

# DISBURSEMENT OF PERSONAL LOAN OF SHRIRAM CITY UNION FINANCE LTD

Dr. Annapurna Metta, Associate Professor, Amity University Raipur (C.G.)  
Lingraj Agrawal, A80306422009, BBAVI Sem, Amity University Raipur (C.G.)

## Abstract

This research paper examines the disbursement process of personal loans at Shriram City Union Finance Ltd., a leading non-banking financial company (NBFC) in India. The study focuses on understanding the criteria, procedures, challenges, and customer satisfaction related to personal loan disbursement. By analyzing company data, customer feedback, and loan performance, the research evaluates the efficiency of the disbursement system and its impact on customer experience. The findings aim to suggest improvements to enhance loan processing speed and transparency.

## Introduction

Shriram City Union Finance Ltd. (SCUF) is a prominent NBFC known for providing retail financial services, including personal loans, to underserved and urban customers. Personal loans are unsecured and require careful credit assessment and swift disbursement to meet customer needs. Efficient disbursement impacts customer satisfaction and business growth. This paper investigates the disbursement process of personal loans at SCUF, highlighting operational practices, turnaround times, and the role of technology.

## Introduction

Shriram City Union Finance Ltd. (SCUF) is one of India's leading non-banking financial companies (NBFCs), primarily focused on providing retail financial products such as personal loans, vehicle loans, and small business loans. Established with the mission to offer affordable and timely credit to underserved sections of society, SCUF has built a strong presence in urban and semi-urban markets. Personal loans, being unsecured loans that do not require collateral, have become increasingly popular among salaried individuals and small entrepreneurs for meeting urgent financial needs such as medical emergencies, education, home renovations, and debt consolidation.

The disbursement of personal loans is a critical operational function that directly influences customer satisfaction and company reputation. An efficient loan disbursement process ensures quick availability of funds, helping borrowers meet their financial requirements promptly. At the same time, the NBFC must carefully assess the creditworthiness of applicants to mitigate risks associated with unsecured lending. This balance between speed and risk assessment is a key challenge for SCUF.

This study focuses on analyzing the disbursement process of personal loans at Shriram City Union Finance Ltd., exploring the procedures, timelines, challenges, and customer perceptions. The research aims to identify factors that impact the efficiency of loan disbursement and suggest strategies to enhance the overall lending experience. Understanding this process is essential not only for improving SCUF's operational performance but also for contributing to the broader goal of financial inclusion in India.

## Literature Review

- **Personal Loans in India:** Overview of unsecured lending trends, interest rates, and risk factors (RBI Reports, 2020).
- **Role of NBFCs:** Importance of NBFCs like SCUF in financial inclusion and credit accessibility (Mohan, 2014).
- **Loan Disbursement Process:** Stages including application, verification, sanction, and fund transfer (Kaur & Singh, 2018).
- **Factors Affecting Disbursement Speed:** Documentation, credit appraisal, regulatory compliance (Singh, 2019).
- **Customer Satisfaction and Loan Disbursement:** Impact on repeat business and referrals (Kumar & Verma, 2021).
- The process of personal loan disbursement has been widely studied in the context of both banking and non-banking financial companies (NBFCs), given its critical role in ensuring customer satisfaction and business growth. The literature reveals several dimensions influencing loan disbursement, including operational efficiency, risk management, regulatory compliance, and technology adoption.
- **Personal Loan Disbursement Process:**

Kaur and Singh (2018) describe the personal loan disbursement as a multi-stage process involving application submission, document verification, credit appraisal, sanction, and fund transfer. Each stage presents potential delays, especially in manual operations, which can extend the overall disbursement time and affect customer satisfaction. Singh (2019) emphasizes that faster turnaround times are crucial in the competitive NBFC market, where customer expectations for quick credit access are high.

- **Role of NBFCs in Financial Inclusion:**

Mohan (2014) highlights that NBFCs like Shriram City Union Finance Ltd. play a vital role in bridging the credit gap for underserved urban and semi-urban populations. NBFCs often have more flexible lending criteria compared to traditional banks, enabling quicker credit delivery. However, this flexibility requires robust credit appraisal to mitigate the higher risks of unsecured personal loans.

- **Technology and Disbursement Efficiency:**

Recent studies suggest that digitization and automation significantly improve the loan disbursement process (Kumar & Verma, 2021). Digital loan applications, integration with credit bureaus, and automated risk assessment models reduce manual intervention, speed up approvals, and enhance transparency. SCUF has adopted digital tools, but research by Banerjee (2020) notes that many NBFCs still face challenges in fully integrating technology due to infrastructure and training gaps.

