

VALUATION OF RESIDENTIAL BUILDING FOR BANK LOAN APPROVAL

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ABSTRACT

This research paper examines the process of residential property valuation for bank loan approval using multiple real-world case studies collected from Kolhapur district. The study focuses on analyzing valuation techniques, factors influencing property value, and the role of valuation in financial decision-making. Data has been derived from professional valuation reports of multiple properties, including residential units owned by different individuals across urban areas.

The research incorporates land valuation, building valuation, and total property assessment using both guideline values and prevailing market rates. The findings reveal that market value consistently exceeds guideline value due to factors such as infrastructure development, location advantages, and demand-supply dynamics. The study also highlights the importance of realizable and distress values used by banks to minimize lending risks.

The paper concludes that systematic valuation practices are essential for ensuring transparency, accuracy, and

financial security in housing loans. It emphasizes the need for standardized valuation methods and updated market data for better decision-making.

KEYWORDS

Property Valuation, Bank Loan, Market Value, Guideline Value, Real Estate, Kolhapur, Case Study, Housing Finance

1. INTRODUCTION

Property valuation is a critical process in the banking and real estate sectors, especially for housing loan approvals. Banks depend on valuation reports to determine the loan amount that can be safely sanctioned against a property. The valuation ensures that the bank's financial risk is minimized in case of borrower default.

In developing cities like Kolhapur, rapid urbanization and infrastructure growth have significantly impacted property values. Therefore, accurate and professional valuation is essential for fair lending practices. This research paper uses multiple

real case studies to understand valuation techniques and their practical implications.

2. OBJECTIVES OF THE STUDY

1. To study residential property valuation methods
2. To analyze factors affecting property value
3. To compare guideline value and market value
4. To evaluate valuation reports used by banks
5. To study multiple real-life case studies

3. RESEARCH METHODOLOGY

The present study adopts a descriptive and analytical research methodology to evaluate residential property valuation for bank loan approval. The research is primarily based on secondary data collected from multiple valuation reports and case study documents provided for different residential properties located in and around Kolhapur. These case studies include properties owned by individuals such as Ravindra Koravi, Rohit Mane, Vishal Shinde, and others, representing a mix of urban and semi-urban residential units. The selected properties vary in terms of plot size, location, construction type, and age, enabling a comparative and comprehensive valuation analysis.

The methodology involves the systematic examination of key valuation parameters, including plot area, market rate, guideline value, construction cost, and amenities. The market value of land is calculated by multiplying the plot area with the prevailing market rate per square meter, while the

guideline value is derived using government-prescribed ready reckoner rates. In addition, the value of buildings is assessed based on construction type (RCC), estimated cost of construction, and depreciation depending on the age of the structure. The inclusion of amenities such as flooring, interior work, wardrobes, and false ceilings further refines the total property valuation.

To determine the financial feasibility from a banking perspective, the study applies standard lending norms used by financial institutions. The realizable value is calculated at 90% of the total market value, representing the expected recovery value under normal conditions, while the distress value is estimated at 85%, indicating the likely value under forced sale conditions. These calculations are crucial in assessing the loan eligibility of each property.

❖ Data Collection

1. Primary Data:

❖ Valuation reports from multiple cases

2. Secondary Data:

❖ Government guideline rates

❖ Banking valuation norms

❖ Methods Used

❖ Market Approach (for land valuation)

❖ Cost Approach (for building valuation)

❖ Comparative Analysis

3. CASE STUDIES ANALYSIS

C. CASE STUDY 1: Dr. Smrutika Vishal Shinde Property

◆ 1. Introduction

This case study deals with the valuation of a residential RCC building located in Kolhapur municipal limits. The purpose of valuation is for bank loan approval, considering land value, amenities, and market trends.

