iJRASET
International Journal For Research in Applied Science and Engineering Technology



INTERNATIONAL JOURNAL FOR RESEARCH

IN APPLIED SCIENCE & ENGINEERING TECHNOLOGY

Volume: 12 **Issue:** XII **Month of publication:** Dec 2024

DOI:

www.ijraset.com

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International Journal for Research in Applied Science & Engineering Technology (IJRASET)
ISSN: 2321-9653; IC Value: 45.98; SJ Impact Factor: 7.538
Conference 'Technology and Knowledge Based Entrepreneur for Sustainable Industrial Development', held at Sridevi Women's Engineering College, Dec 2024

A Study on the Mortgage Loans at SBI

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Abstract: ***Mortgage loans at SBI have evolved into a pivotal financial product for individuals and businesses aiming to acquire real estate. These loans, where property is used as collateral, have been instrumental in driving the growth of both the housing market and the broader economy. As the demand for housing continues to rise, particularly in urban centres, mortgage loans have become an essential tool for financing home purchases, business expansion, and land acquisition. This article provides an in-depth look at mortgage loans at SBI, focusing on their types, growth trends, and the role of government schemes like the Pradhan Mantri Awas Yojana (PMAY) in making homeownership more accessible. The paper also analyses recent data on mortgage loan disbursements from 2021 to 2023, comparing trends in home loans, loan against property, and commercial loans. The findings indicate that while the mortgage sector is growing, challenges related to rising property prices, loan defaults, and regulatory complexities remain. This study offers valuable insights into the dynamics of the Indian mortgage market and discusses the future outlook for borrowers and lenders alike.***

Keywords: Mortgage loans, Indian mortgage market, home loans, property financing, real estate, housing finance.

I. INTRODUCTION

Mortgage loans are an integral part of the Indian financial system, helping individuals and businesses access capital for purchasing, constructing, or renovating properties. Over the years, the Indian mortgage market has evolved to cater to a wide array of borrowers, from first-time homebuyers to large enterprises seeking capital for commercial real estate projects. The rapid urbanization in the country, coupled with government initiatives such as PMAY, has driven the growth of the housing and mortgage loan sectors. Additionally, financial institutions including commercial banks, housing finance companies (HFCs), and non-banking financial companies (NBFCs) have diversified their mortgage products to address different borrower needs, from affordable housing loans to loan against property and commercial property loans.

The introduction of digital platforms and fintech has also streamlined the mortgage application process, making it more accessible to a larger section of the population. However, despite these advancements, challenges persist in the mortgage sector, including rising property prices, concerns over non-performing assets (NPAs), and the affordability gap for lower-income groups. The need for comprehensive policies that promote inclusive access to mortgage loans and better risk management practices for lenders is becoming increasingly apparent. This article aims to provide a detailed analysis of the mortgage loan landscape in India, examining its types, trends, and impact on the economy, as well as offering recommendations for future growth.

II. OBJECTIVES

1) To explore the evolution of mortgage loans at SBI.
2) To identify and describe the various types of mortgage loans available in India.
3) To analyse the trends in mortgage loan disbursements from 2021 to 2023.
4) To assess the impact of government policies on the mortgage loan market.
5) To understand the challenges faced by borrowers and lenders in the mortgage loan sector.

III. LITERATURE REVIEW

The literature on mortgage loans at SBI has seen a significant shift in focus over the past two decades, from basic housing finance to more complex products catering to a wide range of financial needs. Researchers have analysed the role of banks and HFCs in promoting mortgage lending, the impact of government schemes such as PMAY (Pradhan Mantri Awas Yojana), and the risk factors associated with mortgage lending.

Several studies highlight the evolution of mortgage products in India, including the emergence of flexible loan products, the digitization of the lending process, and the growing influence of non-banking financial companies (NBFCs).

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According to a 2022 report by the National Housing Bank (NHB), housing finance has become more accessible, with a surge in loan disbursals in both urban and rural areas.

However, concerns such as rising property prices and the increasing burden of non-performing assets (NPAs) remain significant challenges.

