

# To Study the Advancements of SBI Home Loans Pre and Post Covid in India

**Nupur Palekar**

Research Scholar

The Byramjee Jeejeebhoy College of Commerce, Mumbai, Maharashtra, India

**Abstract:** Every human being wants their own house. House is a profitable and useful in the future and furnishes propulsion to economic development. But into day's scenario buying the home is a challenging chore, because it is a major expenditure. A middle-class family cannot afford this expenditure. To resolve this activity, government provides housing finance loan facility for every person at lower interest rate. Housing finance sector encourage of tax rebates. Housing finance means to take a home on loan basis in which we pay monthly installments with favorable interest rates. A loan facility has been provided on the basis of people's eligibility and the bank's rules. Many numbers of banks and financial institutions entered in housing financing sector which offer cheap loans at low interest rate. Interest rate is very important part of loans. The banks and financial institutions provide two types of interest rates i.e. fixed and floating for loan. Banks are not only providing home loan but they also provide improvement, extension, conversion, construction loan etc. The main purpose of this study is to analyze between home loan procedure and customer satisfaction of S.B.I. India's largest public sector bank.

**Keywords:** House

## I. INTRODUCTION

### WHAT IS SBI HOME LOAN?

A person's dream of owning a home demonstrates the amount of work, luxury sacrifices, and most importantly, the gradual accumulation of finances needed to realize that dream. To draw people to them, many banks are offering house loans at the lowest possible rates. A bank is a financial middleman that creates money by lending money to borrowers, resulting in a deposit on the bank's balance sheet. These banks, with their more customer-friendly attitudes, presently provide consumers with the cheapest loans for homes. Given the severe housing scarcity in the nation and the commercial banks' current social-economic responsibilities, the RBI advised banks to promote the flow of credit for house financing. The market for house loans has fallen by 50 basis points as a result of the RBI cutting the bank rate. Lending can be done directly through loaning or indirectly through capital markets. As banks have low-cost capital, they may provide home loans at lower interest rates. Small players in housing finance will have trouble acquiring cash, therefore they focus on semi-urban and rural locations. Due to extremely low non-productive assets, the home finance industry is in a highly strong position in the Indian financial system.

SBI Home Loans offers a one stop solution to a home buyer. The largest mortgage lender in India is SBI Home Loans, which has aided over 30 lakh households in realizing their dream of buying a home. Considering this, the study attempted to do an in-depth analysis of SBI housing loans by considering its Strengths, Weaknesses, Opportunities and threats. To research enlightened various housing finance programs the State Bank of India. The investigation will assist the bank in identifying issues with its housing lending programme.



State Bank of India logo was designed by NID in 1971

National Institute of Design, Ahmedabad designed the SBI logo in 1971.

The State Bank of India is a public-sector, international bank with a history spanning more than 200 years in India. Serving the interests of the average citizen has always been the cornerstone of SBI's functioning. The Bank use technology to supply and manage its diverse variety of goods and services in an individualized and customer-focused manner. The largest lender of home loans in the nation is still the State Bank of India. Even though the second wave of the pandemic severely hurt the real estate industry, resuming operations and relaxing lockdown across India have contributed to the growth of the industry. SBI's advances increased by 11% to 28.18 lakh crore during FY2022, compared to a growth of 4.8% during FY2021. Foreign office advancements increased by 15.42% while domestic advances increased by 10.27%. Retail personal loans, which currently make up 41.6% of domestic advances, experienced a strong surge of 15.11 per cent, driving the increase in domestic loans. Agri and SME loans increased by 6.57% and 9.52%, respectively, throughout the course of the year to total 2.28 lakh crore and 3.06 lakh crore. Home loans and unsecured personal loans, which increased by 11.49% and 28.50%, respectively, during FY2022, have helped the retail personal loans portfolio surpass the milestone of 10 lakh crore.

There are different types of home loans provided by SBI. Each home loan has some or the other different and unique factor. Each home loan has different Features, Eligibility, Interest rates & Fees. There are different ranges of SBI home loans. Some home loans are mentioned as follow:

- SBI Regular Home Loan
- SBI Balance transfer of Home Loan
- SBI NRI Home Loan
- SBI Flexipay Home Loan
- SBI Privilege Home Loan
- SBI Pre-Approved Home Loan, etc.



The above table is the representation of the increased demand for SBI Home loans in India.

#### ADVANTAGES & DISADVANTAGES OF SBI HOME LOAN:

##### Advantages of SBI Home Loan:

- **Competitive Interest Rates:** SBI often offers competitive interest rates on its home loans, making them attractive to borrowers seeking affordable financing options.
- **Wide Range of Products:** SBI provides various home loan products catering to different needs, including to purchase loans, construction loans, balance transfer loans and more allowing borrowers to find a suitable option.
- **Flexible Payment Options:** SBI offers flexible repayment options ,allowing borrowers to choose loan tenures and repayment schedules that align with their financial capabilities and goals.

