
A STUDY ON LOANS AND ADVANCES PROVIDED BY THE INDIAN BANK ZONAL OFFICE, TRICHY

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ABSTRACT

The present study consists of the performance of loans and advances. The data utilized for the study is primary in nature. Last decade has witnessed many changes in the banking industry. This study indicates the effect of the loans and advances on the Indian Economy. Banks mainly make profit from the difference of interest received and loans paid. Nowadays banks are performing the number of functions in addition to its two main function lending and accepting deposits. Banks grant loans in order to satisfy the growing credit needs of the different sections of the society but since the private banks are profit making organization thus they have profit making dimension added to the advances granted by them. In this study the focus is mainly on the movement of Loans and advances of the Indian Bank, Crawford Branch by analyzing the present data.

Key Words: Loan, Advances, Performance, banking industry.

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INTRODUCTION

Thus business may be run efficiently with borrowed funds from banks for financing its working capital requirements. Demand loans are raised normally for working capital purpose like purchase of raw materials, making payment of short-term liabilities. The security may include materials or goods in stock, shares of companies or any other asset. For example, if it is so agreed the amount of loan may be repaid in suitable installments. Such loans are normally granted by banks against security. The borrower can repay the loan either in lump sum (one time) or as agreed with the bank. The entire amount of demand loan is disbursed at one time and the borrower has to pay interest on it. A Demand Loan is a loan which is repayable on demand by the bank. In other words it is repayable at short-notice.

Medium and long term loans are called term loans. Term loans are granted for more than a year and payment of such loans is spread over a longer period. Term loan is required for the purpose of

starting a new business activity renovation, modernization, expansion of existing units, purchase of their land for setting up a factory, construction, of factory building or purchase of other immovable assets. These loans are generally secured against the mortgage of land, plant and machinery, building and the like.

To ensure the safety of funds lent, the first and most important factor considered by a bank is the capacity of borrowers to repay the amount of Loan, the Bank therefore, realize primarily on the character capacity, and financial soundness of the borrowers.

But the Bank can hardly afford to take any risk in this regard and hinds it also has the security of tangible assets owned by the borrower. In case the borrower fails to repay the loan, the bank can recover the amount by attaching the assets.

INDIAN BANK PROFILE

Indian Bank is an Indian state-owned financial services company headquartered in Chennai, India. It has 22,000 employees, 2100 branches and is one of the big public sector banks of India. It has overseas branches in Colombo, Jaffna, Sri Lanka, Singapore, and 229 correspondent banks in 69 countries. Since 1969 the Government of India has owned the bank, which celebrated its centenary in 2007.

TYPES OF LOANS OFFERED BY INDIAN BANK

IB Home Loan, IB Home Loan Plus, Ind Auto (under Tie-up with TVS), IB-BAL Commercial Vehicle (Under tie-up with Bajaj Auto Ltd), IB-Contractors, IB-ALL-CV-Auto Star, IND-Vahana, IB-BEML Equip Finance, IB- Caterer, My Own Shop, IB Vidhya Mandhir, Annapoorna and Aroghya Scheme, Ind Auto, IB Bhavishya Prakash, IB Clean Loan (to Salaried Class), IB Home Loan Combo, DRI Scheme – Revised Norms, Gramin Mahila Sowbhagya Scheme, Joint liability group (JLG), Purchase of second hand (pre-used) Tractors by Agriculturists, Finance Agriculturists for Purchase of Tractors, Agricultural Produce Marketing Loan, Agricultural Jewel Loan Scheme, NRI Plot Loan, External Commercial Borrowing, IB Balavidhya Scheme, Agri Clinic and Agri Business Centres, Agricultural Godowns / Cold Storage, SHG- Vidhya Shoba, SHG Bank Linkage Programme- Direct Linkage to SHGs, Loans for maintenance of Tractors under tie-up with Sugar Mills, Sugar Premium Scheme, Golden Harvest Scheme, Kisan Credit Card, Financing to Entrepreneurs identified by ESP of BYST, Kisan Credit Card, IND Art tools, IND STAR Rice Mill, IND SME Secure, IB Professional Special, Doctor Plus, Jewel Loan Scheme (Non-Priority), IB Tradewell, Education Loan, IB Pension Loan, Loan/ OD against NSC/ KVP/ Relief bonds of RBI/ LIC policies, Loan / ODagainst Deposits, Ind Reverse Mortgage, IB Rent Encash, Ind Mortgage, IB Vehicle Loan, Home Improvement Loan, Plot Loan, NRI Home Loan

STATEMENT OF THE PROBLEM

To find out the types of loans and advances offered by the Indian Bank and the loans which are opted from the loans offered to the customers is being determined with the questionnaire and the correlation and factor analysis techniques.

