



Loan Consultation: A Practical Exposure

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ABSTRACT:

This article provides an in-depth overview of the practical knowledge and skills acquired during my MBA internship at a loan consultation firm. The internship offered first-hand experience in client consultation, financial evaluation, loan processing, documentation, and risk assessment. With the growing demand for personal, business, home, and vehicle loans, loan consultants play a critical role in guiding borrowers through the lending process and helping them choose the most suitable financial products.

During my internship, I interacted with individual clients, SMEs, and professionals seeking financial assistance. I was involved in assessing credit eligibility, calculating repayment capacities, preparing documentation, and coordinating with banks and NBFCs for loan approval and disbursal. The role required a sound understanding of financial products, government regulations, and bank-specific requirements.

This article highlights the major responsibilities I handled, the challenges I encountered—such as incomplete documentation, client financial stress, and regulatory hurdles—and how I overcame them. It also sheds light on the importance of customer trust, clear communication, and regulatory compliance in this industry.

By the end of the internship, I gained a practical understanding of credit risk assessment, KYC verification, interest rate structures, EMI calculations, and the importance of financial literacy in rural and urban borrowers alike. This experience helped solidify my academic learning and gave me insight into the operational side of India's lending ecosystem.

1. Introduction:

Loan consultation has become a crucial service in the modern financial sector, especially in a country like India where credit penetration is steadily increasing. With numerous banks and non-banking financial companies (NBFCs) offering diverse loan products, clients often find it challenging to navigate the process of selecting and applying for the right loan. This is where loan consultants bridge the gap between the borrower and the lender.

As part of my MBA Finance internship, I had the opportunity to work with a private loan consultation firm that acted as an intermediary between clients and financial institutions. The firm specialized in personal loans, home loans, vehicle loans, education loans, and MSME/business loans. My role as an intern gave me the chance to observe and participate in every stage of the loan lifecycle—from the initial client meeting to final loan disbursal.

2. Understanding the Fundamentals:

2.1 The Role of Loan Consultation

Loan consultation plays a crucial role in the financial decision-making process for individuals and businesses. It involves guiding borrowers through the process of obtaining loans by helping them understand their financial needs, eligibility, repayment capacity, and available lending options.

Identifying Financial Needs

The first step in loan consultation is understanding the client's financial goals. Whether it's for education, housing, business expansion, or personal emergencies, a loan consultant evaluates the necessity and nature of the loan required. This helps determine the most suitable loan type and amount. For example, during my internship, I interacted with a middle-aged father who wanted a loan to fund his daughter's wedding. We discussed his existing financial commitments and found a viable personal loan plan that wouldn't strain his monthly income.

Evaluating Eligibility

Loan consultants assist clients in assessing their eligibility based on various factors like income, credit history, existing liabilities, and employment status. For instance, one client, a first-time entrepreneur, approached us for a business loan. After evaluating his income projections and bank transactions, we suggested a small loan through a government-supported scheme and advised him on improving his CIBIL score for future loans.

Exploring Loan Options

The market offers a wide range of loan products, each with different terms, interest rates, and conditions. A consultant compares these offerings and provides clients with detailed insights. In one case, a school teacher wanted to renovate her house. We compared home improvement loans from three banks, explained EMI structures, and helped her choose the one with a fixed interest rate for better predictability.

Documentation and Application Support

The loan application process can be complex, involving extensive documentation. Loan consultants guide clients through this process. For example, a retired government employee came to us for a pension loan. His documents were outdated, and his address proof didn't match. I helped him update his documents through the appropriate government portal and ensured everything was submitted correctly.

Explaining Terms and Conditions

Many borrowers may not fully understand technical financial terms. Consultants simplify this information. I often used real-life analogies—comparing fixed and floating interest rates to fixed and variable salaries—to make clients comfortable with their choices.

Managing Repayment Planning

Consultants assist in structuring repayment plans that are feasible. For example, a small bakery owner I met had inconsistent monthly income. I suggested a loan with a flexible EMI option and guided him on building a reserve fund during high-sales months.

Building Financial Confidence

By demystifying the borrowing process, consultants empower clients to make confident financial decisions. One young client, a software engineer buying his first car, was hesitant to take a loan. I walked him through the total cost over time and how he could still save while paying EMIs, which gave him clarity and peace of mind.

