its loan portfolio stock due to aggressive rescheduling practices. This will impact the liquidity standing of banks in the future and alters the maturity profile of the banks' balance sheet.

- Prior to COVID 19, asset quality problems in the private banking system have no systemic nature and mostly was related to gaps in management of individual banks. Currently, however, an apparent pressure of default due to systemic problems are materialized and are being wisely dealt by the NBE via relaxing of asset classification and provisioning directives. Nevertheless, it demands strict monitoring to reduce its long-term repercussions.

1.11 Bank fomates during covid:

- Based on a systematic review of online literature regarding the impact of COVID-19 pandemic on India's banking sector, the following findings have emerged.

- The rating agency Fitch said Coronavirus impact to bring more worries for Indian banks and therefore revised downside the operating environment score for the critical sector by a notch (ET Market New: March 26, 2020). The agency said Indian banking system is under-capitalised and continues to saddled with bad loans, despite some successes. From a banking perspective, travel, which forms 2.2 per cent of all loans and small business lending that accounts for 5.4 per cent will be the hardest hit, along with sectors such as auto that depend on inputs from China.

- Rakesh Kumar, MD and CEO, TransUnionCibil says, the ongoing COVID-19 pandemic poses new threat to businesses, especially for small and medium enterprises. Out of the loans worth Rs 2.32 lakhcrore of MSME are at a risk, Rs 13,500 crore of micro enterprises may become NPA, in the coming 12 months, as they fall in the risk category of 7 to 10, which is the highest risk category according to TransUnionCibil, a credit Information firm(quoted in Financial Express Online, April 27, 2020). Thus, banks and NBFCs are going to be ultimately affected if the huge part of loans of micro enterprises turns bad.

- India's banking sector was facing a big crisis of mounting bad debts due to which RBI had to come forward with a bailout package for a private sector bank, named- Yes Bank. Banking sector in India was just on the verge of seeing signs of stability, when COVID-19 forced the Reserve Bank of India to further loosen liquidity and bad loan rules. Saswata Guha, the head of financial institutions at Fitch Ratings in India stated that there is an expectation of a sharp slowdown in credit growth and deterioration of asset quality across all private banks in India because of shut down of economic activities due to Pandemic of Corona virus. The individual impact will depend upon the relative exposure to vulnerable small businesses and the risky unsecured retail segment.

- In the beginning of March, the impact of Coronavirus on Non-Banking Financial Companies (NBFC) was termed as 'fairly insignificant' as the sluggish economy remained one of the biggest worries. But, two-weeks later the financial sector looked to be in the crosshairs, hit by a lockdown across the nation and subsequent shut down of businesses. The research report of Emkay Global titled "For Asia-Pacific Banks, COVID-19 Crisis Could Add USD 300 Billion To Credit Costs" mentions that the impact of the pandemic would be partial during Q4FY20 earnings. However, the full impact of Covid-19 on growth would be visible from Q1FY21 (quoted in Financial Express- online, March 25, 2020)

- A report of S&P Global Ratings said, banks in India are likely to witness a spike in their non-performing assets ratio by 1.9 per cent and credit cost ratios by 130 basis point in 2020, following the economic slowdown on account of COVID-19 crisis.

- Christopher Wood, Global Head of Equity Strategy at Jefferies (ET- April 24, 2020) said, "Lockdown in countries like India is more disastrous both for human welfare and economies. It is because in India neither there is any help for small enterprises nor unemployment benefits for the people. He further added, countries

such as India, with young demographics, such a lockdown causes more human suffering than Covid-19 itself. Due to ongoing lockdown India is likely to see a change in consumer lending cycle. On his portfolio strategy, Wood said it does not make sense to own Indian banks in such a macro environment. Wood never saw a negative consumer credit cycle since the inception of his portfolio in 2002, in India, however, probably it is going to happen very soon now.

- Although the pace of credit growth to NBFCs has slowed down, as a percentage of total credit, NBFC exposure of bank loans have increased to 7.9 per cent, from 6.9 per cent, a year ago. Some of the NBFCs were already struggling with liquidity issues and this lockdown will only make it worse for them. After large corporate lending and housing loans, NBFC sector accounts for the largest percentage of bank borrowings.

CHAPTER - 2

REVIEW OF LITERATURE

2.1 A Backdrop of Indian Banking Sector:

Before touching the real issue of this article, let me first give a background of the Indian Banking sector along with NBFCs. A bank is an institution which has a primary function to accept deposits and lend money to needful individuals, businesses, and governments. Banks are considered to be trustworthy around the world. When any individual deposits money in the bank, doesn't matter what is the amount, the individual knows that the money will be safe in the bank as compared to anywhere else. Besides this, banks provide numerous services such as loan facilities, fixed deposit schemes, debit & credit card facilities, etc.

The Indian banking industry which is nearly 200 years old has been expanding and modernizing since the initiation of reforms in 1991. Now, this industry has evolved into the current size of INR 81 trillion. A study by KPMG (2017) made a prediction that the Indian Banking sector is heading towards becoming the fifth-largest banking industry in the world in year 2020 and third-largest by 2025.

There are three types of banks in India, according to ownership pattern. These are: public or state-owned, private, and foreign banks. In India, currently there are a total of 34 banks, of which 12 are public sector banks and rest 22 are private sector banks. State Bank of India (SBI), along with six associates, which was constituted under separate (SBI Act, 1955 and SBI Subsidiary Banks Act, 1959) is acknowledged as a separate group of Scheduled Banks. Ten nationalized banks, and seven SBI and associates form the Public Sector Banks (PSBs), with over 50% government ownership. PSB's control around 2/3rd of total business.

The banks have dominant position in India's economy and it is major contributor towards employment in India. Unfortunately, many of the performance indicators of

India's banks have been signalling downtrend or negative situation since last five years. This situation holds more true in case of PSBs as they seem more inefficient compared to their peer groups. PSBs account for 80 per cent of non-performing assets, carrying a bad debt book of Rs 7.4 trillion, and PSBs also reported huge losses, when private sector peers reported profits in 2019. Over 90 per cent of bank fraud cases happened with PSBs.

Piyush Khaitan (Dec. 19, 2019) expressed that over the last two decades, India's non-banking financial companies (NBFCs) have assumed critical importance in the financial system.

The lending book of NBFCs has grown at around 18 per cent annually over the last five years. The NBFCs are serving the underserved and often ignored retail and MSME segments which are the backbone of India's growth story. For instance, credit to MSMEs grew at a rate of 12 per cent year-on-year in June 2019, at a time when credit to larger firms was slowing down massively. However, over the last year, the sector has seen some difficulties in the form of a liquidity crunch when the failure of IL&FS unravelled. IL&FS failed to service its liabilities which has caused suspicion about the strength of the financial sector in India. Moreover, mutual funds reduced NBFC exposure by 30 per cent in the last year and various leading entities in the sector moved over this challenge by increasing bank funding and managing external and internal borrowings through a tightrope.

The Reserve Bank of India announced in August 2019 that banks can have an exposure of up to 20 per cent of their Tier 1 capital to a single NBFC. This limit was 15 per cent earlier. This helped boost credit flow as bank funding to NBFCs grew by 30 per cent year on year. The Government has taken a series of measures to generate demand and ease the liquidity by ensuring public sector banks lend further to NBFCs, introducing partial credit guarantee scheme, organizing loan mela etc.

2.2 BANK LOAN REVIEW's

- ❖ Ali Ataullah (2019) Concluded that there is still room for improvement in the efficiency of banks in both the countries. A step forward for the liberalization programmer , therefore, is not only to deregulate interest rates and enhance the level of competition but also to strengthen the instutional structure to support good practices in the banking industry .
- ❖ Gupta Sumeet&VermaRenu (2018) concluded that management of non-performing assets and risk emanating from adverse event is the key to higher profitability of the Indian banking. Transparency and good governance would work as principal guiding force in present scenario.
- ❖ GhoshSaibal (2019) concluded that with international standards, Indian banks would need to improve their technological orientation and expand the possibilities for augmenting their financial activities in order to improve their profit efficiency in the near future.
- ❖ Dr. Ibrahim Syed M (2020) concluded that this is diagnostic and exploratory in nature and makes use secondary data. The study finds and concludes that the scheduled commercial banks in India have significantly improved their operational performance.
- ❖ Dr. Pardhan Kumar Tanmaya (2020) Concluded that-The study is based on primary data. The data has been analyzed by Percentage method. The tool used to collect data from the bank officials was a structured questionnaire. Responses obtained from the 50 Bank managers / senior officers.
- ❖ Dr. Dhanabhakyam M &Kavitha M. (2020) studied that banks have to re-orient their strategies in the light of their own strength and the kind of market in which their

likely to operate on. In the perspective of this domestic and international development, the banking sector has to chart perfect for development.

❖ Gupta Shipra (2020) concluded that- Public and Private sector banks both are giving good service in India .Financial condition of any bank is measured by the help of financial ratio. A leverage ratio cannot do the job alone it needs to be complemented by other prudential tools or measures to ensure a comprehensive picture of the buildup of leverage in individual banks or banking groups as well as in the financial system.

❖ Sharma Esha (2020) concluded that- The liberalized policy of the govt. of India permitted entry to the ICICI in the banking; the industry has witnessed a generation of private players. That's why the present paper special emphasis has been laid down on the financial analysis of the bank by using different research ant statistical tools.

❖ GejalakshamiSandanam& et.al (2020) , Cocluded that the public sector banks performed remarkably well during the period than that of the private sector banks the overall regression analysis show that the financial performance of the banking industries strongly .

❖ GoelCheenu&RekhiBhutaniChitwan (august 2020) concluded that the analysis supports that new banks are more efficient than old ones. The public sector banks are as not profitable as other sectors are. It means that efficiency and profitability are inter related.