Other studies discuss the impact of macroeconomic factors such as interest rates, inflation, and income levels on the affordability and accessibility of mortgage loans. For instance, Kumar and Verma (2021) noted that the easing of monetary policies and low-interest rates in the wake of the COVID-19 pandemic provided a boost to mortgage lending.

IV. MORTGAGE LOAN

A mortgage loan is a type of secured loan where the borrower borrows money from a lender (usually a bank or a financial institution) to finance the purchase of property or real estate. The loan is secured against the value of the property being financed, meaning that the lender has a legal claim on the property in case the borrower defaults on the repayment. Mortgage loans are typically used for the purchase of residential or commercial property, but they can also be taken for construction, renovation, or land acquisition.

In a mortgage agreement, the borrower agrees to repay the loan over a specific period, typically ranging from 5 to 30 years. The repayment is usually made in monthly instalments that include both principal and interest payments. The interest charged on mortgage loans can be either fixed or floating. A fixed-rate mortgage has an interest rate that remains constant throughout the loan tenure, providing predictable payments for the borrower. On the other hand, a floating-rate mortgage has an interest rate that fluctuates based on the prevailing market conditions, which could make monthly payments more unpredictable.

The amount that a borrower can borrow is usually determined by the Loan-to-Value (LTV) ratio, which represents the percentage of the property's value that can be financed by the loan. In India, this ratio typically ranges from 70% to 90% of the property's value, depending on the type of property and the lender's policies. For example, home loans often have a higher LTV ratio, while loans against property may have a lower LTV ratio due to the increased risk involved.

When applying for a mortgage loan, the borrower must meet certain eligibility criteria. These include factors such as income, age, credit score, employment stability, and the property's market value. The borrower's creditworthiness is a key determinant in the approval process. A high credit score typically leads to favourable loan terms, such as lower interest rates, while a low credit score may result in higher rates or loan denial.

Mortgage loans are not only offered for home purchase but can also be taken against an existing property, as seen with Loan Against Property (LAP). In such cases, the borrower uses their residential or commercial property as collateral to secure a loan, which is often used for business expansion, personal financial needs, or funding education. Commercial property loans are another type of mortgage loan, specifically designed for businesses looking to acquire or develop commercial properties like office buildings, warehouses, or retail spaces.

Another category of mortgage loan is the reverse mortgage, which is available for senior citizens in India. In a reverse mortgage, the homeowner receives regular payments from the lender based on the value of the property, without having to sell the property. The loan is typically repaid when the borrower dies or moves out of the property, with the lender having the right to sell the property to recover the loan amount.

The mortgage loan market in India is heavily regulated by entities like the Reserve Bank of India (RBI) and National Housing Bank (NHB). These regulators ensure that mortgage lending practices remain transparent, responsible, and inclusive, while also promoting financial stability within the sector. With the increasing demand for housing, the government has also implemented several initiatives, such as the Pradhan Mantri Awas Yojana (PMAY), to facilitate affordable housing and expand access to home loans for low-income groups.

Despite the advantages, mortgage loans also carry certain risks. A major risk for both lenders and borrowers is the possibility of loan default. Lenders face the risk of the borrower failing to repay the loan, while borrowers face the potential loss of their property if they default on their payments. To mitigate these risks, lenders often require borrowers to have adequate insurance for the property and recommend credit checks and financial assessments before loan approval. Furthermore, legal mechanisms like foreclosure laws allow lenders to recover outstanding dues in case of default, but this process can often be time-consuming and costly.

Overall, mortgage loans at SBI play a significant role in enabling property ownership and investment, helping to meet the growing demand for both residential and commercial real estate.

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However, the complexity of the loan products, along with the risks involved, requires borrowers to carefully assess their financial situation and long-term repayment ability before committing to such loans.

V. TYPES OF MORTGAGE LOANS AT SBI

A. Home Loan (Residential Mortgage Loan)

Home loans are the most common type of mortgage loan in India. These loans are provided for the purchase, construction, or renovation of residential properties.

The loan amount is usually a percentage of the property's market value, with the borrower required to contribute a down payment.