◆ 2. Property Details

Particular	Details
Owner	Dr. Smrutika Vishal Shinde
Location	Jadhavwadi, Kolhapur
Plot Area	86.68 sq.m
Type	RCC Residential Building
Age	12 Years
Structure	G+4
Area Type	Urban

◆ 3. Valuation Details

Item	Value
Market Rate	₹58,000/sq.m
Guideline Rate	₹28,670/sq.m

✚ Calculation

- Land Value = $86.68 \times 58,000 = ₹50,27,440$

- Amenities = ₹3,95,000

■ Total Value = ₹54,23,000

◆ 4. Amenities Description

Amenities include:

- Ceramic tile flooring

- Wooden doors and aluminum sliding windows
- Interior decoration and wardrobes
- False ceiling and glazed tiles
- Electrical and plumbing installations

◆ 5. Bank Valuation

- Realizable Value (90%) = ₹48,80,700

- Distress Value (85%) = ₹46,09,550

◆ 6. Conclusion

The property is located in an urban developed area, having strong infrastructure and demand. Hence, it shows high loan eligibility and market stability.

CASE STUDY 2: Ravindra Koravi Property

◆ 1. Introduction

This case study evaluates a residential RCC building located in Kasaba Bawada area, which is a developing urban locality. The valuation considers both land and building value.

◆ 2. Property Details

Particular	Details
Owner	Ravindra Koravi
Location	Kasaba Bawada, Kolhapur
Plot Area	106.26 sq.m
Type	RCC Residential
Age	10–15 Years
Structure	G+1

Area Type	Urban Developing
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◆ 3. Valuation Details

Item	Value
Market Rate	₹27,000/sq.m
Guideline Rate	₹530/sq.m

✚ Calculation

- Land Value = $106.26 \times 27,000 = ₹28,69,020$

- Building Value = ₹50,85,707

- Total Value = ₹79,20,710

◆ 4. Amenities Description

— In this report, amenities are not separately mentioned but included in building cost.

Includes:

- RCC framed construction
- Tile flooring
- Doors and windows
- Electrical and plumbing systems

◆ 5. Bank Valuation

- Realizable Value = ₹71,28,649
- Distress Value = ₹66,32,604

◆ 6. Conclusion

This property has high value due to strong construction quality and urban location, making it a secure asset for bank lending.

CASE STUDY 3: Rohit Mane (Vadanager Property)

◆ 1. Introduction

This case study represents a residential property located in Vadanager (semi-urban/rural area). The valuation reflects lower land rates but future growth potential.

◆ 2. Property Details

Particular	Details
Owner	Rohit Mane
Location	Vadanager, Kolhapur
Plot Area	279.10 sq.m
Type	RCC Residential
Age	3 Years
Structure	G+1
Area Type	Rural / Semi-Urban

◆ 3. Valuation Details

Item	Value
Market Rate	₹2,190/sq.m
Guideline Rate	₹20,328/sq.m

✚ Calculation

- Land Value = $279.10 \times 2,190 = ₹6,11,229$

- Total Property Value = ₹24,25,000

◆ 4. Amenities Description

— As per report, amenities = NA

However, basic amenities include:

- Standard flooring
- Basic doors and windows
- Electrical and plumbing systems

◆ 5. Bank Valuation

- Realizable Value = ₹21,82,500
- Distress Value = ₹20,61,250

◆ 6. Conclusion

Due to its rural location, valuation is moderate, but the property has good future appreciation potential.

C ... CASE STUDY 4: Doctor Property (Prakash Mane)

◆ 1. Introduction

This case study represents a large residential property located in a developing area with significant land and amenities value.

◆ 2. Property Details

Particular	Details
Owner	Prakash Mane
Location	Kolhapur
Plot Area	337.023 sq.m
Type	RCC Residential
Structure	G+1
Area Type	Developing

◆ 3. Valuation Details

Item	Value
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Market Rate	₹20,328/sq.m
Guideline Rate	₹1,360/sq.m

✚ Calculation

- Land Value ≈ ₹68,49,000
- Building Value ≈ ₹45,33,144
- Amenities = ₹5,45,000

◆ 4. Amenities Description

Includes:

- Premium flooring (tiles/marble)
- Interior decoration
- Aluminum windows
- False ceiling
- Elevation work

◆ 5. Bank Valuation

- Realizable Value = ₹44,92,318
- Distress Value = ₹42,42,744

◆ 6. Conclusion

This property has high overall valuation due to size, construction quality, and amenities, making it highly suitable for bank loan approval

