



## DEFERMENT OF EMIS IN BANK AND ITS IMPACT ON CONSUMER AFTER LOCKDOWN

L. Ghadekar

Prof. Ram Meghe College of Engineering & Management , Badnera, Amravati.

\*Corresponding Author: lobhasghadekar@gmail.com

### ABSTRACT:

In pandemic situation and slow down in business , government analyse and recommend RBI to announce the facility of deferment of monthly installment of the loan for the three months in first announcement. Further they again announce three months deferment of monthly installment of the loan. But this long term burden on the consumer for time being it is deferred. But the interest on EMIs is accumulative and it will be recovered from the consumer. It is temporary relaxation but the financial burden will increase. This paper will analyse the impact of deferment of EMIs by banks on consumer after lockdown.

**Keywords:** EMIs, Deferment, Refund, Moratorium , PLI.

### INTRODUCTION:

Reserve Bank of India (RBI) declared the relaxation in form of deferment of Bank EMIs for common man to deal with corona virus. RBI has allowed all banks and Indian financial institutes to offer consumer an option of EMIs moratorium upto three months further they extended till August 2020 [1,2].

All Bank consumers who have availed of retail installment loan or other retail credit facility prior to 1st March 2020 may opt for moratorium and their request shall consider by the bank based on its merits.

#### 1.1 Deferment

It is the action or fact of putting something off to the later time and postpone. In term RBI Covid 19 regulatory package dated 27th March 2020, Bank has started steps to defer the loan installment and interest/ EMIs on term loan falling due to from 1st March 2020 to 31st May 2020. Further RBI directives dated 23th April 2020 extended moratorium for another three months. The total period of deferment is 6

months. The Bank is also reaching to eligible customer[3,4].

#### 1.2 Types of loan Deferment

- Retail Loan
- Term Loan
- Car Loan
- Home Loan
- Agricultural Loan
- Business Loan

Interest will continue to recover on principal outstanding. If customer has come with query of EMIs being debited from their account in spite RBI announcing moratorium. In that case consumer that opting for moratorium it is entirely their choice. The Eligible customer can apply for moratorium at any point[5].

#### 1.3 Steps in Deferment[1]

The following are the steps in EMIs deferment

- Approach to the Bank
- Form filling and consent letter
- Scrutiny of the form
- Sanction of the deferment
- SMS regarding confirmation

**METHODOLOGY :**

The objective of the survey aim to study impact of Bank EMIs deferment on the consumers.

1. Sampling Technique
2. Probability systematic sampling
3. Inclusive criteria

The survey conducted in 25 respondent as a consumer of Bank

The survey conducted to Bankers by telephonic interview

Ethical Permission: Consent was taken on the telephonic interview

Study Tool: Interview was taken as per the questionnaire ,information was collected from the web.

Flow of the study:

- Preparation of questionnaire
- Interviews
- Data Collection
- Analysis of Data
- Discussion
- Conclusion

**ELIGIBLE CONSUMER :**

The consumer with not more than two EMIs overdue in any of their loan as of February 2020 is considered as eligible consumer for the deferment of EMIs. Consumer can request deferment of EMIs that are due and unpaid during the said period.

If consumer wants to defer the installment in the month March and April but has agreed to pay in May in that case he need to give the declaration for the same. The sample copy of SBI deferment form is shown in figure 3.1.[2] The consumer need to fill the form physically and submit to respective bank. For further deferment Bank only sends SMS to consumer who already availed this facility and consumer need to send YES to given number and no need to fill and submit form again.

**RESULT & DISCUSSION :**

Due to the lockdown all businesses are stopped and there were no cash flow in the market. It is the relaxation given by RBI for time being relief to the customer during the lock down. The expert said that simple interest will be calculated by the bank for the three months. for example if you are defer the EMIs of Rs.- 1000 ,bank is charging interest [7] at rate of 10% on outstanding. Total tenure of loan will be extended by 6 months.

- Impact on credit Score

As per the clear guidelines of RBI there will not be any impact on credit score of consumer.

- Temporary relief from EMIs to the consumer

Consumer reported that it is a release from EMI burden temporarily.

- Deposit flow in a Bank

Due to Corona deposit rates goes on decreasing by 75% stated by respondent. Figure 4.1 shows the loss of deposit opening in banks during Covid 19.

- Interest will be recover after the deferment period over, so there will be chances of increase in nonperforming account numbers in the bank

- due to the deduction in salary by government & private organization , it will be difficult to meet expenses so there may be chances of overdue of the account after the lockdown. The challenges & burden of financial will be there on consumer after the lockdown.

- government & court has not given the clear idea on the way off scheme there is the dilemma in the consumer.