- Government Schemes Participation: SBI actively participates in government-backed schemes such as Pradhan Mantri Awas Yojana (PMAY), offering subsidies, interest rate benefits and other incentives to eligible borrowers.

**Disadvantages of SBI Home Loan:**

- It is a Big Commitment: Once the lender approves your home loan application, you are making a huge commitment for a long period. The typical duration of a home loan last between 10 to 30 years. This means that you would have a debt for a significant amount of time in your life. Once the loan is in effect, you would have to be prepared to control your expenses and focus on the repayment.
- Home Loan may carry Risks: The duration of the home loan typically spans over 10 to 30 years, which is quite a long time. During this period, several unforeseen circumstances can occur. Some of these instances can make it difficult for you to repay the loan. Events like divorce, sudden illness, loss of job, accident, can put in a tremendous financial turmoil and affect your ability to cope with the burden of the loan, which in turn can result in the loss of the property. In case, if you fail to repay the loan, the lender has the authority to take over the property and sell it to gain back the money they lend you as a home loan.
- Loss of Investment Opportunity: This is one of the most overlooked disadvantages of home loan. When you apply for a loan, irrespective of how big or small the loan amount is or how long or short the duration is, as you continue to repay the amount, you lose the opportunity to invest the same amount in an investment tool that could yield you valuable returns. Imagine, instead of paying the EMIs, if you could use the amount to invest in mutual funds or in a fixed deposit, you would get valuable returns in the long run.

**SWOT ANALYSIS OF SBI HOUSING LOAN**

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>➤ SBI provides a wide product range</li> <li>➤ Interest on the home loan is calculated on a daily reducing balance</li> <li>➤ Home loans are also available as an overdraft. It enhances to optimal utilize surplus funds.</li> <li>➤ SBI is giving low-interest rates to its customers</li> <li>➤ The processing fees are minimum</li> <li>➤ There are no hidden costs on loan repayment.</li> <li>➤ Repayment of the loan can be done up to 30 years</li> <li>➤ Home Loan products to suit every customer's need</li> <li>➤ SBI is the largest mortgage lender in the country which has so far fulfilled the home buying dreams of 30 lakh Indian families.</li> </ul>	<ul style="list-style-type: none"> <li>➤ SBI bank's poor system of management of loans</li> <li>➤ Poor and inefficient accounting system used in the facility and lack of accuracy</li> <li>➤ Political issues will have a detrimental influence in hindering banks' smooth operation in SBI [19]</li> </ul>
OPPORTUNITIES	THREAT
<ul style="list-style-type: none"> <li>➤ Futuristic nature of loan repayment schedule.</li> <li>➤ Company has delivered good profit growth of 160% CAGR over last 5 years</li> <li>➤ Company's working capital requirements have reduced from 169 days to 127 days</li> </ul>	<ul style="list-style-type: none"> <li>➤ Increase in the Bad debts due to nonpayment of loan [20]</li> <li>➤ Providing false data and information from the customer to the bank when requesting a loan [21]</li> <li>➤ The compulsory pricing policy of the state</li> <li>➤ Slowing economic growth due to Nonpayment of the loans</li> </ul>

**SBI HOME LOAN INTEREST RATES PRE COVID**

Securing home loans was a difficult task ten years back. Both the eligibility criteria and home loan interest made borrowers choose other options. At times, people couldn't afford to buy a house due to the higher interest rates. But this not the case in 2024. If we look at last 10 years home loan interest rates in India, we will be able to see the difference.

During the Covid-19 period, the interest rate to secure home loans dropped significantly.

The interest rate in 2019, SBI was offering home loans at an 8.75-9.35% interest rate. But in 2021 the interest rate dropped to 6.5% for home loans of 30 lakh! What a significant drop! Now, I have done my research and in 2010 SBI was offering home loan at 10.25%..The interest rate in 2019 was 8.75-9.35%

With interest rates starting from 8.70% p.a., SBI provides attractive financing options for various tenures, up to 30 years. The loan amount can cover up to 90% of the property value, subject to certain conditions. For women applicants, SBI home loan interest rates in 2024 start at 8.25% p.a. SBI considers the creditworthiness of applicants and requires a minimum credit score of 650-700 for loan approval.

**IMPACT OF COVID 19 ON SBI HOME LOAN**

The State Bank of India (SBI), taking cognizance of the increased credit risk from borrowers and firms amid the adverse economic impact of COVID-19 on the country, has increased the home loan rates by up to 30 basis points.

