

"A man is
great by
deeds, not by
birth"

-Chanakya

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INDIAN INSTITUTE OF MANAGEMENT KOZHIKODE



Case Study

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Financial Implications of Loan Moratorium: A Case Study

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ABSTRACT

The case demonstrates the practical application of the concept of time value of money in general and annuities in particular. The case illustrates that a brief period of loan moratorium could make the mortgage significantly expensive for a borrower irrespective of whether simple interest or compound interest is charged during the moratorium period. The impact will be higher if the moratorium occurs at an earlier period during the tenure of the loan. In order to better understand the impact, four scenarios are created with varying time to maturity. The case empowers a borrower to actually calculate the real financial implication of an event like loan moratorium

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