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Delinquency Trends in Home Finance Industry

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ABSTRACT:

This study investigates the trends in loan delinquency at a particular Home Finance Institute, which is a prominent Indian non-banking financial company (NBFC) with a focus on housing loans. The central objective is to examine the recurring patterns and underlying causes of delinquencies and Non-Performing Assets (NPAs) over recent years. It offers a comprehensive overview of the company's financial operations, including its loan portfolio structure, customer segments, and risk evaluation practices. By analysing customer demographic factors, such as age, income, profession, and regional presence. The project seeks to uncover relationships between borrower characteristics and default tendencies. Key financial metrics are employed to monitor delinquency behaviour and assess the effectiveness of the firm's credit risk controls. The findings are intended to offer strategic insights that can aid in strengthening recovery processes, reducing default risks, and promoting long-term financial stability.

INTRODUCTION:

The financial health of lending institutions largely depends on their ability to manage credit risk, with loan delinquency serving as a key indicator of potential financial distress. Delinquency refers to borrowers' failure to make timely payments on their loans, which, if left unchecked, can escalate into defaults, impacting both the lender's profitability and the overall financial system. This study focuses on delinquency trends in the Company, a well-established player in India's housing finance sector. Understanding these trends is crucial for assessing the institution's risk exposure and the effectiveness of its credit management strategies. The study aims to analyse the patterns and causes of delinquency within the company by examining various factors such as borrower demographics, loan types, interest rate movements, economic conditions, and external market influences. A detailed review of past and present delinquency data will help identify emerging trends and potential risk areas. Additionally, the study will evaluate the measures adopted by the company to control delinquency, including risk assessment models, collection strategies, and regulatory compliance. By conducting this research, the study aims to provide valuable insights into delinquency management, helping financial institutions and policymakers design better risk mitigation frameworks. The findings will contribute to the broader discourse on financial stability and sustainable lending practices, ensuring that housing finance remains accessible while maintaining a healthy balance between profitability and risk.

Keywords: Delinquency, NPA, Default payments, Financial Health, Repayment Behavior.

OBJECTIVES:

Primary Objective:

- To identify the zone where more delinquency cases are recorded Pan India.
- To interpret the number of cases in delinquency with respect to the product.
- To analyse if there is any relationship between the zone and product under delinquency.

Secondary Objective:

- To forecast the demographic profile of the customers who fall under Delinquency.
- To classify delinquency trends based on factors such as loan size, tenure, geographic location, and borrower creditworthiness to understand which segments are more vulnerable.
- To compare the company's delinquency trends with other housing finance companies and banks to understand its relative position in the industry.
- To analyse how loan delinquency affects borrowers, including their credit scores, financial well-being, and access to future credit.
- To examine the historical and current delinquency patterns in the company, identifying fluctuations and long-term trends.
- To investigate the reasons behind delayed loan payments, including borrower income levels and employment status and other related factors.
- To study how increasing delinquency rates affect revenue, profitability, liquidity, and the company's overall financial health.

METHODOLOGY:

This study adopts a descriptive research design to analyse delinquency patterns among borrowers of the company. Both primary and secondary data were utilized. Primary data was collected through structured questionnaires (or internal records, if applicable), while secondary data was gathered from company reports, financial statements, and relevant literature. A **Convenience Sampling Method** was employed, with a total sample size of **152 respondents**. The main tool used for analysis was the **Chi-Square Test**, which helped identify the association between borrower-related variables (such as income, occupation, loan type) and delinquency status. This methodology provided a structured approach to understand the key factors influencing loan defaults and to uncover statistically significant relationships between borrower demographics and repayment behaviour. The questionnaire for the study on "Delinquency Trends in Home Finance" is designed to collect data from borrowers and financial experts to analyse factors affecting loan repayment behaviour.

HYPOTHESIS:

Null Hypothesis (H0): There is no significant difference between the Product and the Zone

Alternative Hypothesis (H1): There is significant difference between the Product and the Zone

INTERPRETATION OF THE ANALYSIS:

As, the Significance value is lesser than 5%, it is found that, the Null Hypothesis(H0) is accepted, as there is no relationship between the Product and the Zone. So, the analysis can be interpreted as, "The number of products made in different zones vary with according to the need of the customer based on their income level and other factors related to the profile of the customer".

FINDINGS AND SUGGESTIONS:

Findings:

- Out of 6 zones, Tamil Nadu, Kerala, Karnataka, Andhra Pradesh, Telangana and Rest of India (ROI), 25% of the delinquent customers are from the Kerala Zone.
- 55% of the customers work in Private Limited Company, similarly Govt Employee customers rank second.
- Mostly, customers between the age group of 31-40 fall under delinquency, as the reasons may include over obligations, unstable employment criteria, etc.
- 41% of the total customers earn an income of Above 12 Lakhs, who primarily fail to repay the EMIs, resulting in Delinquencies and NPAs.
- Most of the customers (49%) in delinquency have availed Home Loan.
- 82% of the customers falling under Delinquency are Male customers.
- 46% of the customers have dependents of 2 numbers, as major contribution out of the total numbers.

Suggestions:

Based on the study conducted, the following suggestions are made,

- As majority number of Delinquency cases are bagged in Kerala, I would suggest the to take care the cases made in Kerala Zone.
- Even though customers earning above 12 lakhs fall under Delinquency, it is important to analyse and cross verify the source of income and financial stability of such customers to reduce the chances of delinquencies.
- As there is a majority range of customers whose income has not increased from the time when the loan has been sanctioned, so I would suggest to analyse the probability of the customers work for the company in long term in the future.
- As the statistical analysis has been interpreted as, there is no connection between the zone and the product, it is important to focus the analysis of file in every zone in equal importance with respect to every product.
- I would suggest the company to take deeper analysis steps in sanctioning loans to the customers between the age group of 31-40 as, particularly this age-grouped customers fall under Delinquency.
- As the Delinquency files are more than the NPA files, it is a positive sign that the company is doing good in the Home Finance market, as Delinquency is the non-repayment of loans for 1-3 months, but NPA means more than 3 months. So, there is a chance that the customers in delinquency will pay the EMIs within 90 days. So, I would Suggest the organization to focus on NPA files more than Delinquencies.

CONCLUSION:

The study of delinquency trends in the company reveals important insights into the credit behaviour of borrowers and the effectiveness of the company's risk management practices. Over the analysis period, it is evident that while delinquencies do occur, they are generally kept under control due to the company's proactive collection mechanisms, customer-centric approach, and robust underwriting standards. The data indicates that external factors such as economic conditions, regulatory changes, and regional market dynamics also play a significant role in influencing delinquency rates. However, The company has shown resilience and adaptability in navigating these challenges. By continuously monitoring borrower profiles, leveraging technology for early warning systems, and maintaining strong customer relationships, the company has managed to sustain a relatively healthy asset quality. Moving forward, the focus on digital transformation, financial literacy among borrowers, and targeted recovery strategies will be key in further minimizing delinquencies and strengthening the company's credit portfolio.

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