

PROBLEMS FACED BY BORROWERS OF HOME LOAN: A COMPARATIVE STUDY WITH REGARDS TO PUBLIC AND PRIVATE SECTOR BANKS IN NAGPUR REGION

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ABSTRACT

Home is an important part of a human being, who since their birth. The demands of home / housing are increasing speedily day by day. As purchasing home needs investment of huge amounts of capital, thus it turns out to be not always possible to give such large amount at an instance. One might not be such economically stable to give a large amount at an instance. Thus, these people move towards the banking institutions to apply for home loans. There are many banks and housing financial institutions offering home loans at very less and attractive rates. A housing finance is a long-term commitment and Housing Finance is a service industry. The continued existence of the business has a straight relationship with the fulfilment or satisfaction of the consumers. The paper examines the problems faced by the borrowers while availing home loans. The study aims at a comparison of the problems faced by the borrowers of public and private sector banks in Nagpur Region. The study is based on the descriptive research. The complete research and findings are based on the objectives.

KEYWORDS: Public Sector Banks, Private Sector Banks, Home Loan, Borrowers, Problems faced while availing Home Loan.

INTRODUCTION

Home is an important part of a human being, who since their birth. The demands of home / housing are increasing speedily day by day. Home loan is that kind of loan provision which allows an individual to purchase house & land property. As purchasing home needs investment of huge amounts of capital, thus it turns out to be not always possible to give such large amount at an instance. One might not be such economically stable to give a large amount at an instance. Thus, these people move towards the banking institutions to apply for home loans. In India, the Home Loans segment has gone through various changes.

From extremely low coverage to the housing segment initially, banking institutions have gone extremely fast in providing credit to this segment which have observed unmatched expansion. Through urbanisation and high level of economic development, it is quite usual that the housing segment has received a boost.

A home / housing finance is a long-term commitment and Housing Finance is a service industry. In current scenario, the decreasing interest rate is quite clear that every bank in its chase of capturing the market is exploring all avenues to offer a competitive rate to attract more and more borrowers/ customers. The continued existence of the business has a straight relationship with the fulfilment or satisfaction of the consumers.

REVIEW OF LITERATURE

- La cour Micheal (2006) examined the home purchase mortgage product preferences of LMI households. The objectives of his study were to analysis the factors that determined their choice of mortgage product. In this case regression analysis has been used and results have shown that the high interest risk reduces loan value.
- Rajesh Kumar (2003) that banks should review the housing loan portfolio at periodical intervals for capturing new markets and to avoid risk in the housing loan schemes.
- Srinivasan (2000) has concluded that simplification of the documentation process, caring and friendly approach systems and procedures, good customer service and non-insistence in collateral securities are the most important variable in the marketing of housing loan schemes by banks.
- Varghese (1980) dealt with the problem of housing finance as (a) the definition, importance, problems and risks of housing finance, (b) the requirements of housing finance to meet both housing backlog and annual deterioration of the housing stock and (c) the availability of housing finance through various agencies.

RESEARCH METHODOLOGY

Scope of the study

The study was limited to the public and private sector banks across the Nagpur region. The period of study is five years commencing from 2004-05 to 2008-09.

Objectives of the study

- To study the problems faced by the borrowers while availing home loan.
- To compare the problems faced by the borrowers of public and private sector banks.
- To suggest/ recommend measures to banks to overcome the problems of borrowers.

Collection of data

The primary data is collected through the responses of the home loan borrowers through structured questionnaires to examine their problems faced while availing home loan. The secondary data is collected from various books, articles published in magazines, journals, newspaper, the annual reports of RBI, reports of Public Sector and Private Sector Banks, websites, circulars, brochures of banks, etc.

Research design of the study

For this study, descriptive research design is used. The respondents are selected randomly from the borrowers / customers who have taken home loans from public and private sector banks during the period from 2004-05 to 2008-09. The data are collected through the questionnaire; fill up with customers of the four banks (two Public Sector & two Private Sector), viz., State Bank of India, Bank of India, HDFC Bank and ICICI Bank located in the Nagpur, Maharashtra. 200 borrowers / customers- 100 respondents from two Public Sector Bank & 100 respondents from two Private Sector Bank (means 50 each from four banks) were contacted personally. To analysis the collected data and for ranking the problems faced by the borrowers while availing home loan, the Garrett Ranking conversion table is used.

Limitations of the study

- The study is confined to the Nagpur region; finding may vary from place to place.

