

CHAPTER – VI

Conclusions & Suggestions

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CHAPTER – VI

Conclusions & Suggestions

6.1 CONCLUSION

6.1.1 In my study we came to know that many people are interested to take a home loan from HDFC LTD to construct their homes.

For public sector, no. of applications availed with SBI banks are approximately 50 to 100 per year. That of with HDFC Banks approximately 300 per year & with Sangli UCB no. of applications availed up to 50. This indicates that customers attract more towards HDFC bank than SBI & Sangli UCB.

6.1.2 The Co-operative Bank's interest rates are high than rates of Private Sectors & Public Sector Bank's interest rates. Today's rate of interest of SBI is 9.75%, HDFC is 9.75% and Sangli UCB is 12%. Banks also applied different policies of interest rate SBI and HDFC offer fixed & floating interest rate method. But Sangli UCB offer only reducing balance method of interest rate.

6.1.3 SBI offer home loan from 1 lakhs to 75 lakhs. HDFC offer home loan from 1 lakhs to 1 crore. And Sangli UCB gives loan from 5,000 to 1 crore. It concludes that Sangli UCB meets the needs of low income group also.

- 6.1.4 SBI and Sangli UCB both are not charge any early redemption cost but HDFC charge 2% early redemption cost on home loan amount.**
- 6.1.5 Towards SBI the customers have to approach 7 to 8 times and HDFC institution 2 to 3 times and in Sangli UCB 4 to 5 times. It indicates the HDFC rendered their services promptly to their customers.**
- 6.1.6 SBI utilized 20% of their deposits for offering loan. But HDFC is fully engaged in providing housing loan i.e. they utilized 100% amount for housing loan but in Sangli UCB below 20% amount is utilized for housing loan. This difference occur because of the number of applications of HDFC are larger than SBI & Sangli UCB. So they required huge amount of money for housing loan. SBI stand in 2nd rank in case of no. of applications so they required large amount of money than Sangli UCB.**
- 6.1.7 The loan sanction process of HDFC is take long time compare to SBI and Sangli UCB banks i.e. SBI require 8 days while Sangli UCB required 15 days. HDFC required 1 month because file is sending for pune branch for sanctioning.**
- 6.1.8 Sangli UCB make last few years Legal Verification of a property. SBI & HDFC required 30 years search report to verify the properties title. And Sangli UCB required 13 years search report. It may be dangerous to Sangli UCB to make mortgage of property.**

6.1.9 For SBI & HDFC required 1 guarantor for loan, but in Sangli UCB required 2 guarantors for loan application. It conclude that co-operative bank protect their loan amount.

6.1.10 Though the amount of disbursement is given in part but interest is charged on the amount is different as per bank

- **In the SBI the interest charge & EMI payments commences only after the entire sanctioned loan amount is drawn.**
- **But in HDFC customer is supposed to pay a simple interest after the approval of loan & EMI starts after disbursement of 1st stage of loan.**
- **In Sangli UCB interest & EMI is charged after the whole amount of loan is disbursed.**

6.1.11 In SBI & HDFC Bank offer monthly EMI, but Sangli UCB offer monthly/ Quarterly/ Half-yearly or Yearly EMI. Borrowers of Sangli UCB are most of the farmers, small artisans, Small scale trader their income is not monthly so this facility is provided by sangli UCB.

6.1.12 In the Sangli UCB moratorium period is higher because it gives loan to small businessman, small farmers and artisans & their income is irregular. But in the SBI moratorium period is given for 18 months from disbursement of loan amount or completion of work whichever is earlier. HDFC does not offer any moratorium period to borrower they starts EMI immediate after disbursement of first stage of loan amount. Sangli UCB they offer moratorium period upto 3 to 6 months as per borrower's demand.

6.1.13 Co-operative bank's NPA proportion is higher than the proportion of Public & Private Sectors because of low income group is attracting towards co-operative societies. Hence in Sangli UCB NPA percentage is 3 to 4%; SBI's & HDFC's NPA percentage is 1%.