❖ Davda V. Nishit (2020) Concluded that a review of fundamental analysis research in accounting the paper has outlined the development of different accounting valuation model and reviewed related emperical work

- ❖ . Dr. KoundalVirender (2020) concluded that although various Reforms have produced favorable effects on commercial banks in India and because of this transformation is taking place almost in all categories of the banks.
- ❖ Sai Naga Radha V & et.al. (august 2020) concluded that net profit margin, operating profit margin, return on capital employed, return on equity and debt equity ratio there is no significant difference in these ratios before after merger. Significant difference with respect to gross profit margin.
- ❖ Mishra Kumar Aswini& et.al. (august 2020) Concluded that DEA provide significant insights on efficiency of different banks and places private sector ones at an advantage situation and there by hints out the possibility of further improvisation of most of the public sector banks.
- ❖ Kamraj K. & Somu A. (august 2020) Conclude that Indian overseas bank is one of the oldest nationalized commercial banks in India. Banking industry is an indicator of for many development activities in the nation. Indian overseas bank has higher potential to provide better and quality services to the billions of people in India.
- ❖ Samir & KamraDeepa (august 2020) Concluded that this analysis the position of NPAs in selected banks SBI, PNB & Central bank of India. It also highlights the policies pursued by the banks to tackle the NPAs and suggest a multi-pronged strategy for speedy recovery of NPAs in banking sector.
- ❖ SelvamPaneer& et.al. (august 2020) Concluded that-The Present study was aimed to analyze the financial assistance of nationalized bank in India .To identify the relative performance of the operational variables the linear and compound growth rates have been calculated . The performance of nationalized banks followed by private sector banks is found to be higher when compared to SBI and its associates and Foreign Banks.

❖ Dr. Gupta R. & Dr. Shikarwar N.S. (august 2020) Concluded that the banking industry occupies a unique place in a nation's economy. A well-developed banking system is a necessary precondition of economic development in a modern economy .the main parameters of growth in banks are net profit growth , net assets growth , EPS growth and Reserve and surplus growth and the results reveal that in terms of the parameters defined key words : net assets ,EPS , reserves ,surplus growth .

❖ Desrani R Hiralal (august 2020) Concluded that scheduled bank has wide scope in India. It is providing loans to various industries, business mans, small scale sector industries. It is very helpful to all people who want loan.

❖ BansalRohit (2020) Concluded that Federal has best price earnings ratio among other banks. The total assets turnover ratio of federal bank shows that it keeps significantly highly assets to meet the debt. Overall Federal bank is the most financially stable company in comparison to others.

❖ Dr. Tamilarasu A. (2020) concluded that mere opening of no-frill bank account is not the purpose or the end of financial inclusion while formal financial institution must gain the trust and goodwill of the poor through developing strong linkages with community based financial ventures and coopratives. Dr. ShuklaSmita&MalusareRakesh Studied that this evaluates the changes in the capital structure and solvency position of banks by using various risk indicators for highlighting risk profile of Indian Bank entities . This evaluates risk profile of ten public and private sector banks.

❖ YeboahSebe Gilbert &Mensah Charles (2020) concluded that ADB's focus on agriculture financing is diminishing since a sector analysis of loans and advance indicates that agriculture sector lost its first position to service sector. The Bank's liquidity showed a downward and slipped trend.

❖ Ms. Gupta Shikha (2020) Concluded that it focused on operational control, profitability and solvency etc. It aimed to analyze and compare the financial performance of ICICI banks and offer suggestion for improvement of efficiency in the bank.

❖ Gaur Arti&Arora Nancy (2020) Concluded that it study about the causes and consequences of the various component of the financial statement in relation to the profitability of the bank. We analyzed the financial stability and overall performance of SBI and study profitability of SBI

❖ . V. Naseer Abdul (2020) Studied that – Study compares the financial performance and employee efficiency of Indian banks during 2007-august 2020. Both the financial performance and employee efficiency of foreign banks working in India are better than domestic banks and private sector banks performance are better than the public sector banks. It is noted that the public sector bank performance are more stable when compared to the private sector banks.

❖ Sharma Pooja&Hemlata (2020) Concluded that - The banking mirrors the larger economy its linkages to all sector make it proxy for what is happening in the economy as a whole. Banking plays a silent yet crucial role in our day to day economy. The data is taken from financial reports of both the banks for last five years ranging from 2008-09 to august 2020-13. The results depicts that ICICI Bank is performing better than SBI Bank as it is Able to generate more loans from its deposits to the customers. Soni Kumar Anil & Kapre Abhay, Regional rural bank play a vital role in the agriculture and rural development of India. The Study Is diagnostic and exploratory in nature and makes use of secondary data. The study finds and concludes that performance of RRBs has significantly improved. Varathan Sathiya & el.at. Concluded that- In canara bank the credit appraisal is done by the study involves the evaluation in management, technical feasibility, financial viability, Risk analysis and credit rating.

This shows canara bank has sound system for credit appraisal. The credit appraisal Process carried out at canara bank has good parameters to appraise.

❖ Dr. RaoMadhusudhana K. (2020) Concluded that – with respect to the banking activities the performance of HDFC is better than the SBI and for the investor who are intended for long term investment & risk takers HDFC is better but with respect to the growth in the market for the company price SBI is better. SBI shares value market more than HDFC. Patel S Vijay & et.al. Concluded that information has its own value but if someone wants to have better judgment of the concern he has to analyze them.

❖ Gul Shah & et.al. (2020) concluded that the study has it limitation in term of selection of banks. The present research work serve as a guideline to public sector banks to look up the financial performance and make superior allocation for improving efficiency for the coming time.

❖ ThakarshibhaiChiragLoryia (2020) Concluded that it attempt to analyze profitability of selected public and private sector banks in India. This study which looks into three key factors which affect the profitability analysis of Indian banking sector using mean, standard deviation, and ANOVA model.

❖ Movalia P. Nilesh&et.al (2020) Concluded that Public sector banks is quite good compared to private sector banks in the area of profitability debt equity , earning per share found that price earning ration of private sector banks is high compare to public sector banks.

❖ Ali Ataullah (2004) Concluded that there is still room for improvement in the efficiency of banks in both the countries. A step forward for the liberalization programmer , therefore, is not only to deregulate interest rates and enhance the level of competition but also to strengthen the instutional structure to support good practices in the banking industry .

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CHAPTER – 3

RESEARCH METHODOLOGY

SOURCE OF THE DATA : In order to accomplish the objectives of the study, it is essential to articulate the manner in which it is to be conducted, i.e., the research process is to be carried-out in a certain framework. As stated previously the present paper is aimed to assess the impact of Covid-19 and Lockdown on India's Banking sector. To achieve this objective some extracts have been drawn from the existing literature available on various sites of internet in the form of highlights of interviews of renowned economists, fund managers, economic and financial advisors, senior officials of economic bodies, Chambers of commerce and industry, authorities of international institutions like world Bank and IMF and so on.

Further, research articles and reports of diversified groups like consulting firms, transnational institutions, central banks, regarding the impact of corona on financial sector of India were referred. The relevant information available in various forms and at various sources was scanned and understood carefully while drawing a right conclusion for this article. It needs mention that this paper is an exploratory type of study.

Presently, there is no factual data regarding impact of COVID-19 on various sectors of economy including banks and only the intuitive estimates are available. The quantified data is available only about the new prospectus after covid, Loan amount variation, assess of banks before and after covid , change of interest rate since no income for many customers of banks followed by number of positive cases, no. of deaths, cases recovered and so on. On account of non-availability of quantitative data, the use of statistical tool was bit possible, hence a descriptive article has been prepared with the help of TMB bank customers online views of experts regarding the impact of ongoing pandemic. The Research Methodology, which follows, is the backbone of the study.

Research Design:

The study is intended to analyze the **A STUDY ON BANK LOAN APPRAISAL MECHANISM OF TMB BANK DURING COVID PERIOD** The methodology includes area of the study, sources of data, sample size and statistical tools used and other related aspects

- **Descriptive research design:**

Descriptive research aims to accurately and systematically describe about the bank loan given to the customers during covid period.

- **Data collection**

Primary Data :Questionary were circulated and 170 was collected in which 145 were TMB bank customers

- **Area of the study**

This area of the study refers to the Customers of TMB bank Vellore. The customers who have taken Loans and are still paying loan in tmb bank.

- **Sources of data**

This study includes primary data.. The data is collected in the form of questionnaire which consists of personal factors onBank Loan taken by the customers during covid19 .

- **Sample design**

For purpose of this study, 170 survey questionnaires were collected from the Bank customers. Simple random sampling method is administered in this study..

- **Tools for analysis**

Frequency analysis are taken for the analysis. Charts and Tables represent clear picture about the study.

- **Limitation of the study**

For want of time and purpose of detailed analysis, the study has been confined to Vellore District. However adequate care has been exercised to collect unbiased data.

- **Tool Used**

SIMPLE INTEREST RATE:

Interest = principal loan amount*Interest rate*Time(number of years in term)

COMPOUND INTEREST RATE:

$$E = P * r * (1 + r)^n / ((1 + r)^n - 1)$$

E = EMI Repayable

P = Principal loan amount

R/r = Rate of Interest Applicable

N/n = Tenure in years

- **Flat Rate Method :** According to the flat rate method calculator of personal loan interest rate, the personal loan rate is calculated on the original loan amount throughout the loan tenure. Thus the principal amount remains the same. For instance, even when you borrow a personal loan for five years of Rs 10 lakhs, you will continue paying the interest on the whole of Rs 10 lakhs amount throughout the five years. This method is also called the fixed method of personal loan interest calculation.
- **Reducing rate method :** The reducing balance method, as the name suggests calculates the interest rate on the outstanding loan amount. As per this method of interest calculation, the principal component that is paid during the monthly EMI is not chargeable for interest calculation; thus the outstanding balance reduces with time, and the interest is charged only on the remaining principal amount. As per this method, the interest amount reduces with time

- **Loan Payment (P) = Amount (A) / Discount Factor (D)**

A = Total loan amount

$$D = \{[(1 + r)^n] - 1\} / [r(1 + r)^n]$$

Periodic Interest Rate (r) = Annual rate (converted to decimal figure) divided by number of payment periods

Number of Periodic Payments (n) = Payments per year multiplied by number of years

- **EMI = [P x (R/100) x {1+(R/100)}^N]/[{1+(R/100)}^(N-1)]**

CHAPTER - 4

DATA ANALYSIS AND INTERPRETATION

4.1 Descriptive analysis;

The descriptive analysis is mainly carried out to determine the percentage of the respondents fall under each category. This analysis also helps to standardize the respondent's opinion on various aspects. This analysis carried out for all the questions given in the questionnaire.