B. Loan Against Property (LAP)

LAP is a type of mortgage loan where the borrower uses their existing property, either residential or commercial, as collateral. This loan is generally used for purposes other than purchasing a home, such as business expansion, education, or personal financial needs.

C. Commercial Property Loan

This loan is specifically designed for the purchase or renovation of commercial properties. Commercial mortgage loans are offered to businesses and individuals looking to invest in properties such as office spaces, shops, or warehouses.

D. Plot Loan

Plot loans are offered to individuals or companies intending to buy a plot of land for future development or investment. These loans are generally offered with lower Loan-to-Value (LTV) ratios compared to home loans.

E. Reverse Mortgage Loan

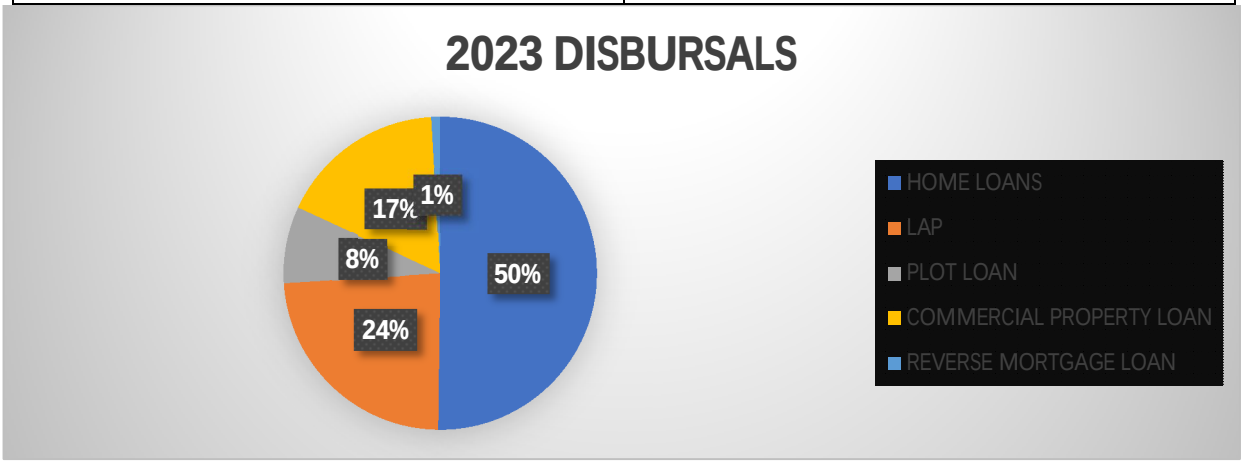
Reverse mortgages are offered to senior citizens (above 60 years of age) who own a residential property. In this arrangement, the borrower receives a lump sum or regular payments from the lender, and in return, the lender has the right to sell the property to recover the loan amount upon the borrower's death or relocation.

VI. DATA ANALYSIS

Note: This data was taken from secondary source at SBI for the years 2023, 2022 and 2021.