2.2 Steps involved in loan computation:

Step 1: Determine Loan Requirements

- Loan amount: ₹20 lakhs
- Loan tenure: 5 years
- Interest rate: 12% per annum

Step 2: Calculate Loan Repayment

- Monthly Repayment (EMI): ₹43,391 (using a loan repayment calculator or formula)
- Total Interest Paid: ₹6,41,419 (over 5 years)
- Total Amount Paid: ₹26,41,419 (loan amount + total interest paid)

Step 3: Assess Borrower's Repayment Capacity

- Gross Income: ₹50 lakhs per annum
- Net Income: ₹35 lakhs per annum (after taxes)
- Monthly Expenses: ₹1,50,000
- * Disposable Income*: ₹1,00,000 per month

Step 4: Evaluate Loan-to-Value (LTV) Ratio

- LTV Ratio: 60% (assuming the lender provides 60% of the property's value)
- Property Value: ₹33,33,333 (using the LTV ratio)

Step 5: Consider Other Loan Options

- Compare Interest Rates: 12% per annum (existing loan) vs. 10% per annum (new loan)
- Compare Loan Tenures: 5 years (existing loan) vs. 7 years (new loan)

Tools and Resources:

- Loan repayment calculator
- Financial planning software
- Excel spreadsheet templates
- Online loan marketplaces

Key Considerations:

- Credit score and history
- Income stability and growth prospects
- Expenses and debt obligations
- Collateral or security (if applicable)
- Loan terms and conditions

By following these steps and considering these factors, loan consultants can provide borrowers with personalized and informed loan recommendations.

3. Internship Roles and Responsibilities

During my internship, I was given the opportunity to shadow senior consultants and handle tasks independently. My key responsibilities included:

- **Client Interaction and Need Analysis:** I conducted meetings to identify financial goals. One such case involved a couple planning to adopt a child. They needed help planning loan options for medical and legal expenses. Listening empathetically helped me offer tailored suggestions.
- **Eligibility Check and CIBIL Analysis:** I helped a freelance designer assess her eligibility. With inconsistent income but good banking habits, we focused on NBFCs that had more relaxed norms for professionals.
- **Loan Product Comparison:** I helped a real estate agent choose between two home loans—one with low interest and another with lower processing fees. We calculated the total repayment and decided accordingly.
- **Documentation and KYC:** Documentation issues were common. I once helped a client correct a PAN card error that previously led to multiple loan rejections. Following this, his application was approved.
- **Coordination with Banks and NBFCs:** I acted as a liaison between clients and relationship managers. In one urgent case, I escalated a loan file stuck due to an internal error, ensuring timely approval.
- **Post-Sanction Support:** Many clients didn't understand sanction letters. I broke down the legal terms in simple language. One client said, "I finally understand what I'm signing."

3.1 Case Study:**Loan Consultation for a Small Business Owner**

Rajesh, a small business owner, is looking to expand his operations and needs a loan to finance his growth plans. He approaches a loan consultant, Rohan, to help him navigate the loan process.

Financial Data:

- Business Name: Rajesh's Enterprises
- Industry: Manufacturing
- Annual Revenue: ₹50 lakhs
- Profit Margin: 15%
- Existing Debt: ₹10 lakhs
- Credit Score: 650

Loan Requirements:

- Loan Amount: ₹20 lakhs
- Loan Tenure: 5 years

- Interest Rate: Competitive rate

Loan Consultation:

Rohan, the loan consultant, conducts a thorough analysis of Rajesh's business and financial situation. He assesses the business's creditworthiness, cash flow, and growth prospects.

Loan Options:

Rohan presents Rajesh with three loan options:

Term Loan: ₹20 lakhs, 5 years, 12% interest rate

Line of Credit: ₹20 lakhs, 5 years, 10% interest rate

Invoice Financing: ₹20 lakhs, 3 months, 15% interest rate

Recommendation:

Rohan recommends the Term Loan option, citing the following reasons:

- Lower interest rate compared to Invoice Financing
- Flexibility to repay the loan over 5 years
- No risk of cash flow disruption, unlike Line of Credit

Implementation: Rajesh accepts Rohan's recommendation and applies for the Term Loan. Rohan assists Rajesh in preparing the loan application, gathering necessary documents, and submitting the application to the lender.