Twenty Questions were asked to fulfill the objectives of the study. The results are displayed in the Chart and Tabular form.

GENDER ANALYSIS

Table 4.1.1 Gender of respondents

S. No	Gender	Number of Respondents	Percentage %
1.	Female	92	54.1%
2.	Male	78	45.9%
	Total	170	

Source : Primary data

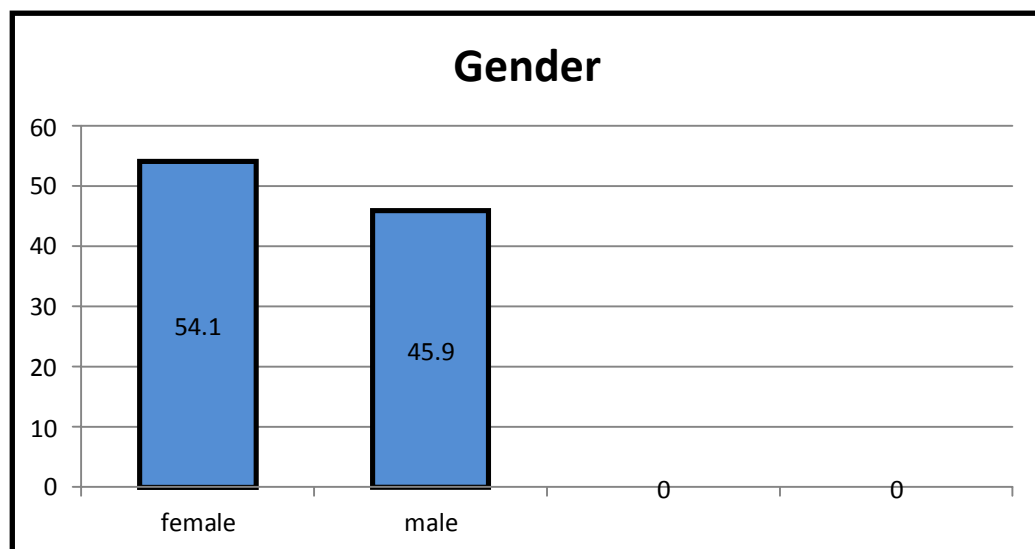


Chart 4.1.1 : Gender of respondents

Interpretation :

From the above table it is inferred that 54.1% of the respondents are belonging to female and 45.9% of the respondents are belonging to male.

Inference:

Majority of the respondents are Female with 54.1 %

AGE ANALYSIS

Table 4.1.2 Age group of respondents

S. No	Age	Number of Respondents	Percentage %
1.	20-30	107	62.9%
2.	31-40	37	21.8%
3.	41-50	18	10.6%
4.	Above 50	8	4.7%
	Total	170	

Source : Primary Date

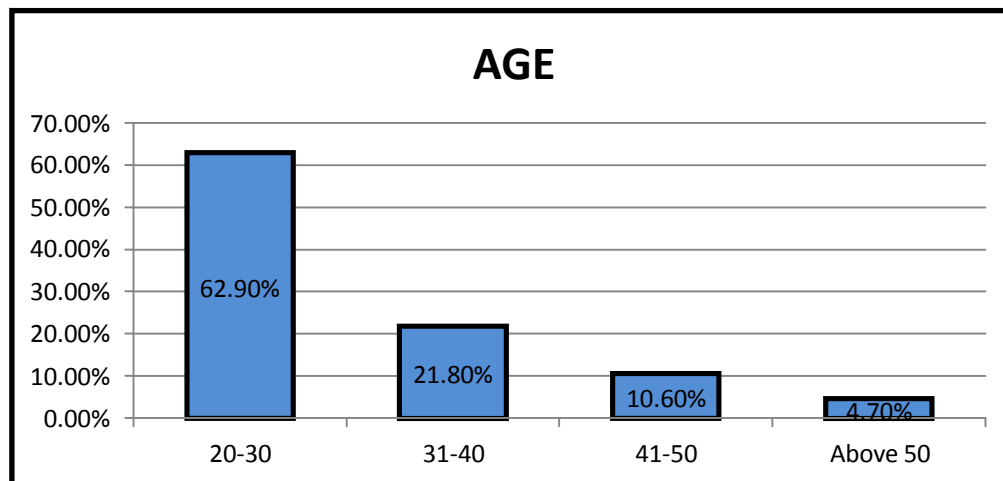


Chart 4.1.2 : Age group of respondent

Interpretation :

It is observed that, out of the total respondents taken for the study, 62.9% of the respondents belong to the age group of 20 to 30 years, 21.8% of the respondents belong to the age group of 31 to 40 years, 10.6% of the respondents belong to the age group of 41 to 50 years, 4.7% of the respondents belong to the age group of Above 50 years old.

Inference:

Majority of the respondents are belonging to the age group of 20 to 30 years old group.

MONTHLY INCOME

Table 4.1.3 Monthly income of the respondents

S. No	Monthly Income	Number of Respondents	Percentage %
1.	10000 – 20000	56	32.9%
2.	21000 - 40000	70	41.2%
3.	41000 – 60000	37	21.8%
4.	Above 60000	7	4.1%
	Total	170	

Source : Primary Data

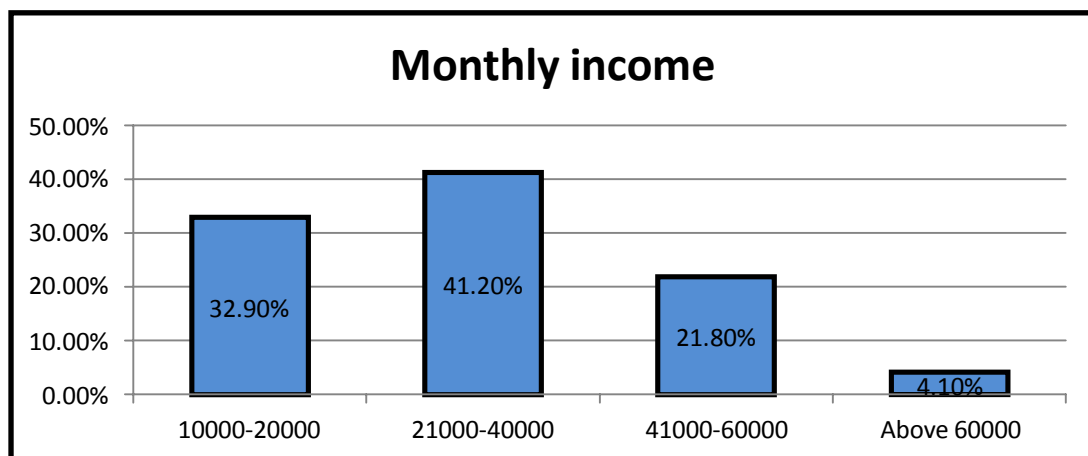


Chart 4.1.3 Monthly income of the respondents

Interpretation :

It is observed that, out of the total respondents taken for the study, 32.9% of the respondents monthly income 10000-20000, 41.2% of the respondents monthly income 21000-40000, 21.8% of the respondents monthly income 41000-60000, 4.1% of the respondents monthly income Above 60000.

Inference:

Majority of the respondents are belonging to monthly income 21000-40000

OCCUPATION

Table 4.1.4 Occupation of respondents

Sr.no	Occupation	Number of respondent	Percentage %
1.	Salaried	106	62.4%
2.	Self-employed	64	37.6%
	Total	170	

Source : Primary Data



Chart 4.1.4 Occupation of respondents

Interpretation :

From the above table it is inferred that, 62.4% of the respondents are belong to the Salaried and 37.6% of the respondents are belonging to Self Employed.

Inference:

Majority of the respondents are Salaried.

SALARIED

Table 4.1.5 Salaried of respondents

Sr.no	Occupation	Number of respondent	Percentage %
1.	Private limited	63	40.4%
2.	Government	47	30.1%
3.	Public limited	24	15.4%
4.	Others	22	14.1%
	Total	170	

Source : Primary Data

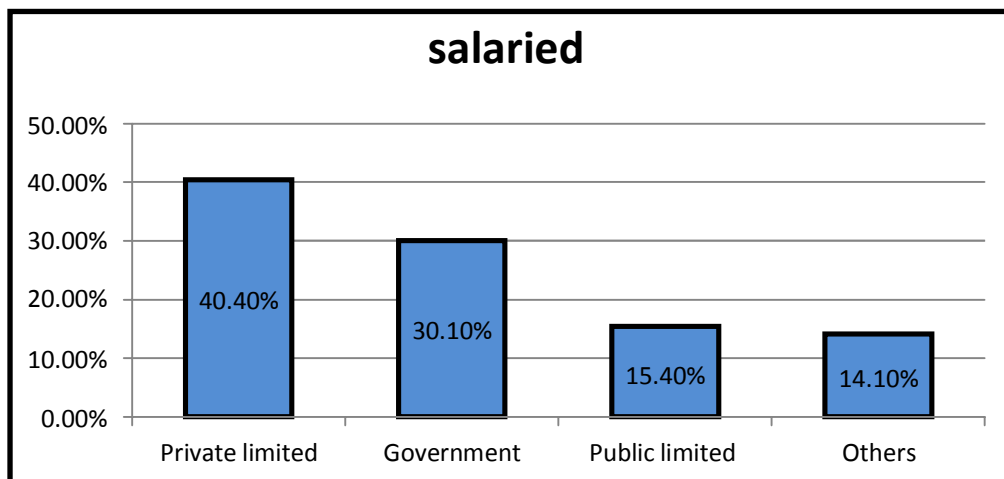


Chart 4.1 5 Salaried of respondents

Interpretation :

From the above table it is inferred that, 40.4% of the respondents are belong to the private limited and 30.1% of the respondents are belonging to Government 15.4% of the respondents are belong to the public limited 14.1%of the respondents are belong to the Other category.

