



*Chapter - 1*

**INTRODUCTION  
&  
RESEARCH DESIGN**

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# **CHAPTER - I**

## **INTRODUCTION & RESEARCH METHODOLOGY**

### **1.1 INTRODUCTION:**

Urban Cooperative Banks are one of the vital segments of banking, which are assigned a major role in providing banking facilities mainly to lower and middle class customers in urban areas. The Kolhapur Urban Cooperative Bank is a role model to be adopted for other UCBs operating in the country. The housing loan is an important issue in the country like India where crores of people are struggling for shelter especially in urban area. The banks can play supporting role in this matter by providing housing loan to many people who are eligible for it.

The bank's housing loan scheme is available for Resident Indians as well as Non Resident's Indians (NRI's). The loans are available for construction or purchase of a new or old property. The loan amount provided will be 75% of the cost of house/ flat to be purchased/ constructed (including registration and other essential charges i.e. Electricity, Deposits, Mortgage charges etc.) and 40 times of monthly gross income whichever is less.

### **1.2 HOUSING LOAN SCHEME:**

The housing loan scheme is available for salaried persons, professionals/ Businessmen having sufficient disposable income to meet the repayment of loan. The employees should be in State/ Central government, Public or Private sector companies' establishment of repute. The sanctioning authority should be satisfied about repaying capacity of

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employee. Farmers having minimum five acres of irrigated land holding. Non Resident Indians are also eligible for loan.

The purpose of housing finance to public in general is as follows:

- 1) To provide housing finance to public in general for the following purposes.
- 2) For construction of new house/ flat.
- 3) For outright purchase of house/ flat (new or old)
- 4) For repairs / renovation of the existing house/ flat.
- 5) Home conversion loan.
- 6) Stamp duty loan.
- 7) Taking over of housing loan from the bank/ institution.

### **1.3 CONCEPTS:**

The concepts which are discussed in this dissertation are well-defined in this section.

**1.3.1 Home Loan:** Loan provided by the banks to ensure flats, bungalows or pent house to customer's in various parts of India at specific interest is basically known as home loan.

**1.3.2 The Role of Urban Co-Operative Bank in Housing Loan:** The cooperative banks may reduce lending rates for home loans after credit policy announcement of the Reserve Bank of India.

For instance- lending rates for housing loans range between 9 percent and 13 percent. It is expected that the cooperative banks may slash the lending rates up to 1 percent.

Most of the Cooperative banks are small in size and it is difficult for them to lend loans at lower interest rates continue to remain low in the market for a while, the cooperative may be forced to reduce the rates to stop customer's from switching over to other banks.

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#### **1.4 STATEMENT OF THE PROBLEM:**

The Kolhapur Urban Cooperative Bank has introduced many schemes for providing loans throughout Kolhapur District. The information regarding the competitors and their customers also plays a vital role in deciding the future plans of the bank. The researcher has the interest to know the performance in respect of growth in credit under housing loan. It is the need of hour to evaluate different housing loan schemes introduced by the Urban Cooperative Banks. Hence the present researcher has selected the topic as “ **CREDIT MANAGEMENT AND STRATEGIES RELATED TO HOME LOANS WITH SPECIAL REFERANCE TO KHASBAG BRANCH OF THE KOLHAPUR URBAN CO-OPERATIVE BANK.**”

#### **1.5 SIGNIFICANCE OF THE STUDY:**

Shelter is one of the basic needs. In developing countries like India the house is dream for most of the people in the country and hence the housing loan scheme introduced by any bank of financial institution plays very important role in catering the credit needs of such people.

The present study has significance in this regard. It will be useful to banks and financial institutions which are regarding these services. It would be significant to the government for formulating policy on housing loan. It may be benefited to the potential customers of housing loan. It may also be useful to the students and academicians for making further studies.