1. Dr. Smrutika Vishal Shinde Property

Sr	Item	Location	Detailed Specification	Size	Rate (₹)	Calculation	Amount (₹)
1	Wardrobes	Bedroom	Plywood (19mm) + laminate finish, shutters, handles, hinges	4 Nos	25,000/No	4 × 25,000	1,00,000
2	Glazed Tiles	Kitchen + Toilet	Ceramic glazed tiles, 7 ft height, 8–10 mm thick	15 Sq.m	1,000/Sq.m	15 × 1,000	15,000
3	Flooring	All rooms	Vitrified tiles (600×600 mm), 8–10 mm thick, cement mortar base	40 Sq.m	2,000/Sq.m	40 × 2,000	80,000
4	Interior Work	Entire unit	Emulsion paint (2 coats), primer + putty, POP finishing	Lump sum	—	—	1,00,000
5	Aluminum Work	Windows	Sliding aluminum sections (powder-coated), 5 mm glass	10 Sq.m	3,000/Sq.m	10 × 3,000	30,000
6	False Ceiling	Living + Bedroom	Gypsum board (12 mm) with GI framework	35 Sq.m	2,000/Sq.m	35 × 2,000	70,000

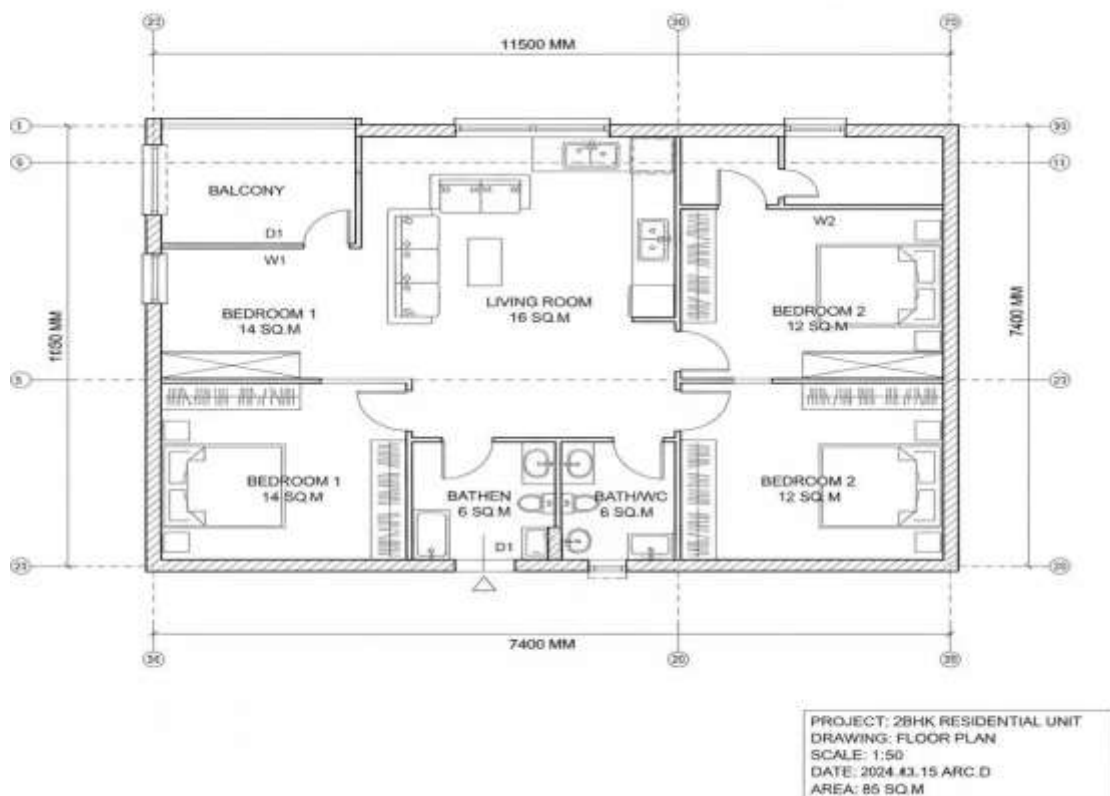
Total = ₹3,95,000

2. Prakash Mane Property [DOCTOR PROPERTY]

Sr	Item	Location	Detailed Material Specification	Area / Qty	Rate (₹)	Calculation	Final Amount (₹)
1	Flooring	Living (16), Bed1 (14), Bed2 (12), Kitchen (6)	Vitrified tiles (800×800 mm), 8–10 mm thick, double-charged, laid on cement mortar (1:4), joints filled with white cement grout, machine-polished finish	50 Sq.m	2,000/Sq.m	50 × 2,000	1,00,000
2	Glazed Wall Tiles	Kitchen (6), Bath/WC (4)	Ceramic glazed tiles, 8–10 mm thick, glossy finish, dado up to 7 ft height, fixed with cement mortar backing, waterproof joints	10 Sq.m	1,000/Sq.m	10 × 1,000	10,000
3	Interior Decoration	Entire Unit (All rooms + passage)	Wall putty (2 coats), primer (1 coat), plastic emulsion paint (2 coats), POP design work, smooth finishing, decorative elements	Lump sum	—	—	3,00,000
4	Architectural Elevation	Front façade + Balcony	Exterior texture paint, elevation bands, grooves, weatherproof coating, decorative façade finish	Lump sum	—	—	50,000

5	Aluminum Work	Windows: Living (4), Bed1 (3), Bed2 (3), Kitchen (2), Bath (1)	Powder-coated aluminum sections, sliding type, 5–6 mm clear glass, rubber gasket, locking system, mosquito mesh provision	13 Sq.m	5,000/Sq.m	13 × 5,000	65,000
6	False Ceiling	Living (16), Bed1 (14), Bed2 (3 portion)	Gypsum board (12 mm thick), GI framework, jointing compound, smooth finish, provision for LED/concealed lighting	35 Sq.m	2,000/Sq.m	35 × 2,000	70,000