- **Customer Satisfaction and Communication:**

Customer satisfaction during loan disbursement is closely linked to timely communication and clear information about the loan status (Kumar & Verma, 2021). Delays and lack of transparency often result in customer dissatisfaction and attrition. Studies on NBFC customer service (Patel & Shah, 2019) stress the importance of regular updates via SMS or email and proactive problem resolution.

- **Challenges in Loan Disbursement:**

Literature identifies common challenges such as incomplete documentation, inconsistent credit appraisal, and regulatory hurdles that can delay disbursement (Singh, 2019; Kaur & Singh, 2018). For personal loans, which are unsecured, NBFCs must strike a balance between quick disbursement and thorough risk evaluation to prevent defaults.

## Objectives

1. To analyze the personal loan disbursement process at SCUF.
2. To study the time taken at each stage of the disbursement.
3. To identify challenges faced by the company and customers during disbursement.
4. To assess customer satisfaction related to loan disbursement.
5. To suggest improvements for faster and efficient disbursement.

## Research Methodology

- **Research Design:** Descriptive and Analytical
- **Data Collection:**
  - **Primary Data:** Structured questionnaires distributed to 100 personal loan customers of SCUF and interviews with branch officials.
  - **Secondary Data:** Company reports, RBI guidelines, industry publications.
- **Tools:** Statistical analysis using MS Excel for time-motion study; qualitative analysis for customer feedback.

## Analysis and Interpretation

The study involved collecting primary data from 100 personal loan customers of Shriram City Union Finance Ltd. (SCUF) and interviewing branch officials to understand the practical aspects of the loan disbursement process. Secondary data from company reports and industry publications supplemented this information.

### 1. Loan Application and Documentation Verification

- **Time Taken:** The majority of customers (65%) reported that the application submission and document verification process took between 1 to 2 days. Branch officials confirmed that verifying identity, income proofs, and address documentation is a critical first step that affects subsequent stages.
- **Challenges:** Approximately 25% of customers experienced delays due to incomplete or incorrect documents, requiring resubmission and follow-up visits.

### 2. Credit Appraisal and Sanctioning

- **Duration:** The credit appraisal phase, involving assessment of the applicant's creditworthiness, generally took between 2 to 5 working days as per 70% of respondents. This process includes credit bureau checks, risk evaluation, and management approval.
- **Observations:** Branch managers indicated that manual verification of credit data often causes delays.

Cases with strong credit scores were sanctioned faster, while borderline cases required additional scrutiny.

- **Impact of Technology:** The existing digital tools facilitated faster appraisal in some branches, but overall, a lack of uniform automation slowed the process.

### 3. Loan Disbursement

- **Turnaround Time:** Once sanctioned, disbursement of funds was reported to occur within 1 working day by 80% of respondents. This step includes final documentation and electronic transfer of funds.
- **Issues Noted:** Some customers (10%) faced delays due to technical glitches in payment systems or internal approval hierarchies.

### 4. Overall Turnaround Time

- **Average Duration:** Combining all stages, the average time for complete disbursement ranged from 5 to 8 working days.
- **Variability:** Turnaround times varied by branch location and customer profile. Urban branches with better digital infrastructure processed loans faster than semi-urban or rural branches.

### 5. Customer Satisfaction

- **Satisfaction Levels:**
  - 70% of customers expressed satisfaction with the speed and clarity of the loan disbursement process.
  - 20% indicated that communication about loan status was insufficient, leading to uncertainty during processing.
  - 10% reported dissatisfaction primarily due to delays exceeding expected timelines.