OBJECTIVES OF THE STUDY

- To assess the factors influencing the interest rates of the branch.
- To understand the overall loans and advances being offered.
- To have insight into the loans section of the bank.
- This study mainly focuses on the loan performance of the selected private banks and Comparative analysis of the financial performance of various banks groups and the total Private Banks.
- To analyze the growth of lending in Indian bank.
- To find the sources or causes that promoted or weakened the credit programme of Private Banks.
- To assess the operational efficiency performance branch.
- To suggest remedial measures based on the findings of the study.

To evaluate the Correlation between the Loans, NPA and Net Profit to the total

SCOPE OF THE STUDY

The study will be useful to all the stakeholders such as customers, debtors, banks and shareholders etc, as it would help in explaining various situations of the private banking Industry, and suggest remedial measures in view of profit. It will also lay down some standards for private banking industry, and be useful for researchers.

RESEARCH METHODOLOGY

RESEARCH DESIGN

In this research Descriptive study has used through that a problem is described by the researcher using questionnaire.

- The data for the present study has been collected from the primary data.
- The analysis has been done through questionnaire for interpreting the data.
- Financial performance of banks in term loans.
- Financial performance of banks in advances.
- Financial performance of banks related to advances in the Indian Bank.
- Evaluate the Correlation between the Total Private Banking Industry and Loans.

SOURCES OF DATA

The data require for the study have been collected from the secondary sources.

Primary Data

Primary data has been collected through discussions held with the staffs in the accounts department. Few informations were gathered through oral conversations with the cashier, taxation officer etc.

Secondary Data

The secondary data are those data that are already collected and published. The financial statements published & other publications relevant to the analysis are used as a basis for the secondary data.

SAMPLE SIZE

Sample size is 100

SAMPLING METHOD

The researcher adopted convenient sampling method was used in this research.

PILOT STUDY

A pilot study has also been conducted in this regard to collect preliminary information and necessary modifications have also made in the questionnaire.

ANALYTICAL TOOLS

Analysis of data must be relevant to the research part, hence the research must apply the appropriate statistical tools by the researcher was;

- Factor Analysis
- Karl Pearson's correlation Coefficient.

LIMITATIONS OF THE STUDY

- Due to inflexibility in account opening it is difficult to convince customers.
- No authentic evidence of customers is found.
- No special facilities of loans to businessman are given in semi rural or rural area.
- Due to lack of time, this analysis of study is of short nature.
- Loans are not provided without security.

- Loans are not provided without at ease lot of paper work and documentation is involved.
- The time bound period is the major limitation in research projects.