The State Bank of India (SBI) has hiked the interest rate for its repo-rate linked home loan products and personal loans taken against a property by up to 30 basis points. This revision by the country's largest lender comes just a month after it had slashed interest rates on home loans by 75 basis points.

The effective rate, which is the External Benchmark Rate (EBR) added with the spread, for home loans up to Rs 30 lakh, is now at 7.40 percent as compared to 7.20 percent on April 1, 2020. For home loans ranging between Rs 30 lakh and Rs 75 lakh, the effective rate has been revised to 7.65 percent from the previous rate of 7.45 percent, while the same for loans above Rs 75 lakh is now at 7.75 percent as against the earlier 7.55 percent. These newer rates have come into effect since May 1, 2020

Up to Rs 30 Lakh	7.20%	7.40%
Rs 30-Rs 75 Lakh	7.45%	7.65%
Above Rs 75 Lakh	7.55%	7.75%

While the external benchmark-linked lending rate has been kept constant at 7.05 percent by the bank, the hike in the home loan rates has been achieved by increasing the margin (spread) across several such products by up to 30 basis points.

Officials have shared that the increased margin within the interest rate reflects the increased credit risk from firms and borrowers amid the economic slowdown spurred by the outbreak of the novel Corona-virus in the country

**COVID-19 RELIEF BY RBI FOR SBI**

Home loan rates set to fall to 15-year low. According to May 2020 The 40 bps repo rate cut by RBI , which is the eighth consecutive respite for borrowers, has brought home loan rates to their lowest level in 15 years. Moreover, the extension of moratorium on loans by three months is suited for borrowers hit by the corona-virus lockdown. Borrowers who are now facing income pressure due to the lockdown can defer their repayment of loans for three months.

**AIMS OF SBI HOME LOANS POST COVID**

SBI Aims to Double Home Loan in next 5 years to RS 10 Trillion:

It took the country's largest lender State Bank of India (SBI) 10 years to scale its home loan portfolio from Rs 89,000 crore to Rs 5 trillion. Now, it is aiming to double that to Rs 10 trillion in five years, at a time when lenders — banks and housing finance companies — are locked in an intense battle to gain market share.

SBI Reduces Home Loan Interest Rate to 6.7%:

The State Bank of India (SBI) announced an interest concession of up to 70 bps with interest rates starting from 6.7% onwards for a limited period offer till March 31, 2021. According to an SBI press release, the lender is also giving 100% waiver on processing fees. "The interest concession are based on loan amount and CIBIL score of the borrower. SBI believes that it is important to extend better rates to customers who maintain good repayment history.

#### **OBJECTIVES OF SBI HOME LOAN:**

- To study the concept of housing loans with special reference to SBI Bank.
- To analyze the State Bank of India's various housing finance programs.
- To understand the Strengths, Weaknesses, Opportunities and Threats of the SBI housing loan.
- To know about the socioeconomic profile of the respondents availing home loan in SBI.
- To know about the type of home loan availed by the respondents.
- To study on the satisfaction level of the respondents in utilizing the home loan.
- To study on the customer opinion about services and the problems faced by them.

#### **II. RESEARCH AND METHODOLOGY**

This project is based on Primary as well as Secondary data. However Primary data was very limited collected and more of secondary data is been given here. A comparative study on SBI Home Loans is a study on various ranges and types of home loans provided by SBI to general public. The secondary data is collected from various research paper internet, journals, magazines and past thesis, etc

#### **III. FINDINGS**

According to the study's findings, most people are aware of the benefits and services associated with home loans and believe that they are a suitable choice for investment  
The need for residential accommodation has increased the demand for Home Loans in India.  
Over a period of time, the SBI Home loan is requirement is increasing.  
The interest rate is more appealing in home loans than schemes or other services.  
The facilities of SBI are reliable.  
In terms of assets, deposits, branches, customers, and employees, State Bank of India is the largest commercial bank in India.

#### **IV. CONCLUSION**

The present study concludes that there are various satisfactory factors which affect the satisfaction level of customers of housing loans. On the basis of collected data, it is being concluded that customers are satisfied by S.B.I. bank because the interest rate is somewhat lower in S.B.I. related to housing loans. Overall in level of customer satisfaction the customer is more satisfied with the S.B.I. Bank in variables of application form of home loan is easy to understand, interest rate charges by bank, loan processing is fast, employee behaviour and public sector bank. So, there is a need to reduce the rate of interest, terms and conditions, procedural formalities and processing fees. The study also concludes that people are still unaware of the various types of home loan provided by SBI and their benefits. SBI needs to create awareness among the people about this.SS

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