Inference:

Majority of the respondents are Salaried in Private Limited.

SELF EMPLOYES

Table 4.1 6 Self employment of respondents

Sr.no	Occupation	Number of respondent	Percentage %
1.	Private business	62	45.3%
2.	Partnership	26	19%
3.	Real estate agent	14	10.2%
4.	Others	35	25.5%
	Total	170	

Source : Primary Data

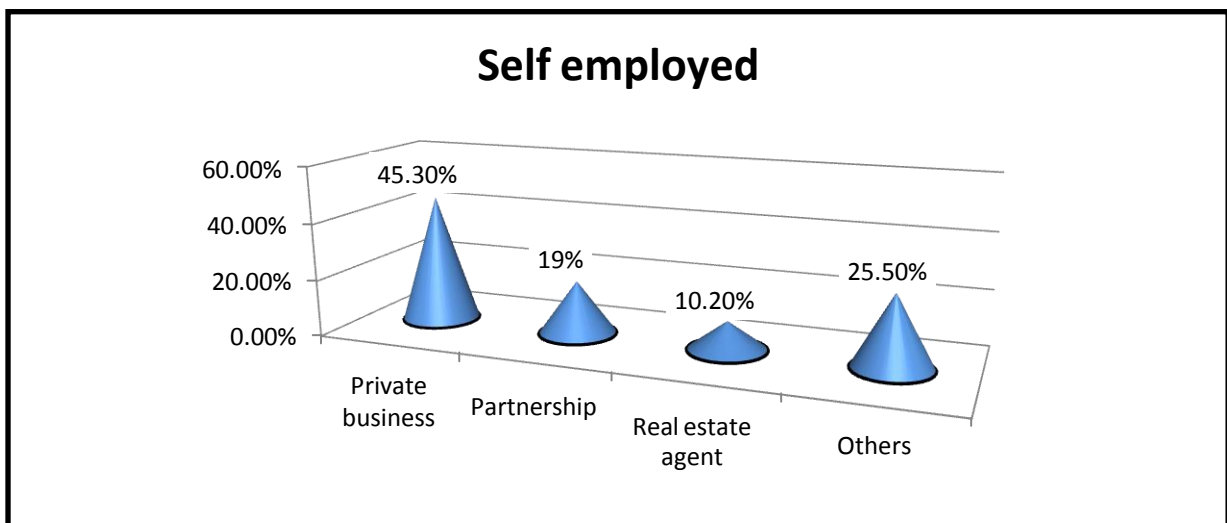


Chart 4.1 6 Self employment of respondents

Interpretation :

From the above table it is inferred that, 45.3% of the respondents are belong to the private business and 19% of the respondents are belonging to partnership 10.2% of the respondents are belong to the real estate agent 25.5%of the respondents are belong to the Other category.

Inference:

Majority of the respondents are Self salaried in private business.

BANK ACCOUNT

Table 4.1 7 No of bank accounts of the respondent

Sr.no	Account	Number of respondent	Percentage %
1.	Yes	137	81.1%
2.	No	29	17.2%
3.	Other bank	3	1.8%
	Total	170	

Source : Primary Data

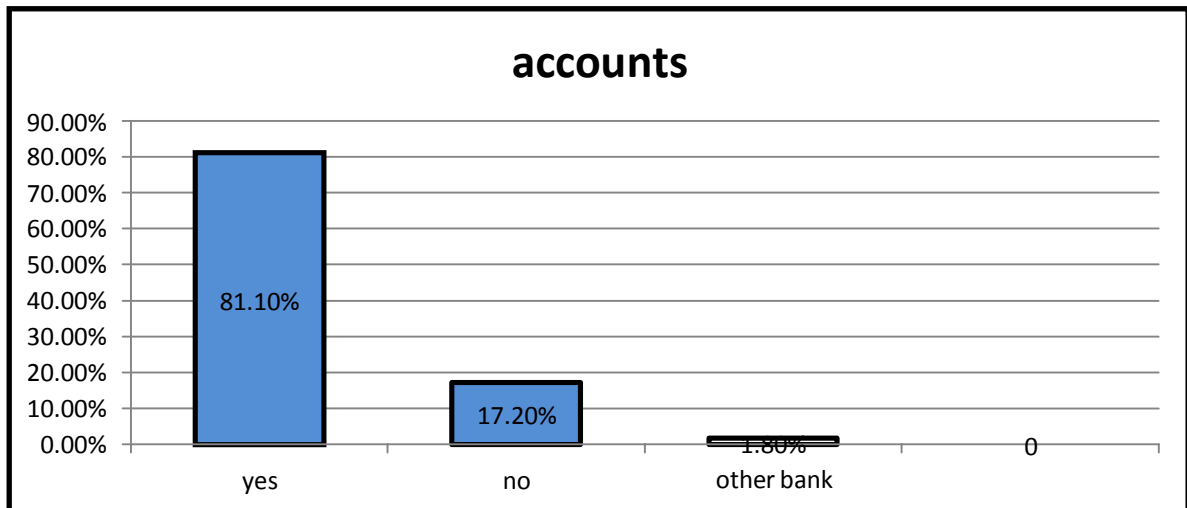


Chart 4.1 7 No of bank accounts of the respondent

Interpretation :

From the above table it is inferred that, 81.4% of the respondents are belong to TMB BANK and 17.2% of the respondents arenot belonging to TMB bank and 1.8% belongs to other banks.

Inference:

Majority of the respondents belongs to TMB BANK.

Have you taken loan :

Table 4.1 8 No.of.loan taken respondents:

Sr.no	Loan	Number of respondent	Percentage %
1.	Yes	145	85.3%
2.	No	25	14.7%
	Total	170	

Source : Primary Data

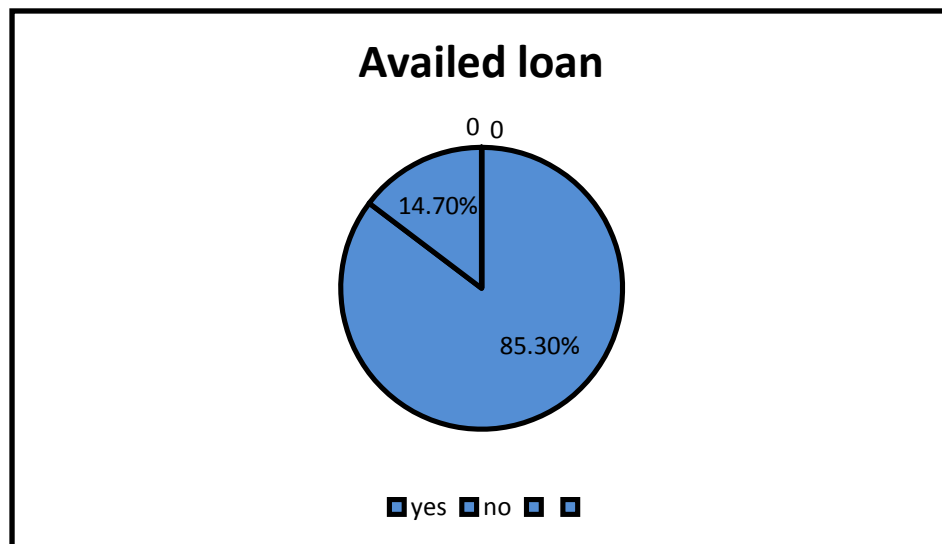


Chart 4.1 8 No.of.loan taken respondents:

Interpretation :

From the above table it is inferred that, 85.3% of the respondents are Taken loan and 14.7% of the respondents have not taken loan.

Inference:

Majority of the respondents have taken loan.

kind of loan taken

Table 4.1 9 Kind of loan taken respondents:

Sr.no	Loans	Number of respondent	Percentage %
1.	Personal Loan	52	30.6%
2.	Educational Loan	31	18.2%
3.	Gold loan	28	16.5%
4.	Vechile Loan	26	15.3%
5.	House Loan	22	12.9%
6.	Business loan	20	11.8%
	Total	170	

Source : Primary Data

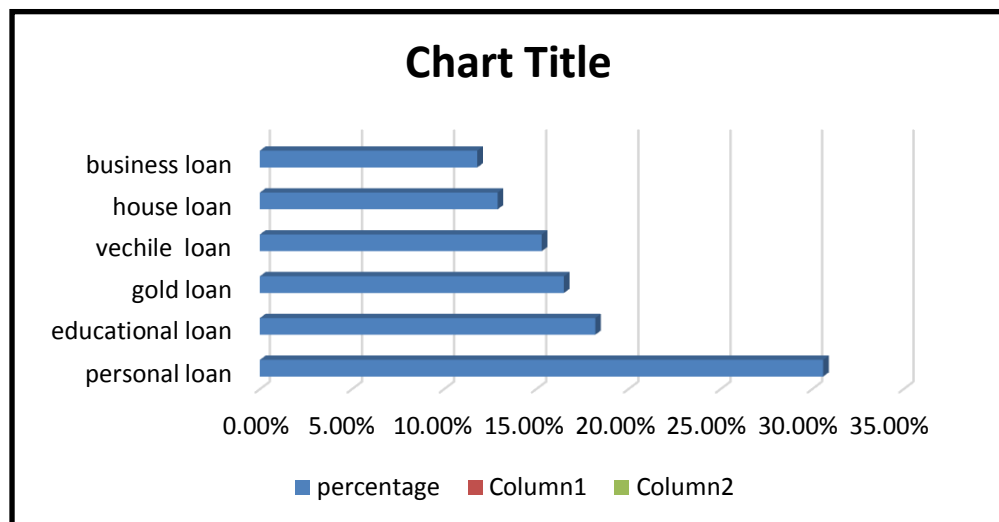


Chart 4.1 9 Kind of loan taken respondents:

Interpretation :

From the above table it is inferred that, 30.6% of the have taken personal loan18.2% of the respondents have taken educational loan16.5% of the respondents taken gold loan15.3%of the respondents vechile loan12.9% are h

Inference:

Majority of the respondents have taken Personal loan.