Total = ₹5,95,,000 [given the typical lineout of Prakash Mane Property]



5. COMPARATIVE ANALYSIS

Factor	Urban Properties	Semi-Urban Properties
Market Value	High	Moderate
Guideline Value	Lower than market	Much lower
Loan Eligibility	High	Medium
Growth Potential	Stable	Increasing
Risk Level	Low	Medium

6. FACTORS AFFECTING PROPERTY VALUATION

1. Location

Urban areas have higher value

Proximity to city increases demand

2. Infrastructure

Roads, water, electricity increase value

3. Market Trends

Demand and supply impact pricing

4. Building Condition

New buildings have higher value

Depreciation reduces value over time

5. Amenities

Interiors, tiles, parking increase valuation

7. DISCUSSION

The study clearly shows that valuation is influenced by both physical and economic factors. While guideline values are used for

legal purposes, actual market value plays a more important role in bank loan decisions.

Banks adopt a conservative approach by considering realizable and distress values, ensuring financial safety. Multi-case analysis reveals that urban properties offer better security and higher loan eligibility compared to semi-urban areas.

8. FINDINGS

- Market value is consistently higher than guideline value
- Urban properties have higher valuation and demand
- Amenities significantly impact total property value
- Banks rely on conservative valuation for risk reduction

Location is the most important factor

9. CONCLUSION

The valuation of residential properties is essential for bank loan approval and financial risk management. This study, based on multiple case studies, highlights the importance of accurate valuation methods and market analysis.

It is evident that professional valuation ensures transparency and protects both lenders and borrowers. The inclusion of multiple case studies strengthens the reliability of findings and provides practical insights into real-world valuation practices.

10. RECOMMENDATIONS

- Use digital tools for valuation accuracy
- Update guideline values regularly
- Improve transparency in transactions
- Train professional valuers
- Encourage data-based valuation methods

11. REFERENCES

- ❖ Valuation Reports (All Provided Case Studies)
- ❖ Banking Loan Guidelines
- ❖ Government Ready Reckoner Rates
- ❖ Real Estate Valuation Standards