Table-1 showing Mortgage Loans at SBI in 2023

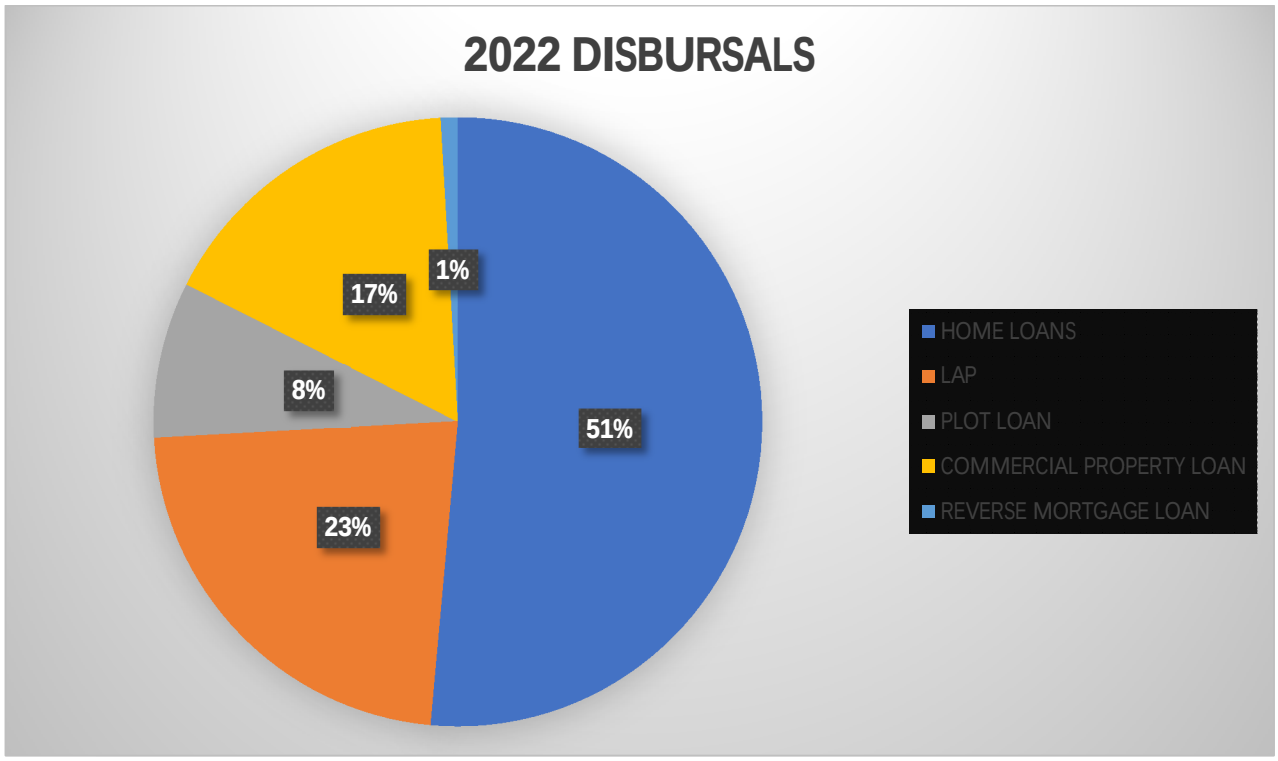
TYPES OF MORTGAGE LOANS	2023 DISBURSALS (in CRORES)
HOME LOANS	3,80,000
LOAN AGAINST PROPERTY (LAP)	1,80,000
COMMERCIAL PROPERTY LOAN	1,30,000
PLOT LOAN	60,000
REVERSE MORTGAGE LOAN	7,000



INTERPRETATION:
From the above chart home loans is the highest disbursed among all the Mortgage loans during 2023 by almost half of total loans.

Table-2 showing Mortgage Loans at SBI in 2022.

TYPES OF MORTGAGE LOANS	2022 DISBURSALS (in CRORES)
HOME LOANS	3,34,900
LOAN AGAINST PROPERTY (LAP)	1,47,700
COMMERCIAL PROPERTY LOAN	1,08,000
PLOT LOAN	52,000
REVERSE MORTGAGE LOAN	5,100