Amount of loan taken:

Table 4.1 10 The amount of loan taken respondents:

Sr.no	Loan	Number of respondent	Percentage %
1.	Lakhs with less period less than 5 years	70	41.2%
2.	Lakhs with more period above 5 years	100	58.8%
	Total	170	

Source : Primary Data

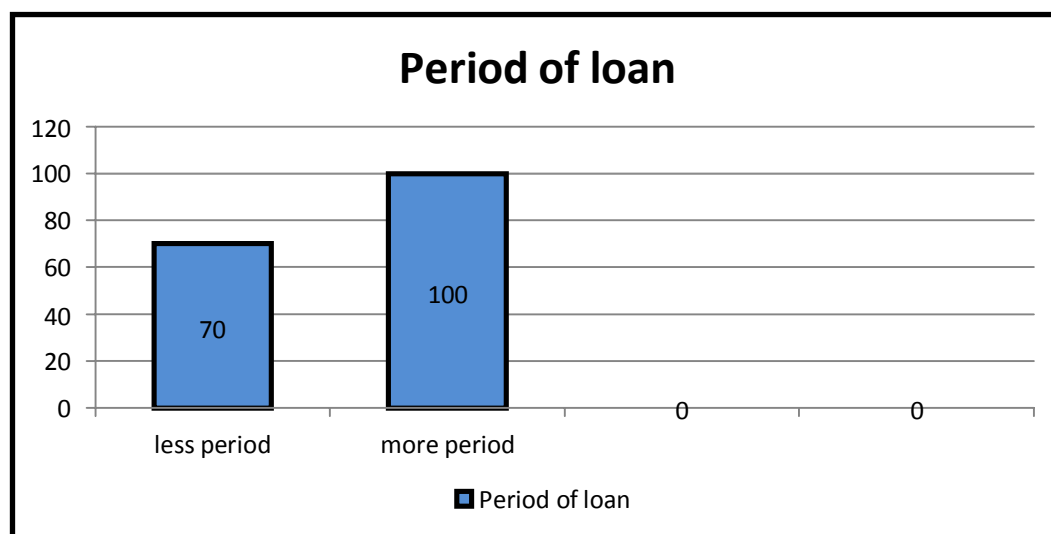


Chart 4.10 The amount of loan taken respondents:

Interpretation :

From the above table it is inferred that, 41.2% of the respondents are Taken loan with less period and 58.8% of the respondents have taken loan more than 5 years.

Inference:

Majority of the respondents have taken loan with repay of many years.

Before/After covid:

Table 4.1 11 Before/after covid loan taken respondents:

Sr.no	covid	Number of respondent	Percentage %
1.	Before covid	107	62.9%
2.	After covid	63	37.1%
	Total	170	

Source : Primary Data

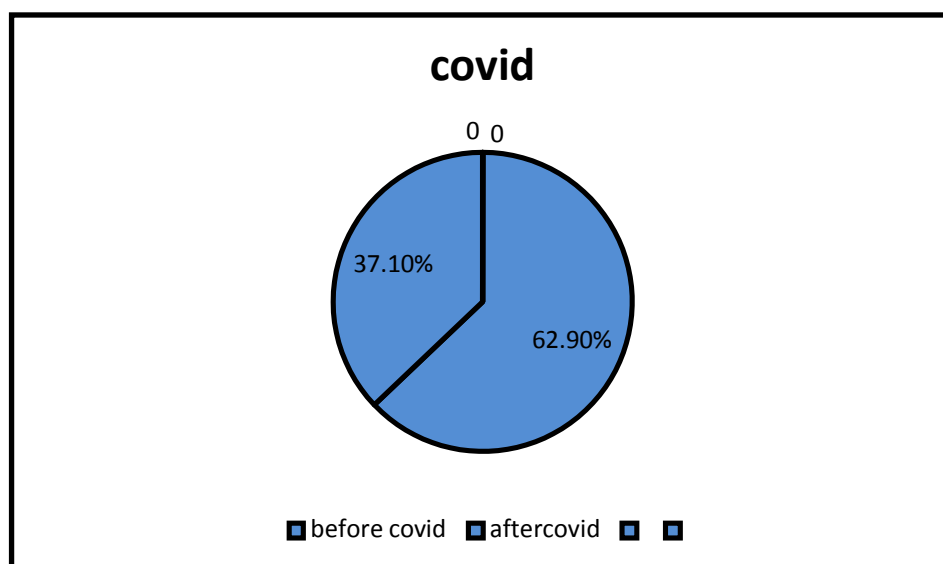


Chart 4.1 11 Before/after covid loan taken respondents:

Interpretation :

From the above table it is inferred that, 62.9% of the respondents are Taken loan before covid and 37.1% of the respondents have taken loan after covid.

Inference:

Majority of the respondents have taken loan before covid

Interest Rate:

Table 4.1 12 Interest rate of the respondents:

Sr.no	Interest	Number of respondent	Percentage %
1.	Increase from the old amount	118	68.8%
2.	Same as the old interest	52	30.6%
	Total	170	

Source : Primary Data

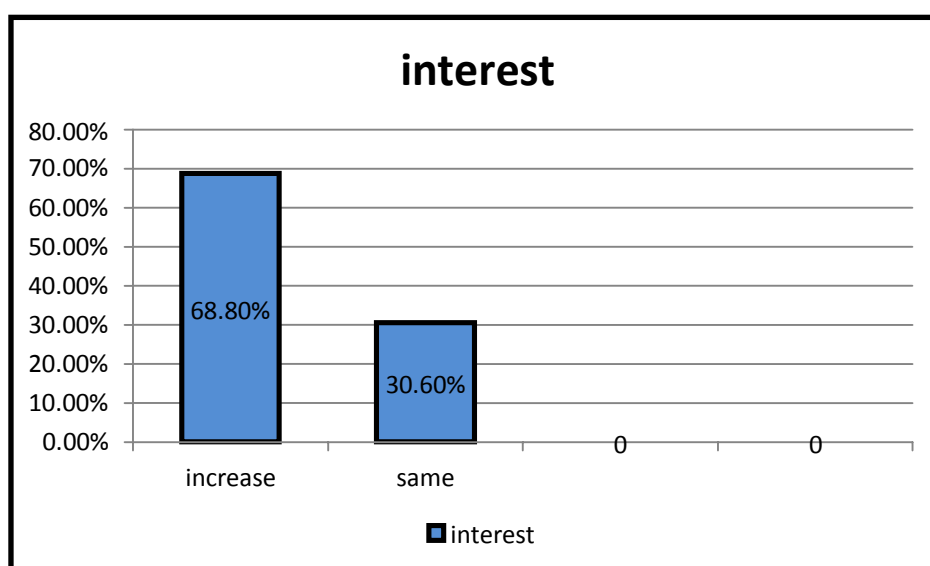


Chart 4.1 12 Interest rate of the respondents:

Interpretation :

From the above table it is inferred that, 68.8% of the respondents have increase from the old amount and 30.6% of the respondents are paying the same as the old interest.

Inference:

Majority of the respondents have paid amount increase from the old amount.

Bank Loan during covid

Table 4.1.13 bank loan during covid rate of the respondents:

Sr.no	During covid	Number of respondent	Percentage %
1.	Interest was high during covid period	109/61	10%
2.	Loan Period was increased	110/60	20%
3.	Interest amount was changed	103/67	10%
4.	Procedure for applying loan was difficult	106/64	25%
5.	Paying loan amount face to face was difficult	119/51	35%
	Total	170	

Source : Primary Data

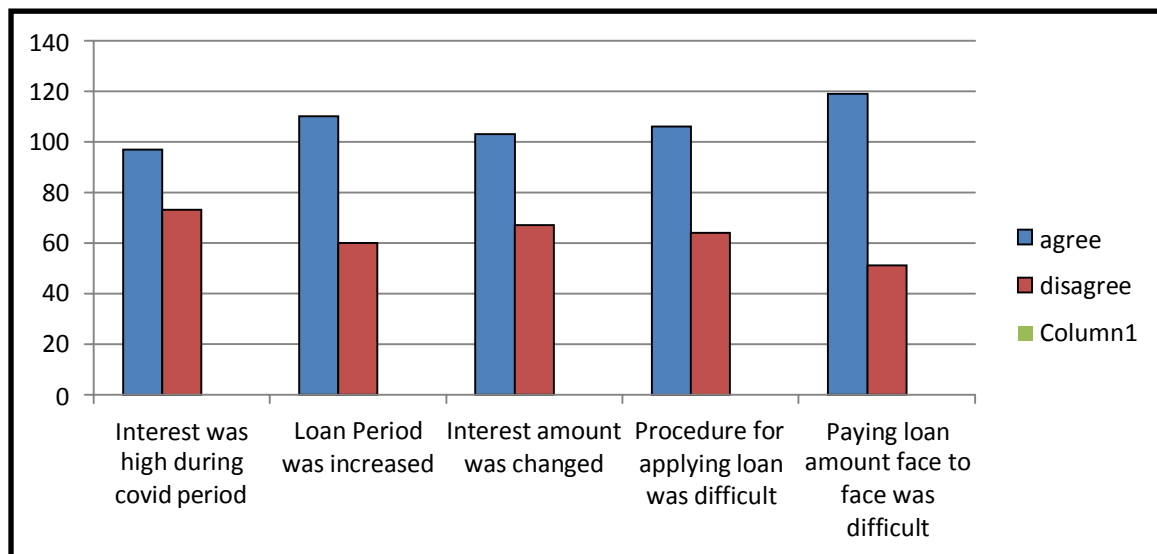


Chart 41.13 bank loan during covid rate of the respondents:

Interpretation :

From the above table it is inferred that, 75% of the respondents have responded Agree and 25% responded disagree.

