

Technology Innovations in Personal Loan Processing to Salaried Class Customers

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Abstract:

In Banking Sector for lending advances expect some secured and guarantee by someone. In that type of secured lending the process is more but risk is less, which result not heavy growth in advances. In recent trend bank take risk by lending advances as unsecured based on the credit score and income capacity of the borrower. Advancement of CBS, various lending analyze method, NACH collection process etc., useful to lend unsecure advances.

1. Introduction

In Indian Banking Sector there is a day by day increased technological advancements in CBS Environment, Internet banking, and mobile banking, etc., Banks are spending a lot of amounts to deliver the best technology to their customers with the support of their CBS and additional software linked with their CBS for analytics and analysis. Generally, people have aspirations, ambitions, and dreams in their lives, which need to be accomplished. For that, they need to work hard, cut on expenses and save little by little to create enough savings that will guide them to pursue their dreams and fulfill their requirements but in some cases, savings alone might not be sufficient to meet their requirements. Though it may be sufficient, it would be a financially irresponsible decision to wipe out all your savings in one go. This would expose you to potential risks in the future where you don't have any cushion to fall on the back. So, in that such a situation, keep on waiting for something to happen on its own or take the reins of your destiny in your own hands. Can organize finances, assess

the requirements and should **apply for a Personal Loan** to meet the upcoming expenses.

PROCESSING OF PERSONAL LOAN

Traditional Method:

Generally, people requiring loan approach the bank in which their salary gets credited or which is near to their office or residence location. For that, they need to get permission from the office or put leave and visit the bank branch, wait in rush meet the credit officer or branch manager and explain their requirements. Then the bank provides them with a checklist of required documents to be submitted to the bank. Then the customer has to arrange a copy of all the documents and a visit the bank later to submit the documents. After certain Turn Around Time [TAT] the bank provides the loan. For that customer need to get permission or leave from his office for a minimum of 3 days. Even when the loan is not guaranteed by the bank, they may refuse based on their analysis of credit appraisal method and in some cases due to Unsecured conditions they may afraid about repayment and recovery if account becomes SMA / NPA.

Advancement in Technology:

But present banking industry scenario due to advanced trend in digitalization, customer can easily approach the bank for his loan by applying through the request from mobile app or login via internet banking. That application does various analyses, assessments, and process in 4 steps.

Step 1- KYC Compliance:

The Primary step is collecting of KYC details such as PAN and AADHAAR and verifying it via NSDL & UIDAI portal, the Aadhaar E-KYC is authenticated through OTP, From Aadhaar portal his Name, Address, Date of Birth details are fetched. Now the KYC Verification step is completed.

Step 2 – Credit History Verification

Next step is to analyze the credit history of the customer if there are any previous borrowings, holding any credit card. If there are any previous borrowings or having any credit card, next step is to check if they have repaid properly or any default is there, does the person should be guarantor to any one loan, else the person is new to credit, etc., this analysis is done by verifying his CIBIL score using his KYC details. Based on their CIBIL score the rate of interest is fixed.

Step 3 – Income Assessment

The customer needs to enter his net monthly income, which has to be verified by getting documents such as certain period of bank account statement to verify the amount of salary credit, IT Return or Form 16, Employment proof like ID card and Letter from Employer after they upload these documents bank do various assessments and necessary calculations project the eligible amount, rate of interest, repayment period, credit life insurance amount and EMI chart.

Step 4 – Disbursement

After customer accepts the terms and conditions of the bank they send the 3rd party agent for verification of person to his residence

and workplace. After Verification is satisfied and accepted by the bank based on the report from 3rd party agent, they disburse the loan and credit into the bank account, Standing Instruction updated for EMI deduction.

Some banks while disbursement asks them to visit the branch for once to do signature in a document in the form of E-Sign through the mode of Aadhaar OTP Verification.

Even some banks skip above step of verification because while open salary account to the person they did the verification that time itself and monitor salary credited regularly in that account or not. In that such case for the customer, in the net banking itself, they get authentication via OTP sent to their registered mobile number and loan got disbursed within 1 minute up to a maximum of 3 hours.

In current market scenario more private sector banks provide unsecured personal loan by sending SMS and E-Mail to their customers as Pre Approved limit based on their Monthly / Quarterly Average Balance Maintenance, for this KYC details also one of the main impacts. In the customer id should be updated with full KYC of Aadhaar, PAN, another proof like Voter id, Passport, etc., and also with Mobile Number and E-Mail id.

SUGGESTIONS:

- Before providing details to the bank, confirm that call is been received from the bank only by cross-checking the person speaking such as his Name, from which branch/division is he calling from.
- If they ask documents as soft copy don't send to their personal email id of the call center or branch person or don't send in WhatsApp. Better visit the nearest branch directly and send to official bank email address.

- Clarify the doubts, Processing Fee, pre-closure Charges, EMI amount and repayment period, read the documents, terms, and conditions carefully before giving OTP or doing E-Sign for loan disbursement.
- Make the repayment regularly. Only then the CIBIL score will be good. If any repayment is irregular, getting any other loan in the future may become difficult or the rate of interest may increase.
- To avoid the bad impact in CIBIL Score better try to avoid the consumer loan. They attract customer by the word using Zero Percent interest but by hidden they charge as Document Fee, Processing Fee, etc., By availing consumer loan it impacts as for smaller amount they expect loan such that repayment capacity is also low.
- Generally, most of the public sector banks not implement this feature in online, for that can do the process of Re-KYC to all their salary account customers by that they can analyze easily and found out the eligible customers and disburse mode through online. It improves and a huge increase in the usage of Internet Banking among salary class customers.
- Based on this model Public Sector Bank can implement for an unsecured loan for Business class to improve their MSME loan which can save a lot of time and paperwork.

CONCLUSION:

If a person searching for a personal loan from other sources website like paisabazaar, wishfin, apnapaisa, myloancare, etc., and a lot of websites are there. First, they collect our details and verify CIBIL then they suggest some bank to

process a loan for that, we think in that bank only we got eligible but they suggest the bank that provides more commission to them. And some people unknowingly search in two or more websites for their urgent requirements, it creates a bad impact on CIBIL as the person impacted as “Credit Thirsty “ it reduces the CIBIL score, for each inquiry 10 marks have been reduced. For that better approach the bank or bank website directly.

Due to the Advancement of technology, the process of personal loan turnaround time has become very lesser, easy assessment, improvement of customer satisfaction to very high, paperless process, comes under the green channel banking, customer does not depend on the bank branch working hours, they need not sacrifice their leave in their workplace for this process. Even though if the borrower deceased, the bank and the legal heir need not be worry, because for the digital mode of personal loan for their customer they collect one time premium of Credit Life Insurance which is very low, the premium amount varies based on customer age, loan amount and loan tenure. Customer can show the premium amount paid to credit life insurance in their income tax return for that year.

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