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## **1.6 OBJECTIVES OF THE STUDY:**

The main objective of this research is to study the credit management and strategies related to home loan with reference to Khasbag branch of the Kolhapur. The specific objectives of the study are as follows:

1. To study the procedure adopted for providing home loans by Urban Co-operative Bank.
2. To study the system and technique adopted by Urban Cooperative Bank for ~~collecting repayment and interest.~~
3. To make comparative analysis of home loan policy formulated by Urban Cooperative Bank and other banks.
4. To identify the problems encountered by executives on one hand and problems encountered by customers on the other.
5. To make suggestions appropriate to the problems facing in home loan services.

## **1.7 HYPOTHESES:**

1. The EMI of home loan has positive impact on financial management of borrower's household.
2. EMI method of repayment is more costly than the other methods.
3. Home loan policy of Urban Cooperative Bank is customer oriented in respect of rate of interest, procedure, collection machinery etc.

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## 1.8 METHODOLOGY:

The present researcher has adopted the following methodology for this study.

**1.8.1 Data Collection :** The primary data have been collected by using; i. structured interview schedule and ii. observations in the bank. It has been supplemented by the discussion with the Branch Managers and the Accountant of Kolhapur Urban cooperative Bank.

The present researcher has collected the secondary data by going through reports published by Kolhapur Urban Cooperative Bank and other reports published by other banks and RBI. The secondary sources have also been used like books, research papers, magazines and different web-sites etc.

**1.8.2 Sample Design :** In Kolhapur District there are 60 UCBs in which 9 are merged and 361 branches. In the first stage of sampling, the Kolhapur Urban Cooperative Bank's Khasbaug Branch in Kolhapur city has been selected as a sample unit for case study. In second stage of sampling, the borrowers of housing loan have been selected by judgmental sampling method for the comparison purpose as shown below:

**Table - 1.1**  
**Sample size of Borrowers**

<b>Particulars</b>	<b>ICICI Bank</b>	<b>Bank of India</b>	<b>The Kolhapur Urban Co-op Bank</b>
No. of Borrowers Selected	15	15	20
Total HL Borrowers	128	155	101

**1.8.3 Method of Analysis:** The case study method has been adopted to understand the procedure, the system and techniques adopted by The Kolhapur Urban Cooperative Bank

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for providing home loans and for collecting repayment and interest. The primary data collected from branch managers have been analyzed to make comparative analysis of home loan policy formulated by The Kolhapur Urban Cooperative Bank and other banks. The primary data collected from borrowers to identify the problems encountered by executives on one hand and problems encountered by borrowers on the other.

The data collected by the present researcher have been classified and tabulated according to the objectives of the study.

### **1.9 SCOPE OF THE STUDY:**

The topical scope of the study is confined to the credit management in respect of housing loan. The geographical scope is limited to a single branch as a case but for the survey of borrowers it is covering the Kolhapur city. The analytical scope of the study is covering the comparison between the procedure, system and technique of three types of banks and the identification. The operational scope of the study is limited to the identification of problems countered by executives and borrowers in respect of housing loan.

### **1.10 LIMITATIONS OF THE STUDY:**

The present study has following limitations:

1. The period of study is restricted to only five years (i.e. 2004-05 to 2008-09)
2. The case study method has its own limitations.
3. The limitations of perceptions of borrowers influence the primary data.

### **1.11 CHAPTER SCHEME:**

This study has been divided into six chapters as per the need of the subject and its analysis and interpretation. These chapters are given below:

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**Chapter 1: Introduction and Research Methodology:** This chapter covers the introductory measures as theme of the subject, problem of the study, its significance, scope, limitations, and research methodology and chapter scheme.

**Chapter 2: Profile of Bank's Branch:** It provides the information about the establishment of bank, its brief history, growth and achievements.

**Chapter 3: Review of Literature:** This chapter reviews the earlier studies on the similar topics to find out gap of research.

**Chapter 4: Home Loan Procedure:** It covers the procedure of home loan laid down for borrowers.

**Chapter 5: Analysis and Interpretation of Data:** This chapter have devoted to the analysis and interpretation. It has been divided into two sections as first section covers the comparison between three types of bank and second section covers the data related to borrowers.

**Chapter 6: Conclusion:** It provides the findings, suggestions and conclusion of the study.