

# A Seminar Report on Deferred Payment of Loans

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**Abstract-** This paper represents a novel design and control architecture of the continuous stirred tank reactor (CSTR) based on its mathematical equivalent modeling of the physical system. The plant is formed analytically for the normal operating condition of CSTR. Then the transfer function model is obtained from the process. The analysis is made for the given process for the design of controller with Convectonal PID (trial and error method), Ziegler Nichols method, Fuzzy logic method and Model Reference Adaptive method. The simulation is done using MATLAB software and the output of above four different methods was compared so that the Model Reference Adaptive Controller has given better result. This thesis also compares the various time domain specifications of different controllers.

## I. INTRODUCTION

A deferred payment of loan means that the interest payments are postponed for a certain period of time. If the loan is not paid off by the specified time, the interest starts accruing. On March 27,2020, the RBI permitted all commercial banks, Co-operative banks, all-Indian Financial Institutions, and NBFCs to allow a moratorium of three months on payment of instalments in respect of all term loans outstanding as on March1,2020. These deferment of loans or EMI's can be availed for home loans, car loans, Personal loans , as well as for credit card dues. It will not impact on the credit score of the borrowers. It has been introduced to support the borrowers in facing their financial burden during pandemic.

### Government of India Announcements:

- The Finance Ministry has instructed a Moratorium of a couple of months on the payment of EMI's , interest and loan repayments and relaxation in classification of unhealthy loans.
- The Department of Financial Service Secretary Debashish Pandey , urged the Government to defer EMI and loan repayments for a period of Six months-“Centre might consider deferring all EMI's for 6 months ,and considerably banks are waiving off the Interest charged by them.

- All loan installment deductions from salaries of government employees may also be deferred for 6 months.
- Our Finance Minister, Nirmala Sitharaman announced a extensive Package of Rs.1.7lakh Crore for the Economically backward Sections of the Society.
- Sitharaman announced Rs.50lakh Medical Insurance cover per Person healthcare workers, Sanitation workers, Paramedics, doctors and nurses who are exposing themselves to virus.
- She also announced that the government will pay EPF Contribution both of employer and employee for next months-applicable for organizations with upto 100 employees, where 90% of employees draw less than Rs.15,000 salary.
- On 24 October,2020, government announced that those who did not opt for waiver of interest, will get an exgratia payment/ a cash back –to small businesses and individual borrowers with loans upto Rs.2crores.
- At the Onset of the Festive Season, the Government announced Waiver of interest on interest for loans upto Rs.2crores irrespective of whether moratorium was availed/not.

### Impact on Customers:

- The facility of deferral of EMI's that has been dubbed as savior of the center category by some analysts, is truly a social control.
- When a person who has taken loan avails the deferment of EMI's for months(March-May2020) that amount will get added to the total principal amount and interest on loan will increase.
- SBI in a notification clearly revealed that interest shall continue to accrue on outstanding portion of loan during moratorium period, which becomes huge burden to consumers/customers.
- If anyone prefers to exercise the option for credit cards by chance, the debt trap is certain because of high interest rate.
- The advantage of EMI deferral theme could be a Myth. The reality is pain for patrons, gain for banks and fame for the govt..

**Impact on Banks:**

- Profitability and Credit management- The low interest rate along with significant impact of Covid-19 is reducing the risk of Core banking Profitability.
  - Increased Credit risk of company and retail clients of the banks.
  - Forward looking information update i.e information is related to risk parameters must be analyzed.
- Customer relationship and business models-banks(most territorial) and branch-centric are forced to encourage the utilization of channels that have not been their strategic priority.
- High volatility available markets-Covid-19 has generated important instability and high volatility in international capital markets. Most banks saw a price- slump in Mid-march from 01.12.2019 to 30.04.2020
- Short term disruption expedited the accessibility considerations and reducing of SME/ company customers.
- Prolonged crisis is likely to increase customer preference towards digital channels and products such as insurance, in addition to defaults by SME's/ Corporates.
- The Pandemic Situation is likely to lead a significant reduction in demand from SME's/Corporate, structural shifts in customer behavior and transformation of employee roles and overall operating model.

**Repayment of loan:**

- Pay the accrued interest immediately after the moratorium period.

Ask your investor to feature the interest to your loan outstanding and extend the tenure of your loan.

- Get your EMI's increased to pay the accrued interest but keep the tenure unchanged.

**Findings:**

- Deferment of loans is actually beneficial to those who are not able to pay the interest amount during the pandemic situation due to crisis, but for those who are able to pay the interest it is actually a punishment because, interest is accrued to the principal amount which increases the burden of the borrowers in repayment.
- In Short, it is pain for customers, gain for banks and Fame for government.

**II. CONCLUSION**

A moratorium is usually a response to a crisis that disrupts traditional business activities and is removed once the general public or business will resume their traditional routine. The moratorium introduced during the pandemic is in view of supporting the borrowers but actually it is a burden on them because, the interest accrued during the deferment period is added to the principal amount.