DATA ANALYSIS

TABLE – 1 – CORRELATION

	SRI	TLS	SBF	LYP	SRS	SLF	SSB	TL
SRI								
Pearson Correlation	1	.261**	.136	.343**	.103	.123	-.231*	-.296**
Sig. (2-tailed)		.007	.167	.000	.296	.215	.019	.002
Sum of Squares and Cross-products	43.538	10.423	7.308	15.000	4.769	5.846	-10.731	-37.192
Covariance	.423	.101	.071	.146	.046	.057	-.104	-.361
N	104	104	104	104	104	104	104	104
TLS								
Pearson Correlation	.261**	1	.278**	.212*	.360**	.139	.090	-.033
Sig. (2-tailed)	.007		.004	.031	.000	.160	.364	.743
Sum of Squares and Cross-products	10.423	36.529	13.635	8.500	15.212	6.058	3.837	-3.740
Covariance	.101	.355	.132	.083	.148	.059	.037	-.036
N	104	104	104	104	104	104	104	104
SBF								
Pearson Correlation	.136	.278**	1	.204*	.258**	.175	.094	.173
Sig. (2-tailed)	.167	.004		.038	.008	.075	.341	.079
Sum of Squares and Cross-products	7.308	13.635	65.962	11.000	14.654	10.269	5.404	26.712
Covariance	.071	.132	.640	.107	.142	.100	.052	.259
N	104	104	104	104	104	104	104	104
LYP								
Pearson Correlation	.343**	.212*	.204*	1	.367**	.084	.075	-.020
Sig. (2-tailed)	.000	.031	.038		.000	.399	.450	.842
Sum of Squares and Cross-products	15.000	8.500	11.000	44.000	17.000	4.000	3.500	-2.500
Covariance	.146	.083	.107	.427	.165	.039	.034	-.024
N	104	104	104	104	104	104	104	104
SRS								
Pearson Correlation	.103	.360**	.258**	.367**	1	.028	.347**	.180
Sig. (2-tailed)	.296	.000	.008	.000		.776	.000	.068
Sum of Squares and Cross-products	4.769	15.212	14.654	17.000	48.885	1.423	17.135	23.904
Covariance	.046	.148	.142	.165	.475	.014	.166	.232
N	104	104	104	104	104	104	104	104
SLF								
Pearson Correlation	.123	.139	.175	.084	.028	1	.269**	-.004
Sig. (2-tailed)	.215	.160	.075	.399	.776		.006	.972
Sum of Squares and Cross-products	5.846	6.058	10.269	4.000	1.423	52.115	13.673	-481
Covariance	.057	.059	.100	.039	.014	.506	.133	-.005
N	104	104	104	104	104	104	104	104
SSB								
Pearson Correlation	-.231*	.090	.094	.075	.347**	.269**	1	.485**
Sig. (2-tailed)	.019	.364	.341	.450	.000	.006		.000
Sum of Squares and Cross-products	-10.731	3.837	5.404	3.500	17.135	13.673	49.760	65.029
Covariance	-.104	.037	.052	.034	.166	.133	.483	.631
N	104	104	104	104	104	104	104	104
TL								
Pearson Correlation	-.296**	-.033	.173	-.020	.180	-.004	.485**	1
Sig. (2-tailed)	.002	.743	.079	.842	.068	.972	.000	
Sum of Squares and Cross-products	-37.192	-3.740	26.712	-2.500	23.904	-481	65.029	361.837
Covariance	-.361	-.036	.259	-.024	.232	-.005	.631	3.513
N	104	104	104	104	104	104	104	104

*.Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

INFERENCE

The above table shows the correlation between satisfied with the rate of interest (SRI), Time loan sanctioned (TLS), Satisfied with the bank facilities (SBF), Loan repayment period (LYP), satisfied with the repayment period (SRP), satisfied with the loan formalities (SLF), satisfied with the service provided by the bank (SSB), loan been paid in time (TL), requirement of ATM facility and Internet banking procedure. Satisfied with the rate of interest is positively and significantly correlated to Time loan sanctioned and Loan repayment period. Time loan sanctioned is positively and significantly correlated to Satisfied with the bank facilities, Loan repayment period and satisfied with the repayment period. Satisfied with the bank facilities is positively and significantly correlated to Loan repayment period and satisfied with the repayment period. Loan repayment period is positively and significantly correlated to Satisfied with the repayment period. Satisfied with the repayment period is positively and significantly correlated to loan been paid in time.

FACTOR ANALYSIS

Dimensions: Loans and Advances provided by the Indian bank

KMO and Bartlett's Test

Loans and advances provided by the Indian bank was examined using factor analysis based on 7 individual statements and the reliability of the subsequent factor structures was then tested for internal consistency of the grouping of the items.