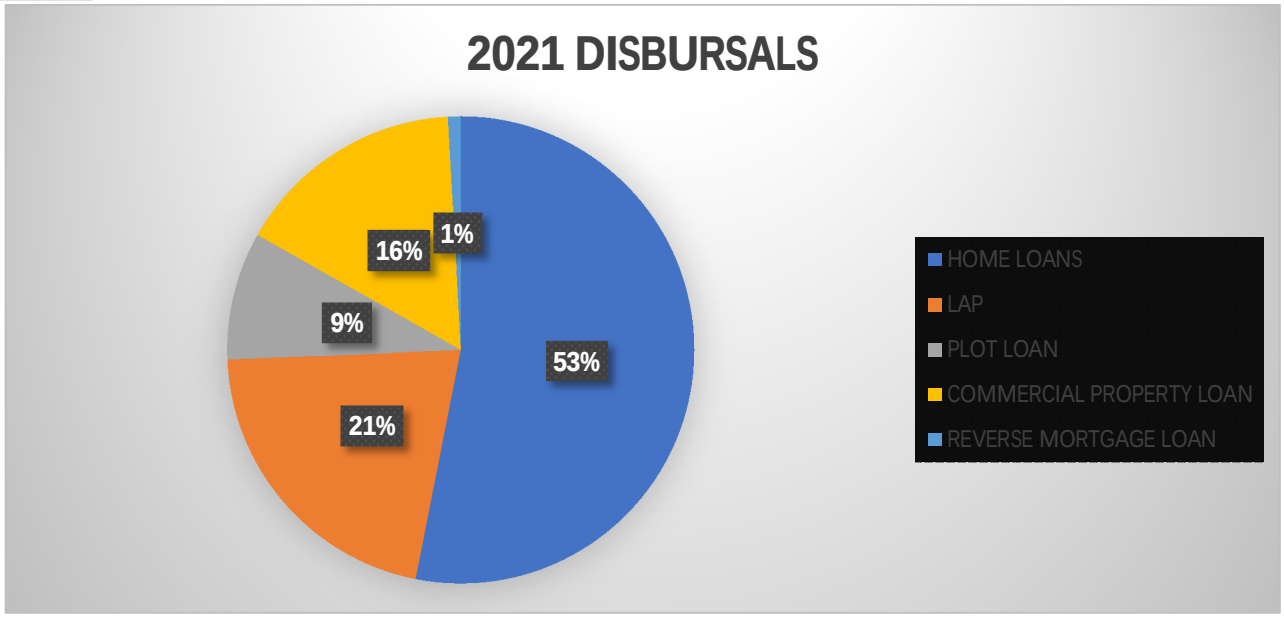


INTERPRETATION:
From the above chart home loans is the highest disbursed among all the Mortgage loans during 2022 by contributing 51% of amount disbursed during the year.

Table-3 showing Mortgage Loans at SBI in 2021.

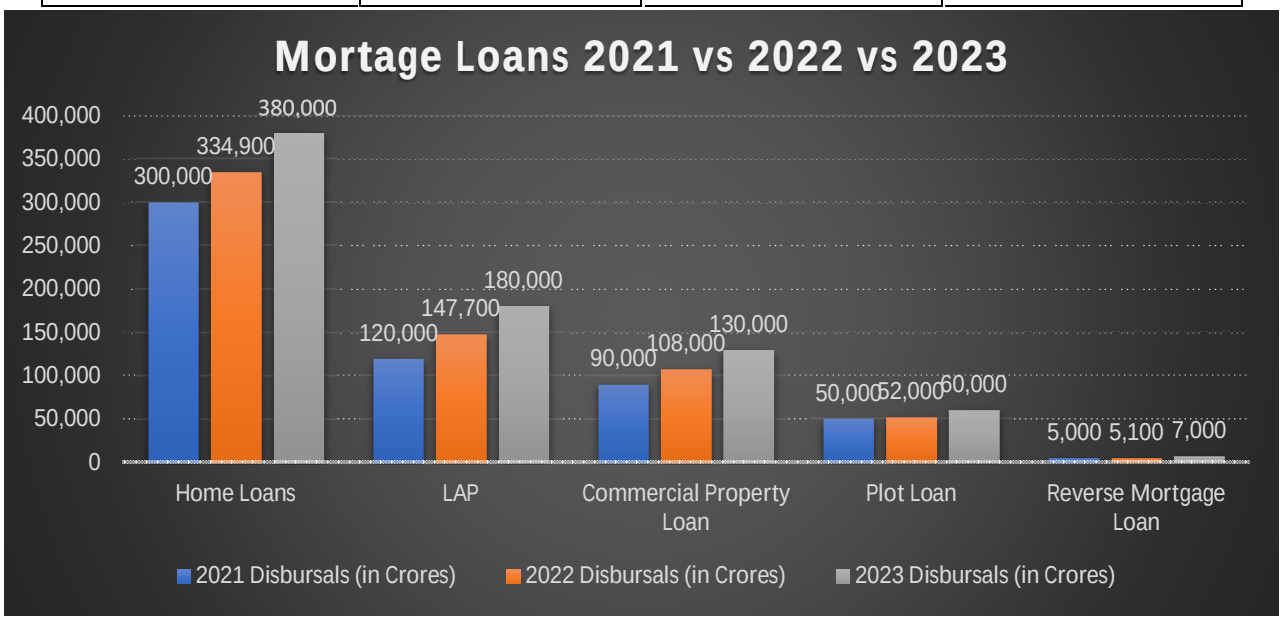
TYPES OF MORTGAGE LOANS	2021 DISBURSALS (in CRORES)
HOME LOANS	3,00,000
LOAN AGAINST PROPERTY (LAP)	1,20,000
COMMERCIAL PROPERTY LOAN	90,000
PLOT LOAN	50,000
REVERSE MORTGAGE LOAN	5,00