- bank insisted to visit branch foe the application of deferment, so there was a risk of infections

- Overdue account System of bank don't accept the deferment if it is overdue, this could cause access load on the consumer
- Decrease rate of loan application in bank
- Customer Bank relationship
- Due to flexibility in EMIs relationship of Bank with customers get strengthen.  
As the discussion and interview with the bankers they revealed the fact that new account opening ratio get decreased by 65% due to corona. Figure 4.2 shows the percentage of consumer have taken benefit of EMIs deferment.
- During this period the revenue of the bank will rise by 20% since accumulative interest on overdue loans.

Figure 4.3 shows percentage of consumers have withdrawn the money from their account due to fear of corona situation. It leads to the loss of bank in terms of deposit.

#### CONCLUSION :

Bank deferment scheme has given the temporary relaxation in EMIs but it can cause burden of interest on the consumer. There can be a chances of overdue of account because of accumulative interest and this can lead to nonperforming account after this period. 65% respondent reported that they got desirable relaxation whereas 35% reported it will increase financial burden due to accumulative interest and increase tenure of the loan.

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|---|---------------------------------------|
| <b><u>Annexure-I</u></b>  |                                       |
| <b><u>APPLICATION FORM FOR</u></b>  |                                       |
| <b><u>(I) Deferment of Recovery of Instalment/EMI through NACH/ SI</u></b>  |                                       |
| <b><u>(II) Refund of Instalment/ EMI</u></b>  |                                       |
| Branch/ Chief Manager,<br>State Bank of India,<br>..... Branch,<br>..... Circle   |                                       |
| Dear Sir,   |                                       |
| <b><u>HOME LOAN / CAR LOAN / X PRESS CREDIT / EDUCATION LOAN / PENSION<br/>LOAN / OTHER LOAN</u></b>  |                                       |
| <b><u>In the Name of _____</u></b>  |                                       |
| <b><u>EMI THROUGH NACH*</u></b>   |                                       |
| <b><u>EMI THROUGH SI (STANDING INSTRUCTION)</u></b>   |                                       |
| In view of the prevailing COVID-19 situation, as per RBI instructions on allowing 3 months' moratorium in payment of EMIs, I / We wish to defer recovery of instalment/ EMI in my/ our above Term Loan account till 31.05.2020. |                                       |
| I/ we understand that:  |                                       |
| a) The repayment duration of my loan will get extended by the above period of deferment.  |                                       |
| b) Interest will continue to accrue to my loan account during the period of deferment and this could result in increase in the amount/number of my EMIs.  |                                       |
| c) I also authorize you to recover the deferred instalments/ EMIs in future through NACH/SI.  |                                       |
| 2. Please refund the amount of installment already recovered for the month of _____ (March /April /May 2020) to my account no. _____ ( as mentioned in NACH /SI mandate ) .   |                                       |
| In case of NACH   | Name of the Bank & Branch:            |
| Yours faithfully,   | IFSC Code:                            |
| Signature of 1 <sup>st</sup> Borrower   | Signature of 2 <sup>nd</sup> Borrower |
| Mobile no.-   | Mobile no.-                           |
| (*) Instalment / EMI being paid through account with other Bank   |                                       |