Descriptive Statistics			
	Mean	Std. Deviation	Analysis N
Time for Loan Sanction	3.68	.596	104
Satisfied Bank Facilities	4.02	.800	104
ATM facilities	3.78	.763	104
Satisfied Branch Banking	3.76	.704	104
Internet Banking Procedure	4.18	.890	104
Loan as per your expectation	3.50	.654	104
Satisfied Repayment Schedule	3.67	.689	104

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.600
Bartlett's Test of Sphericity	Approx. Chi-Square	85.381
	Df	21
	Sig.	.000

Kaiser – Meyer – Olkin measure of sampling adequacy index is 0.600, which indicates that factor analysis is appropriate for the given data set. KMO measure of sampling adequacy is an index to examine the appropriateness of factor analysis. Bartlett’s test of Sphericity Chi-square statistics is 85.381, which would mean the 7 statements are correlated and hence as concluded in KMO, factor analysis is appropriate for the given data set.

Component Matrix^a

	Component		
	1	2	3
Time for Loan Sanction	.746	-.034	-.057
Satisfied Bank Facilities	.607	-.242	-.087
ATM facilities	.589	.470	-.381
Satisfied Branch Banking	.577	-.409	.393
Internet Banking Procedure	.567	-.288	-.299
Loan as per your expectation	.226	.843	-.010
Satisfied Repayment Schedule	.341	.307	.778

Extraction Method: Principal Component Analysis.

a. 3 components extracted.

Communalities

	Extraction
Time for Loan Sanction	.654
Satisfied Bank Facilities	.494
ATM facilities	.816
Satisfied Branch Banking	.761
Internet Banking Procedure	.713
Loan as per your expectation	.435
Satisfied Repayment Schedule	.561

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.094	29.909	29.909	1.917	27.380	27.380
2	1.335	19.077	48.986	1.397	19.955	47.335
3	1.006	14.370	63.356	1.121	16.021	63.356

Extraction Method: Principal Component Analysis.

Interpretation of factors is facilitated by identifying the statements that have large loadings in the same factor. The factors can be interpreted in terms of the statement that loads high on it.

FINDINGS

- Majority 52.9% of the respondents are below 30 years of age.
- Most of the respondents 82.7% are S/B Account holders.
- Majority 81.7% of the respondents have ordinary account as S/B account holder
- 41.3% of the respondents are IB Ncc, IB Standard are the Current Account holders.
- Most of the respondents, that is 52.9% have fixed deposit.
- Majority 42.3% of the respondents are professionals.
- 38.5% of the respondent's monthly income are 20001-30000.
- Majority 62.5% of the respondents are UG-PG qualified.
- 60.6% of the respondents are located in town.
- Majority 64.4% of the respondents have taken other type of loans.

- Majority 49.0% of the respondents are neutral about the satisfaction of the rate of interest charged by the bank.
- Majority 54.8% of the respondents are satisfied with the rate of interest charged by the bank.
- Majority 82.7% of the respondents are applicable with the repayment of above 6 years.
- Majority 61.5% of the respondents have their blood relation to be the guarantor of the loan.
- Majority 44.2% of the respondents have given other forms as a security.
- Majority 67.3% of the respondents pay back their loan in time.
- Majority 57.7% of the respondents use ATM facilities the most.
- Majority 60.6% of the respondents are satisfied with the ATM facility.
- Majority 53.8% of the respondents are satisfied with the branch banking.
- Majority 48.1% of the respondents are satisfied with the internet banking procedure.
- Majority 47.1% of the respondents are neutral to their expectations of the loan.
- Majority 45.2% of the respondents are satisfied with the repayment schedule.
- Majority 47.1% of the respondents are satisfied with the loan formalities.
- Majority 43.3% of the respondents are satisfied with the service provided by the bank.

SUGGESTION / RECOMMENDATIONS

- The type of loans must increase in forthcoming financial years.
- Customer's educational loan is satisfactory. So the company should maintain this level in future.
- The bank can also improve its services by acquiring updated techniques and ideas.
- The bank should refocus on their goals. The employees and the zonal should focus more on achieving the target customers.
- Everything necessary should be done for them to achieve their target rate. It is very important since this will lead the branch to a better status.
- Proper ATM facility.
- Speed up the loan collection period.

CONCLUSION

The research questions in this study have been answered whereby the results have shown that various facilities involved in the Loans and advances of Indian Bank. Among all these components, organizational factor is found to be the strongest influence to the Loan applicants. Hence through this study the researcher concluded that the Loans and advances provided by the Indian bank is quiet satisfied and Interest rate is reliable to the loan applicants.

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