Inference:

Majority of the respondents have told that they were affected due to covid

Loan was available and easy:

Table 4.1.14 Loan was easily available to the respondents:

Sr.no	During covid	Number of respondent	Percentage %
1.	Loan Interest was applicable to customers	109/61	40%
2.	Procedure of taking loan was easy	83/87	30%
3.	Prospectus was beneficial to customers	76/94	20%
4.	loan interest affected your personal life	50/120	10%
	Total	170	

Source : Primary Data

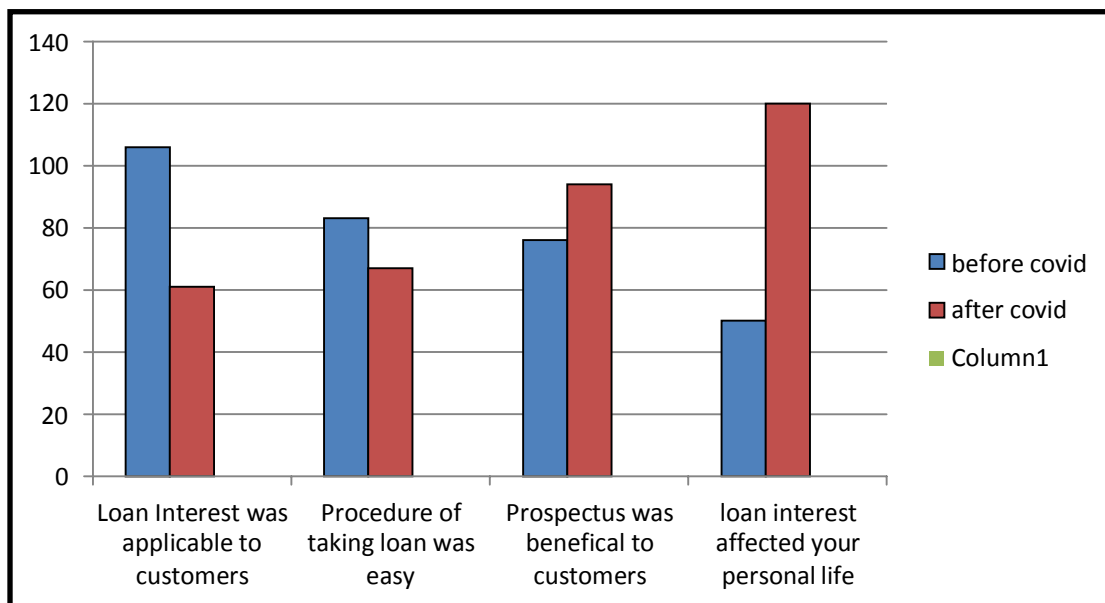


Chart 4.14 Loan was easily available to the respondents:

Interpretation :

From the above table it is inferred that, loan interest was good before covid procedure was easy mostly equal in covid, 94 says prospectus was beneficial after covid 120 says interest affected your personal life after covid.

Inference:

Majority of the respondents say loan taken before covid was best

Rating of TMB Bnak:

Table 4.1.15 rating of TMB bank of the respondents:

Sr.no	During covid	Number of respondent	Percentage %
1.	Speed of approval and immediate payout	25	14.7%
2.	Simpler procedure/ less bureaucratic formalities	25	14.7%
3.	Rate of interest charged is reasonable	25	14.7%
4.	Existence of one or more guarantors	25	14.7%
5.	no hidden charges	25	14.7%
6.	Communicated if interest rate is changed	25	14.7%
7.	no need of underwriting property	20	12.8%
	Total	170	

Source : Primary Data

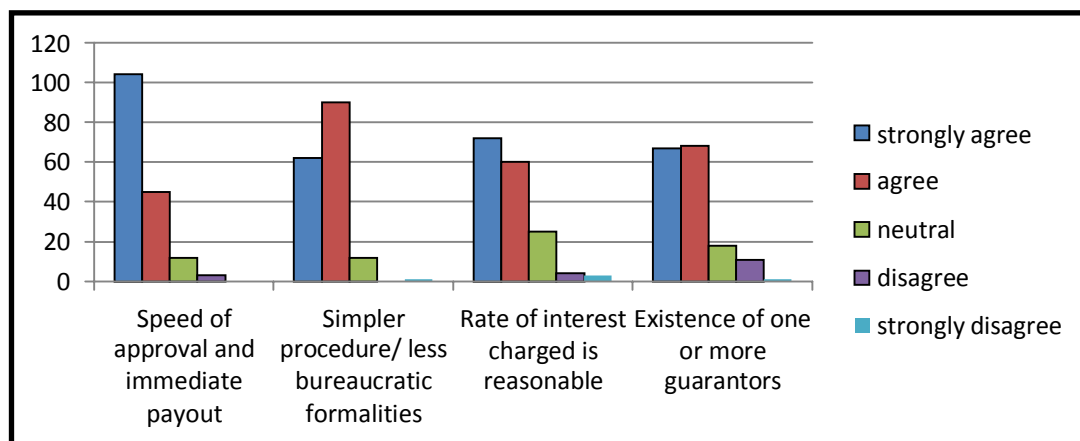


Chart 4.15 rating of TMB bank of the respondents:

Interpretation :

From the above table it is inferred that, many people have rated that strongly agree for speed approval and agree for procedure strongly agree for interest rate and agree for guarantee.

Inference:

Major of the respondents says TMB Bank rates good.

Takeing loan Really Helps:

Table 4.1.16 Takeing loan really helps rating of the respondents:

Sr.no	Loan	Number of respondent	Percentage %
1.	Yes	146	85.9%
2.	No	24	14.1%
	Total	170	

Source : Primary Data

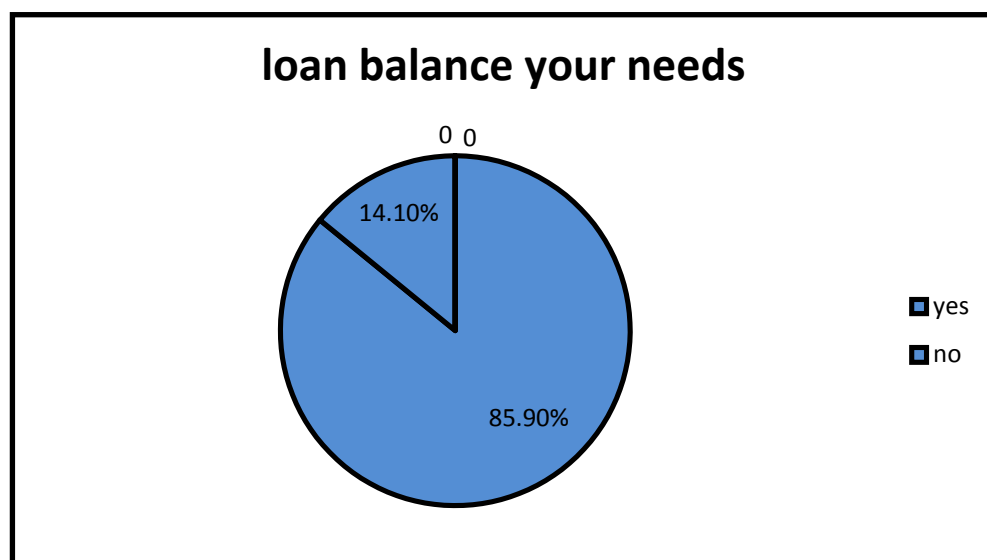


Chart 4.1.16 Takeing loan really helps rating of the respondents:

Interpretation :

Fromtheabove table it is inferred that85.90% of the respondents say taking loan balances there needs, 14.10% of the respondents says no cant balance life.

Inference:

Majority of the respondents says they can balance there lifes with loan.

4.2 Flat Rate Method and Reducing Balance Method:

Table 4.2.1 Table showing the interest and EMI under flat rate method and Reducing balance method:

Parameters	Flat Rate Method	Reducing Balance Method
Loan amount	6,00,000	6,00,000
Tenure	60 months	60 months
Rate of Interest	14%	14%
Monthly EMI	17,000	13,961
Total Interest payout	4,20,000	2,37,627
Savings	-	1,82,373

Source : Primary Data

*Calculated with formula of emi under flat rate method and reducing balance method

Interpretation :

Majority of them go for reducing balance method as the total savings is more than flat rate method, even though the tenure is same in both methods

Personal loan EMI calculator:

Table 4.2.1 Table showing EMI calculation for the Amount of loan given to the customers:

Loan Particulars	EMI for 1 Year Tenure (Rs.)	EMI for 2 Year Tenure (Rs.)	EMI for 3 Year Tenure (Rs.)	EMI for 4 Year Tenure (Rs.)	EMI for 5 Year Tenure (Rs.)
Rs. 1 lakh @11.50%	8,862	4,684	3,298	2,609	Rs. 2,199
Rs. 2 lakh @12.5%	17,817	9,461	6,691	5,316	Rs. 4,500
Rs. 3 lakh @12%	26,655	14,122	9,964	7,900	Rs. 6,673
Rs. 4 lakh @13%	35,727	19,017	13,478	10,731	9,101
Rs. 5 lakh@12.5%	44,541	23,654	16,727	13,290	11,249

Source : Primary Data

- ❖ While there are often pre-payment penalties associated with paying off personal loans ahead of time, it is usually cheaper to prepay your loan as compared to sticking to the longer (original) tenure. For example suppose you decide to prepay your Rs. 4 lakh loan @ 13% after 2 years (instead of waiting till the end of the 5 year tenure) and incur a prepayment penalty of 3%. In this case, the total amount repaid will be calculated as follows:

