

# EMI CALCULATOR

- Equated Monthly Instalments, abbreviated as EMIs, are monthly repayments for the loan availed. EMIs consist of two components: principal & interest. The principal is the pay back on the total loan amount whereas the interest component is the cost of the loan charged by the lender. It is expressed as APR (Annual Percentage Rate) that is charged either on the total loan amount or the outstanding loan amount.
- When interest is calculated on the total loan amount, it is called flat rate interest method. And when it is calculated on the outstanding loan amount, it is called reducing balance interest method. Based on which interest calculation method is used, the EMI calculation formula will change. Car loan EMI calculators generally use the flat rate interest method. Same goes with EMI calculators for bike as well. Whereas, personal loan EMI calculators use the reducing balance interest method.
- Uses of EMI Calculator
  - Under the reducing balance method, the EMI calculation involves exponents. Hence, it would be much easier to use the EMI calculator rather.
  - Using calculators to determine the EMI before even taking a loan helps you plan for your monthly and overall finances perfectly.
  - You can even change the loan tenure and interest rate to calculate the EMI that would be perfectly affordable for you to pay on a monthly basis.
  - While calculating EMI manually or in Excel, you might make errors in the formula or the calculation. However, EMI calculator always gives you accurate results without any scope of mistakes.
  - Most of the online EMI calculators even provide you the option to see and download the complete amortization schedule. This will help you determine the interest and principal repayment over the complete life of the loan.
  - Suppose while repaying a loan, you find a lender with a lower interest rate, you can use the EMI calculator to understand the difference in monthly payments and overall cost. This could subsequently help you in switching lenders, if need be, through a balance transfer