DATA ANALYSIS & INTERPRETATION

Analysis is based on the response given by the respondents through questionnaires:

Problems faced by the borrowers while availing home loan from Public Sector Banks:

S. No.	Variables	No. of Respondents										TOTAL SCORE	MEAN	RANK
		I	II	III	IV	V	VI	VII	VIII	IX	X			
1	Long Procedure for availing Home Loan	22	4	3	2	13	10	12	18	12	4	5117	51.17	II
2	RBI & Govt. Rules / Guidelines	10	18	6	9	5	8	13	9	12	10	5022	50.22	IV
3	Lack of Home Loan Information	8	6	24	4	2	12	18	14	6	6	5042	50.42	III
4	Lack of Transparent procedure	6	7	5	9	10	10	8	11	8	28	4287	42.03	VII
5	Lots of & Confusing Documentations	18	17	2	13	13	7	9	7	6	8	5506	55.06	I
6	Non-cooperation from Bank Officers	16	4	6	7	11	11	7	13	12	13	4820	48.20	V
7	Delay in Home Loan Sanction Process	10	5	19	6	8	10	12	4	6	20	4793	47.93	VI
8	Delay in Home Loan Disbursing Process	0	10	9	5	5	9	9	12	11	30	3918	39.18	X
9	Low post Buying approach	0	20	5	10	0	4	2	10	19	30	4022	40.22	VIII
10	Hidden or Unjust Charges	6	7	7	4	8	7	9	8	7	37	3942	39.42	IX

The above table shows that the types of problems faced by the borrowers while availing home loans from public sector banks, Lots of & Confusing Documentations was ranked first, Long Procedure for availing Home Loan was ranked second, Lack of Home Loan Information's was ranked third, RBI & Govt. Rules / Guidelines was ranked fourth, Non-cooperation from Bank Officers was ranked fifth, Delay in Home Loan Sanction Process was ranked sixth, Lack of Transparent procedure was ranked seventh, Low post Buying approach was ranked eighth, Hidden or Unjust Charges was ranked ninth and Delay in Home Loan Disbursing Process was ranked tenth.

Problems faced by the borrowers while availing home loan from Private Sector Banks:

S. No.	Variables	No. of Respondents										TOTAL SCORE	MEAN	RANK
		I	II	III	IV	V	VI	VII	VIII	IX	X			
1	Long Procedure for availing Home Loan	9	5	9	6	10	15	10	17	11	7	4720	47.68	III
2	RBI & Govt. Rules / Guidelines	6	11	12	15	13	9	8	6	11	9	5029	50.29	I
3	Lack of Home Loan Information	3	7	14	5	8	11	21	14	8	9	4632	46.32	V
4	Lack of Transparent procedure	7	5	4	7	11	12	8	16	24	4	4410	45.00	VI
5	Lots of & Confusing Documentations	8	10	5	7	11	8	12	3	18	18	4491	44.91	VII
6	Non-cooperation from Bank Officers	3	11	7	11	5	6	2	2	20	33	3973	39.73	X
7	Delay in Home Loan Sanction Process	16	5	5	6	9	11	13	4	6	25	4635	46.35	IV
8	Delay in Home Loan Disbursing Process	10	4	5	8	8	6	6	8	8	37	4021	40.21	IX
9	Low post Buying approach	2	13	9	7	3	4	2	8	36	16	4099	40.99	VIII
10	Hidden or Unjust Charges	18	8	10	7	5	5	5	10	10	22	4828	48.28	II

The above table shows that the types of problems faced by the borrowers while availing home loans from private sector banks, RBI & Govt. Rules / Guidelines was ranked first, Hidden or Unjust Charges was ranked second, Long Procedure for availing Home Loan was ranked third, Delay in Home Loan Sanction Process was ranked fourth, Lack of Home Loan Information's was ranked fifth, Lack of Transparent procedure was ranked sixth, Lots of & Confusing Documentations was ranked seventh, Low post Buying approach was ranked eighth, Delay in Home Loan Disbursing Process was ranked ninth, Non-cooperation from Bank Officers was ranked tenth.

RECOMMENDATION AND SUGGESTIONS

- The Public sector banks should liberalise the documentation part as a larger part of this loan is given against mortgages on personal properties; the propensity of default is low.
- Private sector banks should properly disclose the processing fee and other hidden charges, to the borrower while availing home loan. Transparent sanction and disbursement process should be done by banks.
- In this competitive environment the banks should provide quicker, simple and stress-free procedure for sanctioning home loans to the customers. This is a vital marketing strategy to attract borrowers.
- Both public and private sector banks should take appropriate step to educate the customers about home loan guidelines and mode of operation through its marketing strategy.

CONCLUSION

In summary, we can conclude that the services provided by both public sector banks & private sector banks are very competitive. Changing borrowers' / customers' needs and uncertain economic environment are exerting pressures on home loan offering banks. Still, there are several problems which are experienced / faced by the borrowers while availing home loans. Both public and private sector banks should evaluate their services and identify their distinction from others, by focusing on the problems experienced by the borrowers while availing home loan.

A housing finance is a long-term commitment and Housing Finance is a service industry. The continued existence of the business has a straight relationship with the fulfilment or satisfaction of the consumers. Accordingly, the housing finance segment, overall, can develop relevant service-oriented performance methods and get better the quality of services provided to the people towards levels consistent with customer expectation.

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