- ❖ Principal amount outstanding at the end of the 2nd year is Rs. 270,115
- ❖ So total prepayment penalty @3% = Rs. 8103.
- ❖ Interest paid on the loan for the first 2 years = Rs. 88,544. Total amount repaid = outstanding loan principal + Interest (for 2 years) + prepayment penalty = Rs. 496,647
- ❖ Total amount to be repaid using regular EMI over 5 year tenure = Rs. 546,074
- ❖ Hence total savings as a result of prepayment = Rs. 49, 427 even after a 3% foreclosure charge is paid

Interpretation :

EMI was calculated with 5 year tenure at different percentage% with different amount given by the customers in survey answers. where the emi will reduce at the final year

Compound interest Rate :

Table 4.3.1 Table showing loan payment with periodic interest rate:

Year	Opening Balance	Amount paid by Customer (EMI*12)	Interest paid during the year	Principal paid during the year	Closing Balance
1	1,000,000	148,142	81,472	66,670	933,330
2	933,330	148,142	75,651	72,491	860,839
3	860,839	148,142	69,322	78,820	782,019
4	782,019	148,142	62,440	85,702	696,318
5	696,318	148,142	54,957	93,185	603,133
6	603,133	148,142	46,821	101,321	501,813
7	501,813	148,142	37,975	110,167	391,646
8	391,646	148,142	28,356	119,786	271,860
9	271,860	148,142	17,898	130,244	141,616
10	141,616	148,142	6,526	141,616	0

Source : Primary Data

Interpretation :

$D = \{[(1 + r)^n] - 1\} / [r(1 + r)^n]$ was calculated with loan amount rs.10,00,000, Interest rate 8.4%, tenure 10 years, EMI 12,345 was applied in the formula and applied in the box.

CHAPTER V

FINDINGS SUGGESTIONS & CONCLUSION

5.1 Findings :

- ❖ Majority of the respondents are Female with 54.1 %
- ❖ Majority of the respondents are belonging to the age group of 20 to 30 years old group.
- ❖ Majority of the respondents are belonging to monthly income 21000-40000
- ❖ Majority of the respondents are Salaried.
- ❖ Majority of the respondents are Salaried in Private Limited.
- ❖ Majority of the respondents are Self salaried in private business.
- ❖ Majority of the respondents belongs to TMB BANK.
- ❖ Majority of the respondents have taken loan.
- ❖ Majority of the respondents have taken Personal loan.
- ❖ Majority of the respondents have taken loan with repay of many years.
- ❖ Majority of the respondents have taken loan before covid
- ❖ Majority of the respondents have paid amount increase from the old amount.
- ❖ Majority of the respondents have told that they where affected due to covid.
- ❖ Majority of the respondents say loan taken before covid was best
- ❖ Major of the respondents says TMB Bank rates good.
- ❖ Majority of the respondents says they can balance there lifes with loan.

5.2 SUGGESTIONS:

- ❖ Fixed Deposits attempts to be taken to increase cashflow.
- ❖ Growth rate of Current Deposits is low; hence Current Deposits should be increased.
- ❖ Based on the present study the researcher proposes the following steps.
- ❖ Banks should take steps to increase the Nonretail advances as the ratio of retail advances, total advances is decreasing all over India.
- ❖ In comparison with other bank the performance of axis bank is quite good but no so effective than its competitors.
- ❖ Upgrading schemes based on customers' needs should be analyzed and developed.
- ❖ Faster and easier mode of transaction helps in reaching out its potential customers.
- ❖ The deposits interest rate of the bank should be increased than its competitive banks. Hence, it attracts more people.
- ❖ Banks should increase the rate of saving account.
- ❖ Prompt dealing with permanent customers and speedy transaction without harassing the customers.
- ❖ Try to balance day to day life
- ❖ take loan by your income
- ❖ Very help ful to solve some problems
- ❖ Very helpful getting my own house
- ❖ TMB bank should be more comfortable to all but this bank details should be known to everyone through this survey Good job
- ❖ TMB bank loan is really helpful for general public because of low interest
- ❖ Loan helps us to balance every situation in our life
- ❖ Loan is one of the best way to handle our problems
- ❖ We can have lot of useful things with the help of loan

5.3 CONCLUSION :

The review of expert opinions presented in the above section reveals the following crux about the impact of lockdown on Banks and NBFCs in India:

- The coronavirus crisis has left some banks struggling to hang on to deposits, as funds migrate to the perceived safety of state-owned lenders. Besides other smaller private lenders, more prominent name among such banks are IndusInd, RBL Bank Ltd, and Yes Bank.
- According to a report (March, 30, 2020) by Credit Suisse Group AG analysts led by Ashish Gupta, more than 25%, 35% and 45% of loan book is of most vulnerable sectors to the lockdown, such as small businesses and automobile finance in case of TMB Bank, Axis Bank, and IndusInd Bank Ltd respectively. Ability to withstand deposit shocks will be key for Private banks for their survival in coming several months.
- Liquidity conditions of smaller private banks could force them to reduce lending on account of which companies relying on banks for lending might face weak financials and poor liquidity. And in this situation the companies may default on loans.
- RBI has given all banks a three-month grace period during which they have some relief from rules governing bad loan recognition. But from September onward, non-performing assets are likely to surge if the crisis is still acute. If asset quality starts to deteriorate, the bad-loan ratios of private banks could rise from the 3.9% recorded in September-2019.
- It is well known by the bankers that since the imposition of lockdown by the Government of India on March 25, 2020, the RBI has taken numerous requisite steps to ensure normal business functioning by the entire banking sector.
- Further, as fresh measures, the RBI infused \$6.5 billion of additional cash for banks to lend to shadow lenders and small borrowers. Moreover, RBI has relaxed the timelines for bad loan rules, and barred lenders from paying dividends for the year ended March 31, 2019.

- Even after withdrawing lockdown, the banking sector will take a long time to revert to any normalcy.

Based on the above findings and assessment of the financial sector situation, the following measures are recommended:

- (i) RBI must take all possible initiatives to maintain sufficient liquidity in the financial system and its constituents in the face of COVID-19;
- (ii) Adequate bank credit flows is must for putting the small and medium enterprises on the track afresh after lockdown is over;
- (iii) Government is required to take decisions and actions to lessen uncertainty and financial stress in the economy;
- (iv) Continuous measures should be taken to enable the smooth functioning of both money and capital markets;
- (v) All enterprises must put in place business continuity plans to operate for disaster recovery so that there is no disruption in customer services; and
- (vi) Government must take timely initiatives to open the economy to avoid the worse to come.

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QUESTIONNAIRE

1. Name

2. Gender

a) Female

b) Male

3. Age

a) 20 – 30

b) 31 – 40

c) 41-50

d) Above 50

4. Monthly Income

a) 10000 – 20000

b) 21000 – 40000

c) 41000 – 60000

d) Above 60000

5. Occupation

a) Salaried

b) Self- employed

If Salaried, employed with

a) Private limited

b) Government

c) Public limited

d) Others

If Self employed your firm is

a) Private business

b) Partnership

c) Real estate agent

d) Others

8. Do you have Account in TMB bank

a) Yes

b) No

c) If no mention the name of other bank

9. Have you availed loan facilities from TMB bank.

a) Yes

b) No

10. If Yes particular the type of loan

a) Personal loan

b) Educational loan

c) Gold loan

d) Vehicle loan

e) House loan

f) Business loan

11. Mention the amount of Loan taken with the Number of periods

12. In which period you have taken loan Before covid or After covid

a) Before covid

b) After covid

13. What interest you paid after covid period

a) Increase from the old interest

b) Same as the old interest

14. Bank Loan during covid

	AGREE	DISAGREE
a) Interest was high during covid period		
b) Loan Period was increased		
c) Interest amount was changed		
d) Procedure for applying loan was difficult		
e) Paying loan amount face to face was difficult		

15 Loan

	BEFORE COVID	AFTER COVID
a) Loan Interest was applicable to customers		
b) Procedure of taking loan was easy		
c) Prospectus was beneficial to customers		
d) loan interest affected your personal life		

16. For the following factors Rate Tmb bank

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a) Speed of approval and immediate payout					
b) Simpler procedure/ less bureaucratic formalities					
c) Rate of interest charged is reasonable					
d) Existence of one or more guarantors					
e) no hidden charges					
f) Communicated if interest rate is changed					
g) no need of underwriting property					

17. Taking loan will really help to balance your needs

- a) Yes
- b) No

18. Any suggestion to loan customers

A STUDY ON BANK LOAN APPRAISAL MECHANISM OF TMB BANK DURING COVID PERIOD

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ABSTRACT:

For TMB Bank to minimize loan losses, it's essential they develop an effective Loan risk management. Loan management starts with the sales and does not stop until the full and final payment has been received. The central bank annual supervision report 2020 indicated high incidence of Loan risk reflected in the rising levels of non-performing loans by the TMB Bank in the covid period. This results in loan losses when ultimately loan recovery flops and also creation of provision for doubt debts thus affecting overall profitability. Therefore, this study aims at assessing the effectiveness of Loan appraisal on loan performance in TMB Bank in Vellore. This study was intended to be of significance to various parties namely the banks management, customers, investors and even the government. This study suffered difficulties due to confidentiality of Loan information but the researcher obtained an introductory letter from the university and assured respondents of confidentiality. Descriptive research design was used. The population comprised of 86 respondents. That is, one Loan manager and one Loan officer from one branch of each of the 43 TMB Bank registered with central bank of Vellore as at this year. A census study was conducted since the target population was small. Data was collected using a self-administered questionnaire through drop and pick later method.

KEYWORDS:

Bank Loan, Employers, Bank loan format's

INTRODUCTION:

A loan is when you receive money from a friend, bank or financial institution in exchange for future repayment of the principal, plus interest. The principal is the amount you borrowed, and the interest is the amount charged for receiving the loan. Since lenders are taking a risk that you may not repay the loan, they have to offset that risk by charging a fee - known as interest. Loans typically are secured or unsecured. A secured loan involves pledging an asset (such as a car, boat or house) as collateral for the loan. If the borrower defaults, or doesn't pay back the loan, the lender takes possession of the asset. An unsecured loan option is preferred, but not as common. If the borrower doesn't pay back the unsecured loan, the lender doesn't have the right to take anything in return.