Outcome: The lender approves the loan, and Rajesh receives the funds to expand his business. With Rohan's guidance, Rajesh is able to manage his loan repayments effectively and grows his business successfully.

Conclusion: This case study highlights the importance of loan consultation in helping small business owners make informed decisions about their financing options. Rohan's expertise and guidance enabled Rajesh to secure the right loan for his business needs and achieve his growth objectives.

3.2 Knowledge needed for loan consultation:

- **Financial Knowledge:**

Loan types: Term loans, line of credit, invoice financing, etc.

Interest rates: Fixed, floating, and variable interest rates.

Loan tenure: Short-term, medium-term, and long-term loans.

Repayment options: EMI, bullet repayment, and balloon payment.

Collateral and security: Types of collateral, valuation, and risk assessment.

- **Accounting and Taxation Knowledge:**

Financial statements: Balance sheet, income statement, and cash flow statement.

Taxation laws: Income tax, GST, and other relevant tax laws.

Tax planning: Tax savings strategies and optimization techniques.

- **Credit and Risk Assessment Knowledge:**

Credit scoring: Credit score calculation, interpretation, and analysis.

Risk assessment: Identifying and mitigating credit risks, industry risks, and market risks.

Due diligence: Verifying borrower information, credit history, and financial statements.

- **Regulatory Knowledge:**

Banking regulations: RBI guidelines, banking laws, and regulations.

Securities laws: SEBI regulations, securities laws, and guidelines.

Compliance requirements: Anti-money laundering (AML), know-your-customer (KYC), and other compliance requirements.

- **Communication and Interpersonal Skills:**

Effective communication: Clear and concise communication with borrowers, lenders, and other stakeholders.

Interpersonal skills: Building relationships, trust, and rapport with clients and partners.

Negotiation skills: Negotiating loan terms, interest rates, and repayment schedules.

- **Technology and Data Analysis Skills:**

Financial modeling: Building financial models, forecasting, and scenario analysis.

Data analysis: Analyzing financial data, identifying trends, and making recommendations.

Loan origination systems: Familiarity with loan origination systems, credit scoring models, and other relevant software.

4. Challenges Faced and Real-Life Solutions:

- **Incomplete Documentation:** One client lacked address proof because he lived in a rented house under a verbal agreement. I helped him get a notarized affidavit and utility bill in his name.
- **Lack of Financial Awareness:** A garment seller was unaware of the impact of bounced cheques on his CIBIL. I explained using real examples and helped him track future payments via a mobile app.
- **Low Credit Score Issues:** A college student with a low credit score from a missed credit card payment was denied a loan. I educated her on secured credit cards to rebuild her score.
- **Unrealistic Expectations:** A small business owner expected a 15 lakh loan with only 25,000 monthly income. We worked on realistic budgeting and showed how a co-applicant could help.
- **Frequent Policy Changes:** During one week, two banks updated their lending criteria. I created a Google Sheet tracker to keep updates organized and timely.
- **Processing Delays:** I once personally delivered a corrected document to a bank branch 10 km away to meet the deadline for a disbursement.

5. Key Learnings and Takeaways:

- **Client Trust is Crucial:** Gaining a farmer's trust who had previously been cheated took multiple meetings, but once trust was built, he referred three more clients.
- **Regulatory Knowledge:** I learned to decode RBI guidelines, such as maximum permissible loan-to-value ratio and moratorium conditions.
- **Tools and Tech:** I used platforms like CreditMantri to run simulations for loan eligibility, which made my suggestions more data-driven.
- **Financial Literacy:** Teaching clients to understand EMI structures and credit scores made them feel empowered and grateful.
- **Communication Skills:** I improved my ability to handle emotionally sensitive discussions, especially when rejecting ineligible clients.

6. Conclusion:

My internship in a loan consultation firm was a transformative experience. It gave me not just academic understanding but real-world exposure to how financial services impact people's lives. Whether helping a father fund his daughter's dream wedding or guiding a small business toward growth, every case made me more empathetic, responsible, and professional.

Loan consultants are more than financial advisors; they are enablers of dreams, guides through bureaucracy, and often emotional anchors for financially uncertain clients. This internship has inspired me to consider a future in financial consulting or retail banking.

Recommendations for Future Interns:

- Build rapport and trust with clients.
- Stay updated on changing bank norms.
- Use digital tools effectively.
- Always double-check documentation.
- Learn to say "no" with empathy.

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