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INTERPRETATION:
From the above chart home loans is the highest disbursed among all the Mortgage loans during 2021 by contributing 53% of amount disbursed during the year.

Type of Mortgage Loan	2021 Disbursals (in Crores)	2022 Disbursals (in Crores)	2023 Disbursals (in Crores)
Home Loans	3,00,000	3,34,900	3,80,000
Loan Against Property (LAP)	1,20,000	1,47,700	1,80,000
Commercial Property Loan	90,000	1,08,000	1,30,000
Plot Loan	50,000	52,000	60,000
Reverse Mortgage Loan	5,000	5,100	7,000



INTERPRETATION:

From the above chart home loans is the highest disbursed among all the Mortgage loans during the years 2021-2023 and we can see an increasing trend.

VII. TRENDS AND OBSERVATIONS

A. Steady Growth in Home Loan Disbursals

Home loans have witnessed consistent growth between 2021 and 2023, with disbursals increasing each year. This growth can be attributed to several key factors:

1) Urbanization and Housing Demand
2) Government Schemes (PMAY)
3) Lower Interest rates
4) Rise of Digital Lending platforms.

B. Increasing Popularity of Loan Against Property (LAP)

Loans Against Property (LAP) have seen significant growth over the past few years, especially among business owners and individuals looking to leverage their existing assets for financial needs. Observations in the data from 2021 to 2023 indicate:

1) Business Financing
2) Property Prices & Equity
3) Higher Loan-to-Value (LTV) Ratio
4) Relatively Lower Interest rates

C. Rise in Commercial Property Loans

The market for commercial property loans has seen a notable upward trajectory from 2021 to 2023. Key trends influencing this growth include:

1) Recovery in Business Activity
2) Higher Corporate confidence
3) Interest rate sensitivity
4) Investment in Tier 2 and Tier 3 Cities

D. Modest Growth in Plot Loans

Plot loans have experienced slower growth when compared to home loans and LAP, but there has still been a steady demand. Some key observations include:

1) Land Investment popularity
2) Caution amid rising land prices
3) Increased Demand in Peri-Urban Areas

E. Growth in Reverse Mortgages

Reverse mortgages, though still a niche product in India, have seen incremental growth between 2021 and 2023, especially as the aging population becomes more aware of such products. Some trends observed in this segment are:

1) Rising Awareness Among Senior Citizens
2) Government Support
3) Improved Product offering

VIII. FINDINGS

1) The demand for mortgage loans, particularly home loans, has increased significantly due to the growing urbanization, affordable interest rates, and government Incentives.
2) The types of mortgage loans have become more diversified, with Loan Against Property (LAP) and Reverse Mortgages gaining traction in recent years.

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3) The impact of economic factors such as interest rates, inflation, and the real estate market plays a significant role in influencing the affordability and accessibility of mortgage loans.

4) Non-banking financial companies (NBFCs) have started gaining market share, particularly in segments like LAP and commercial property loans.

IX. CONCLUSION

The mortgage loan market at SBI has evolved rapidly over the past few years, offering a wide range of products catering to various customer needs. The growth in mortgage loan disbursals is a positive indicator of the expanding middle class and the rising demand for property in urban and semi-urban areas. However, the market still faces challenges such as high property prices, increasing NPAs, and regulatory complexities.