In finance, a loan is the lending of money by one or more individuals, organizations, or other entities to other individuals, organizations etc. The recipient (i.e., the borrower) incurs a debt and is usually liable to pay interest on that debt until it is repaid as well as to repay the principal amount borrowed. The document evidencing the debt (e.g., a promissory note) will normally specify, among other things, the principal amount of money borrowed, the interest rate the lender is charging, and the date of repayment. A loan entails the reallocation of the subject asset(s) for a period of time, between the lender and the borrower.

OBJECTIVES OF THE STUDY:

Primary

- ❖ To Identify the bank involvement during covid, types of loan given and wheather the interest applicable for them.

Secondary

- ❖ A study on bank loan appraisal mechanism of TMB bank during covid period
- ❖ To Find the rate of interest in Private bank Before/After covid 19.

REVIEW OF LITERATURE

GhoshSaibal (2019) concluded that with international standards, Indian banks would need to improve their technological orientation and expand the possibilities for augmenting their financial activities in order to improve their profit efficiency in the near future.

Dr. Ibrahim Syed M (2020) concluded that this is diagnostic and exploratory in nature and makes use secondary data. The study finds and concludes that the scheduled commercial banks in India have significantly improved their operational performance.

Dr. Pardhan Kumar Tanmaya (2020) Concluded that-The study is based on primary data. The data has been analyzed by Percentage method. The tool used to collect data from the bank officials was a structured questionnaire.

Dr. Dhanabhakya M &Kavitha M. (2020) studied that banks have to re-orient their strategies in the light of their own strength and the kind of market in which their likely to operate on. In the perspective of this domestic and international development, the banking sector has to chart perfect for development.

Mishra Kumar Aswini& et.al. (august 2020) Concluded that DEA provide significant insights on efficiency of different banks and places private sector ones at an advantage situation and there by hints out the possibility of further improvisation of most of the public sector banks.

Kamraj K. &Somu A. (august 2020) Conclude that Indian overseas bank is one of the oldest nationalized commercial banks in India. Banking industry is an indicator of for many development activities in the nation. Indian overseas bank has higher potential to provide better and quality services to the billions of people in India.

Dr. RaoMadhusudhana K. (2020) Concluded that – with respect to the banking activities the performance of TMB is better than the SBI and for the investor who are intended for long term investment & risk takers TMB is better but with respect to the growth in the market for the company price SBI is better. SBI shares value market more than TMB

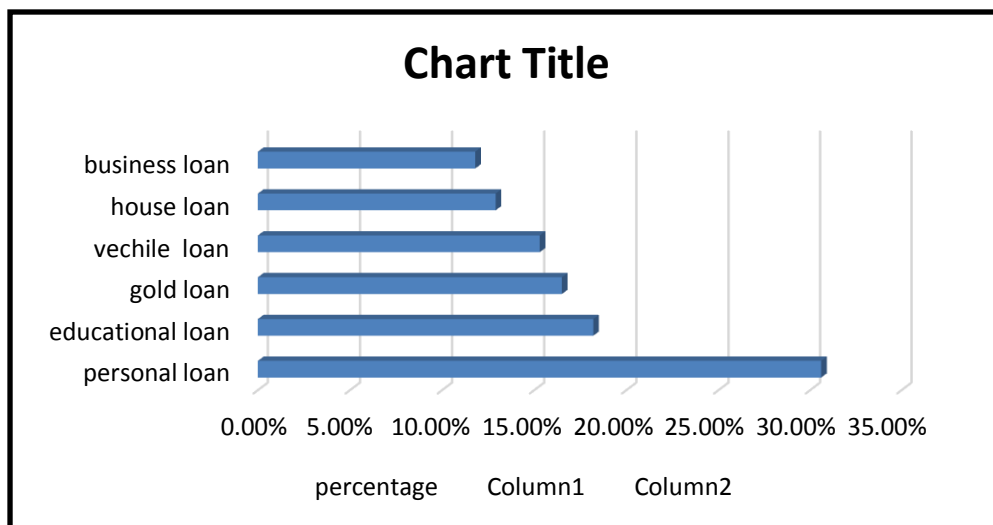
RESEARCH METHODOLOGY:

Descriptive research aims to accurately and systematically describe about the bank loan given to the customers during covid period.

kind of loan taken

Sr.no	Loans	Number of respondent	Percentage %
1.	Personal Loan	52	30.6%
2.	Educational Loan	31	18.2%
3.	Gold loan	28	16.5%
4.	Vechile Loan	26	15.3%
5.	House Loan	22	12.9%
6.	Business loan	20	11.8%
	Total	170	

Source : Primary Data



:

Interpretation :

From the above table it is inferred that, 30.6% of the have taken personal loan18.2% of therespondents have taken educational loan16.5% of the respondents taken gold loan15.3%of the respondents vechile loan12.9% are House loan

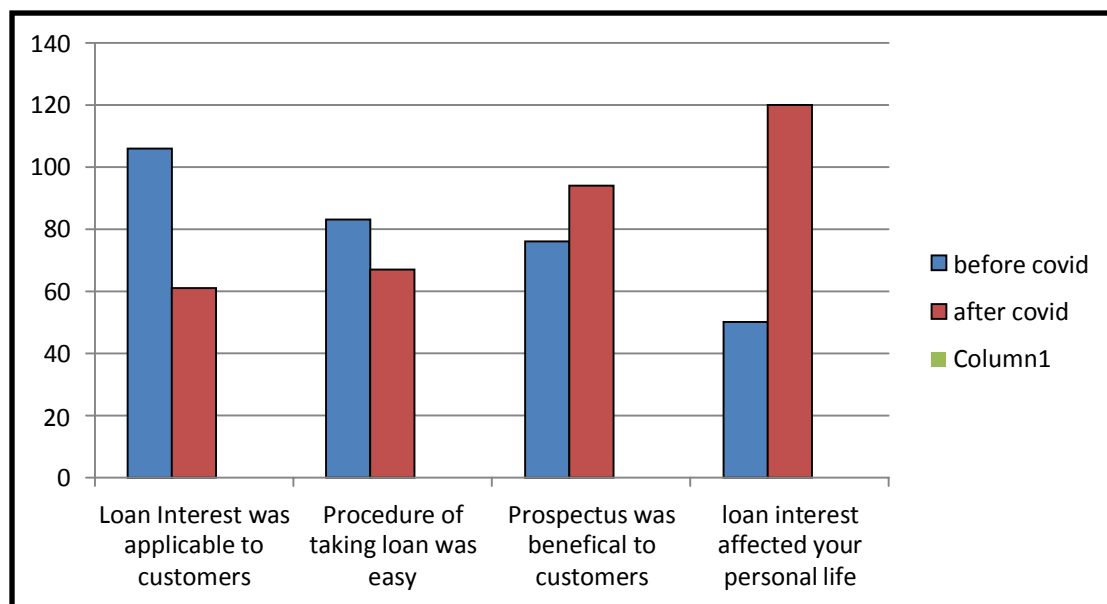
Inference:

Majority of the respondents have taken Personal loan.

Loan was available and easy:

Sr.no	During covid	Number of respondent	Percentage %
1.	Loan Interest was applicable to customers	109/61	40%
2.	Procedure of taking loan was easy	83/87	30%
3.	Prospectus was beneficial to customers	76/94	20%
4.	loan interest affected your personal life	50/120	10%
	Total	170	

Source : Primary Data



Interpretation :

From the above table it is inferred that, loan interest was good before covid procedure was easy mostly equal in covid, 94 says prospectus was beneficial after covid 120 says interest affected your personal life after covid.

Inference:

Majority of the respondents say loan taken before covid was best

Compound interest Rate :

Year	Opening Balance	Amount paid by Customer (EMI*12)	Interest paid during the year	Principal paid during the year	Closing Balance
1	1,000,000	148,142	81,472	66,670	933,330
2	933,330	148,142	75,651	72,491	860,839
3	860,839	148,142	69,322	78,820	782,019
4	782,019	148,142	62,440	85,702	696,318
5	696,318	148,142	54,957	93,185	603,133
6	603,133	148,142	46,821	101,321	501,813
7	501,813	148,142	37,975	110,167	391,646
8	391,646	148,142	28,356	119,786	271,860
9	271,860	148,142	17,898	130,244	141,616
10	141,616	148,142	6,526	141,616	0

Source : Primary Data

Interpretation :

$D = \{[(1 + r)^n] - 1\} / [r(1 + r)^n]$ was calculated with loan amount rs.10,00,000, Interest rate 8.4%,tenure 10 years, EMI 12,345 was applied in the formula and applied in the box.

SUGGESTION :

- ❖ Very help ful to solve some problems
- ❖ Very helpful getting my own house
- ❖ TMB bank should be more comfortable to all but this bank details shouldbe known to

- everyone through this survey Good job
- ❖ TMB bank loan is really helpful for general public because of low interest
 - ❖ Loan helps us to balance every situation in our life
 - ❖ Loan is one of the best way to handle our problems
 - ❖ We can have lot of useful things with the help of loan

CONCLUSION :

•The coronavirus crisis has left some banks struggling to hang on to deposits, as funds migrate to the perceived safety of state-owned lenders. Besides other smaller private lenders, more prominent name among such banks are IndusInd, RBL Bank Ltd, and Yes Bank. According to a report (March, 30, 2020) by Credit Suisse Group AG analysts led by Ashish Gupta, more than 25%, 35% and 45% of loan book is of most vulnerable sectors to the lockdown, such as small businesses and automobile finance in case of TMB Bank, Axis Bank, and IndusInd Bank Ltd respectively. Ability to withstand deposit shocks will be key for Private banks for their survival in coming several months. Liquidity conditions of smaller private banks could force them to reduce lending on account of which companies relying on banks for lending might face weak financials and poor liquidity. And in this situation the companies may default on loans.

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