Figure 3.1 : SBI Bank EMI deferment Form

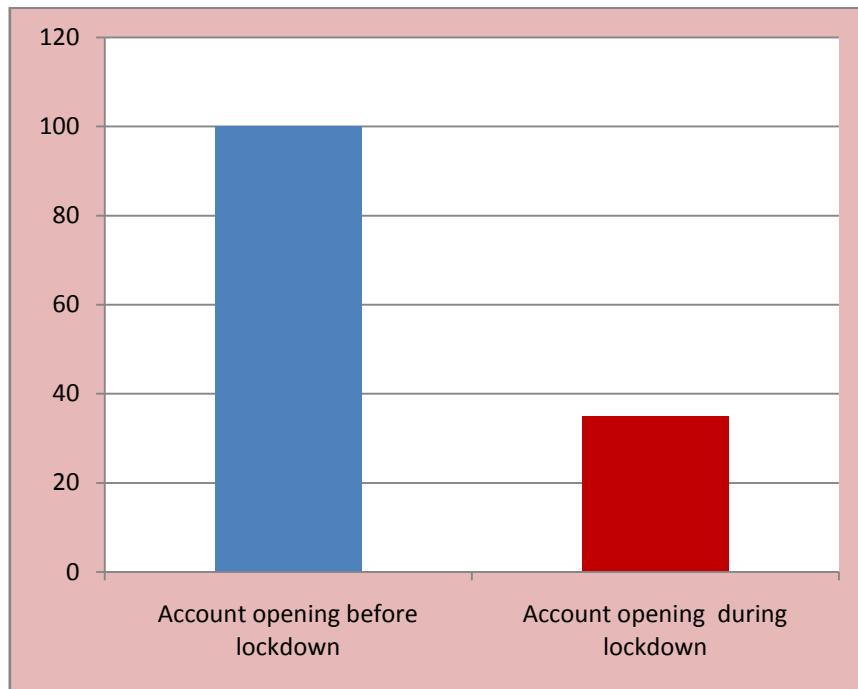


Figure 4.1 : Loss of deposit during Corona

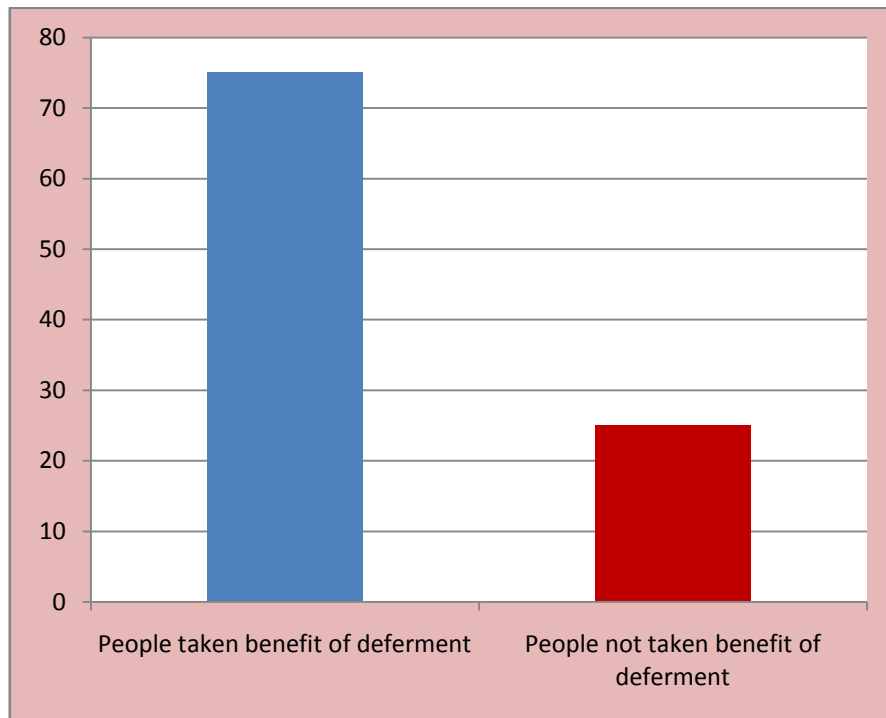


Figure 4.2: Ratio of deferment

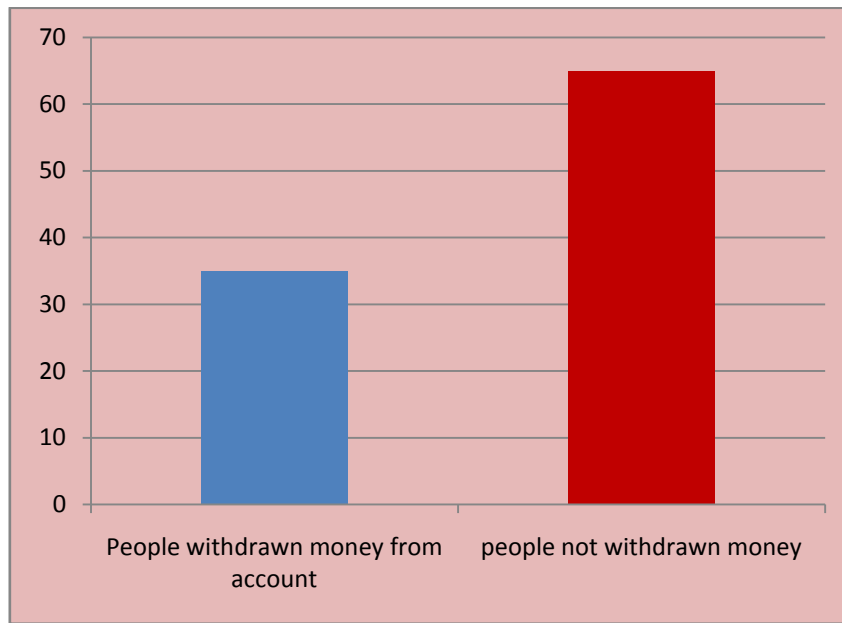


Figure 4.3: Rate of withdrawn money