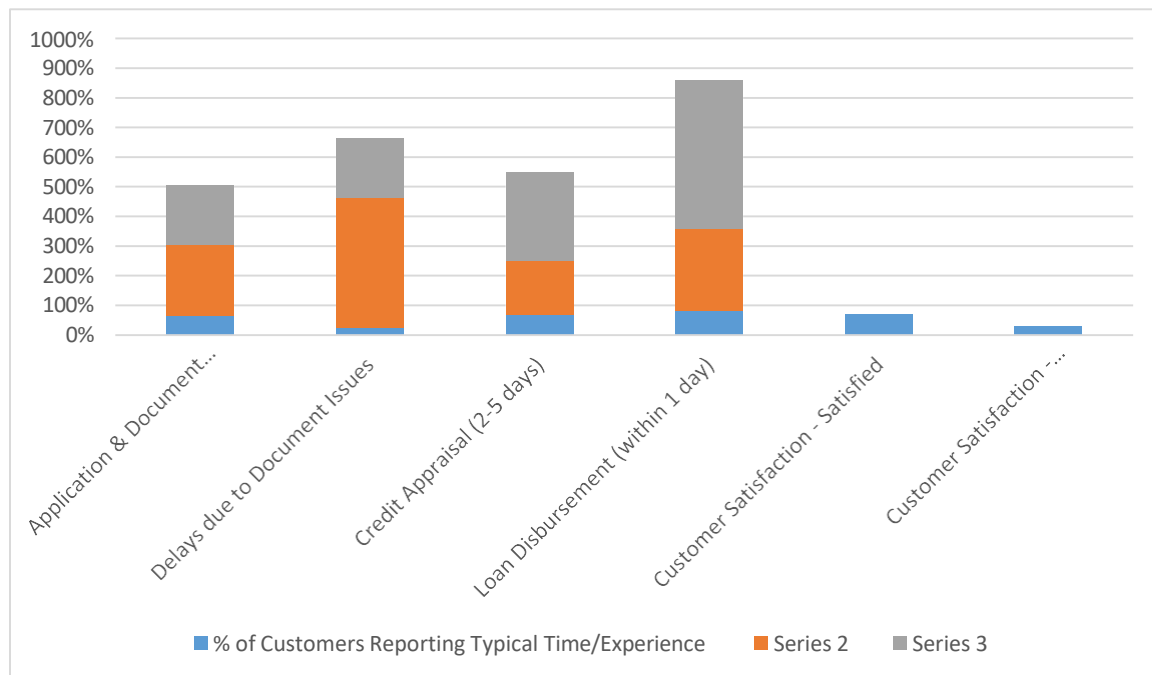
### 6. Operational Challenges

- **Manual Processes:** Heavy reliance on manual verification and approvals increases processing time and chances of human error.
- **Documentation Issues:** Incomplete documents were a frequent cause of delay, highlighting the need for better customer guidance.
- **Communication Gaps:** Lack of proactive updates from SCUF staff during delays caused frustration among some customers.

### 7. Strengths

- SCUF's personalized service and branch accessibility were positively noted by customers.
- Quick disbursement post-sanction indicates streamlined fund transfer processes.

Stage	% of Customers Reporting Typical Time/Experience
Application & Document Verification (1-2 days)	65%
Delays due to Document Issues	25%
Credit Appraisal (2-5 days)	70%
Loan Disbursement (within 1 day)	80%
Customer Satisfaction - Satisfied	70%
Customer Satisfaction - Neutral/Unsatisfied	30%



## Interpretation

The analysis reveals that while SCUF has established a functional personal loan disbursement system, inefficiencies remain mainly in the early stages of application and credit appraisal.

Delays caused by manual document verification and credit evaluation can impact customer satisfaction, especially for borrowers needing urgent funds.

The relatively quick disbursement after sanction shows that backend payment systems are efficient. However, variability across branches suggests uneven implementation of technology and process standards.

Improved customer communication and digitization of document submission and credit appraisal processes could significantly enhance disbursement speed and customer experience. Training branch staff to better assist applicants with documentation and using automated risk assessment tools may reduce delays and errors.

Overall, SCUF's personal loan disbursement process is satisfactory but has clear scope for modernization and increased customer-centricity.

- **Loan Application Stage:** Average time taken was 1-2 days for document submission and initial verification.
- **Credit Appraisal:** Time ranged from 2 to 5 days, depending on credit score and documentation completeness.
- **Sanction and Disbursement:** Fund transfer took approximately 1 day post-sanction.
- **Challenges Identified:** Delays due to incomplete documentation, manual verification processes, and IT system limitations.
- **Customer Feedback:** 70% satisfied with turnaround time; 20% reported lack of clarity in communication; 10% faced delays beyond promised timelines.

## Findings

- The overall average time for personal loan disbursement at SCUF is around 5-8 working days.
- Digitization of application process has reduced delays but manual credit verification remains a bottleneck.
- Effective customer communication positively influences satisfaction even when minor delays occur.
- There is a gap between policy and field-level execution, causing inconsistent disbursement times across branches.

## Suggestions

- Implement end-to-end digital loan processing with automated credit appraisal to reduce manual delays.
- Provide clear and timely communication to customers about loan status via SMS/email.
- Conduct regular training for branch staff on documentation and compliance to minimize errors.
- Introduce performance metrics for branch efficiency and customer service quality.
- Explore partnerships with credit bureaus for real-time credit data access.

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