To further stimulate growth in the mortgage market, policymakers and financial institutions need to address these challenges, while continuing to provide affordable and innovative products to meet the evolving needs of the Indian populace.

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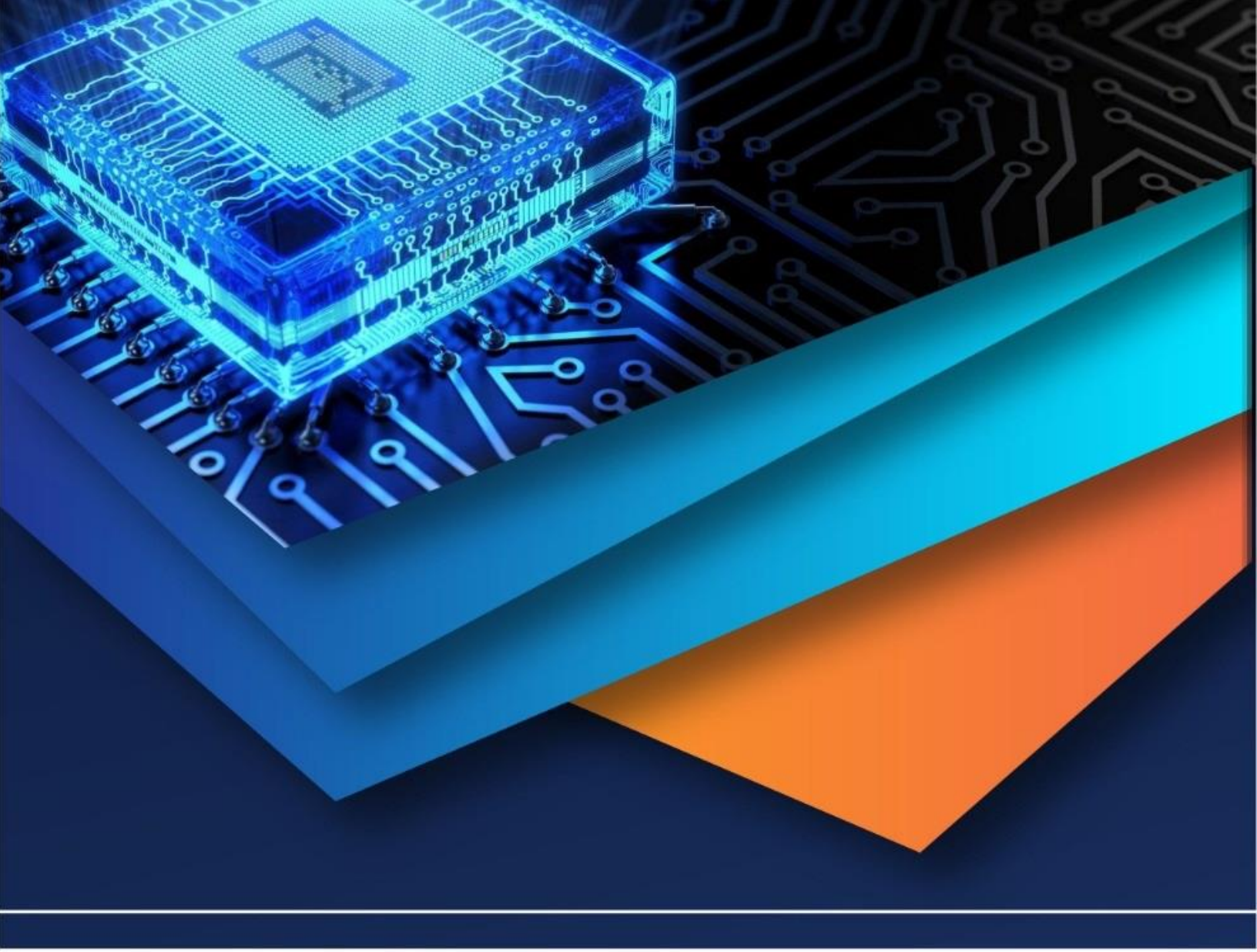
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