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

6.2 Suggestion

6.2.1 Challenges and Opportunities for Indian Banking Sector

The efficiency of Indian sector banks is quite low, when we compare with that of foreign banks. The public, private & Co-op. sector banks are facing many challenges while accepting and lending the money but at the same time there are many opportunities which improved their financial position but still these banks need many changes. To make the banking sector a world-class in the era of competitive environment, five factors are important to consider i.e. **vision, values, innovations, leadership and social commitment**. These can convert the challenges of public, private & co-op. sector banks into opportunities.

On the basis of some important parameters of efficiency among the Indian banks, efficiency of new private sector banks is quite high, but foreign banks have even edge over the new private sector banks. Our new private sector banks are competing with foreign banks with continuous improvement in their performance. But our public sector & co-operative sector banks should make effective, innovative policies/strategies to compete with foreign banks if they want to survive in this emerging competitive environment. The vision, values, innovations, leadership and social commitment can convert the challenges of Indian sector banks into opportunities.

6.2.2 Suggestions at Macro level

6.2.2.1 High level of NPAs:

One of the challenges faced by the banking sector today is the high level of NPAs. To tackle with this critical problem, different options are available which includes:

- 1) Reducing the existing NPAs and control for their further build-up.
- 2) Find out the avenues of recovering NPAs such as Lok Adalats for recovering smaller loans.
- 3) Increasing the number of Debt Recovery Tribunals. (DRT)
- 4) Complete ban on generalized loan waivers.

5) Setting up the Asset Reconstruction Fund (ARF) as recommended by the NC (1991) and reiterated in its second report (1998).

6) Reduce the recovery rate.

6.2.2.2 Loss making branches and overstaffing:

Another challenge is the very large number of loss making branches overstaffed and the outdated methods of operations. All these factors have affected the efficiency of banking sector negatively. To cope up with this problem, banks should close up loss making branches and staff should be according to the requirements.

6.2.2.3 Old & traditional Technology:

The public& co-op. sector banks are not using technology aggressively. Only 80% of the businesses of all public& co-op. sector banks have been computerized whereas new private sector banks and foreign banks have 100% of their business computerized and they are providing e-banking services. Public sector banks should now aim for computerization not only branch wise but bank wide too. Bank wide computerization with the capacity to focus on the customers and develop a culture of customer focus services mindset is perhaps needed in today's for facing the future.

6.2.3 Suggestions at Micro level

6.2.3.1 To increase their customers, the Sangli UCB & SBI should provide specialized services in this sector. These services can be such as

proper guidance to the customer regarding the processing of loans, especially for the customers who are illiterate.

6.2.3.2 To satisfy their customers and for good dealings in future, the SBI should make prompt disbursement of loan amount to the customers so that they can buy or construct their dream home as early as possible

6.2.3.3 The HDFC LTD should use easy procedure, or say, less lengthy procedure for the sanctioning of loan to the customer. There should be less number of legal formalities, in case this exists, then, these should be completed in less time. This will be helpful in attracting more customers.

6.2.3.4 Although the interest rates on specific norms, yet customers seek less interest rate which can lower their cost of house. So HDFC & Sangli UCB should try to lower their interest rates. Needless to say, that the bank which is having lowers interest rates, have the maximum clients for loans.

6.2.3.5 All banks provide loan according to the repaying capacity of the customer and his/her eligibility. Due to which, some customers are not able to get amount of loan needed by them. So, the banks should soften their norms regarding the loan amount.

6.2.3.6 Create awareness: The bank has to take care of awareness creation about the products and services among the customers.

6.2.3.7 Charges: The bank has to reduce the administration charges.

- 6.2.3.8** The bank has to reduce their interest rates on home loan products and services.
- 6.2.3.9** The bank has to identify the potential customers.
- 6.2.3.10** Bank should consider the present competition and should act according to the customer needs.
- 6.2.3.11** The HDFC LTD, SBI & Sangli UCB should try to provide proper knowledge regarding their home loan schemes, even to people who don't know about such schemes and their benefits especially in rural areas. So they should provide knowledge to the ignorant customers, especially in rural areas and backward urban area

So above are the main suggestions provided to the public, private & co-op sector banks by considering these suggestions, these banks can strengthen their customer base in home loans sector. They should improve their services and reduce legal proceedings and should be friendly to their customers. All this will be helpful to satisfy their customers.