



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 nonperforming 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 whether 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 they are likely to operate on. In the perspective of this domestic and international development, the banking sector has to chart a perfect path for development.

Mishra Kumar Aswini & et.al. (August 2020) Concluded that DEA provides significant insights on the efficiency of different banks and places private sector ones at an advantageous situation and thereby 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 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. Rao Madhusudhana K. (2020) Concluded that – with respect to 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

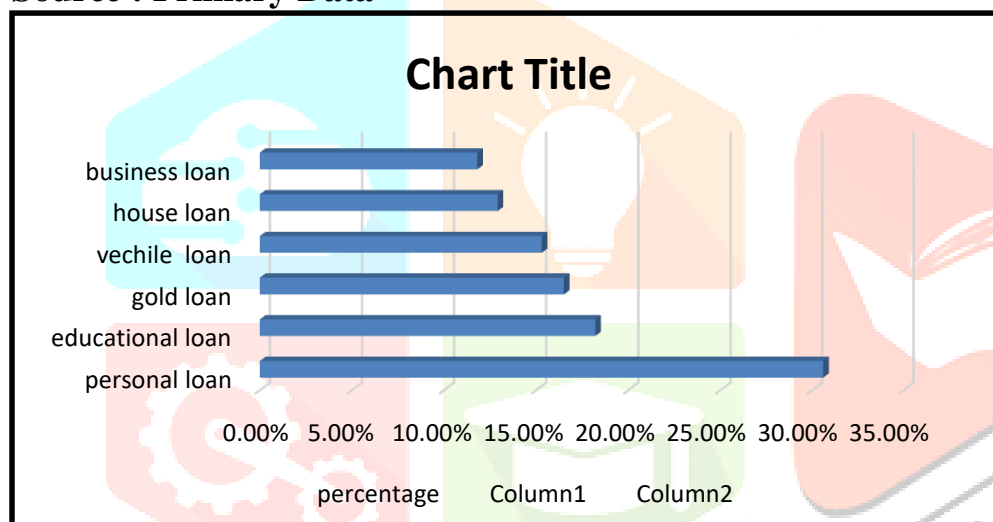
RESEARCH METHODOLOGY:

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

kind of loan taken

Sr.no	Loans	Number respondent	of 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%
	<u>Total</u>	170	

Source : Primary Data



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Interpretation :

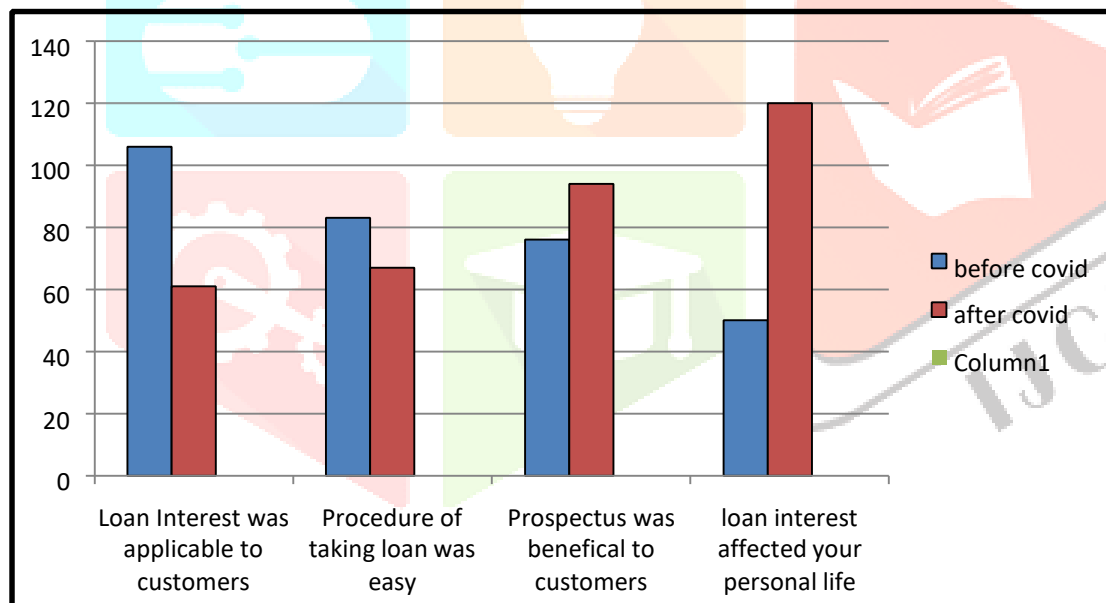
From the above table it is inferred that, 30.6% of the have taken personal loan 18.2% of the respondents have taken educational loan 16.5% of the respondents taken gold loan 15.3% of the respondents vechile loan 12.9% are House loan

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 benefical 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 benefical 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 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

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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