



BORROWERS OUTLOOK ON HOUSING LOAN INSTITUTIONS IN COIMBATORE: A COMPARATIVE STUDY

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Abstract

Home loans are in high demand in India because of the country's increasing need for homes. Many Indians take advantage of the low-interest home loans offered by the country's state and private banks. Having a home of one's own can provide a sense of stability and security. Homeownership is out of reach for the typical person due to the rising cost of land, construction, mortgage interest, etc. He can never save up enough money in his lifetime to purchase a house. In order for him to fulfill his fundamental need of having a secure place to reside, he needs the assistance of some financial institutions in the form of finance. House financing is the finest solution for the typical person's housing problems because of this. Housing finance include any loan, mortgage, line of credit, or other kind of credit extended for the acquisition, construction, improvement, or upkeep of a single family or multifamily dwelling. The goal of this study is to examine how two of the many home loan providers under scrutiny, SBI and HDFC in Coimbatore, are perceived by their respective clientele.

Key words: Home Loans, Housing Finance, SBI and HDFC.

Introduction

Shelter is a basic necessity for human survival, just like food and clothing. The problem of finding suitable housing has plagued humanity ever since its earliest days. It's not simply something people have to have; it's also a catalyst for positive change that can lead to greater prosperity, security, and productivity. The home is a crucial element in a person's psychological and social development. Location has a significant impact on people's health, wealth, and social standing. The standard of people's homes is an indicator of a culture's level of affluence. A home is a permanent refuge from the elements, a place where people may call home forever. People are increasingly using the value of their home as a measure of success and social standing. It provides aesthetic satisfaction in addition to emotional and intellectual satisfaction, physical comfort, and mental calm. The house is safe from rain, snow, heat, and humidity for its inhabitants. Home is where the heart is, and there's no place like it for spending quality time with loved ones.

The purchase of a residence is oftentimes regarded as a wise long-term investment. The purchase of a home is the largest investment most of us will ever make. The idea of a house loan gained popularity in India since it is the best approach for an individual to fulfil his dream of home ownership. The emotional and mental well-being of a person can benefit from living in a secure and pleasant environment. The only way to guarantee oneself and one's family a secure abode is to put money into housing. More houses are desperately needed to accommodate families that are increasingly adopting the nuclear family model. In India, real estate accounts for about 28% of household wealth. A home, also spelt "dwelling," is a place where one feels secure being themselves and where they can spend time with their loved ones.

Regardless of one's economic standing, most people prioritise their home life due to the significant role it plays in shaping their sense of self and safety. It is impossible to exaggerate housing's importance to a community. Everyone should be entitled to this basic necessity of society. The quality of the housing options available to the general people is a good indicator of the general quality of life. Indirectly, housing aids in the accumulation of human capital by improving liveability, education, social, and cultural norms. A borrower's ability to earn money and make loan payments might be improved by using the equity in their house as collateral for new loans. The housing market's role in fostering economic growth was recognised as early as the 1970s. This was so not just because the building industry provided many people with jobs, but also because of the positive effects it had on the economy and society. Report on Trend and Progress of Housing in India (2014) cites the availability and quality of adequate housing as a positive factor in employment, savings, investment, and worker productivity.

Problem Discussed

Worldwide, there is a severe shortage of housing options. Multiple bodies, including HUDCO and NHB, have been set up by the central and state governments of India to oversee the housing finance industry and help with the country's severe housing crisis. The home lending market relies heavily on many various kinds of banks, including HFCs, public sector banks, co-operative banks, old generation banks, and new generation banks. The housing shortage is still not under control. The quality of service they receive from housing finance groups is just one element among several that worries the public. Borrowers evaluate home loan schemes based on factors such as interest rate, processing time, loan stages, bank facilities, loan sanctioning period, communication speed, and the availability of loan extensions from housing finance institutions.

Only service providers who regularly exceed their customers' expectations can succeed in the home finance market. The applicant's age, income, occupation, educational qualification, remaining period of service, and credit history will all be taken into account by the housing financing agency before a loan is granted. Home loan borrowers, on the other hand, think about things like HFIs' home loan policies, interest rates, EMI amounts, how quickly loans are approved, processing fees, penalty rates, employee behaviour, the loan amount's availability, the loan duration, the facilities offered by HFIs, and the quality of customer care services. The various home loan providers already doing business in Coimbatore all utilise slightly different tactics to win new clients. The goal of this poll is to examine mortgage holders' opinions of SBI and HDFC Banks' home loan schemes.

Literature review

Govinda Rao, says that Loan financing markets play an imperative role in motivating affordable housing markets and civilizing housing eminence in many nations. Inappropriately, they are frequently less established in India. This deficiency of growth often decodes into lower homeownership rates or lower housing quality. Most stem from the central predicament that the resources are always too inadequate and housing development profoundly depend on the financial institutions for example banks, credit firm corporations and development banks for the supply of finance to meet their daily financial requirements.

Uma Shankar Mishra in her editorial authorized "Housing Loan Quality Characteristics Regard Borrowers Gratification in Banking Division of India" discovered basic equivalence model is articulated to indicate the impact of the association between borrower's satisfaction and loan attributes.

Deepall Singh in his study "Customer conduct, Performance and banking retrial products an analysis, stresses that borrower's approach is significant for the development of housing loan schemes.

Rajesh Kumar stood in his article entitled: Housing Loan Portfolio of ASCBs – Growth Drives Allied Risk and extenuation approaches," has determined that banks should evaluate the housing loan portfolio at periodical interludes for seizing new markets and to elude risk in the housing loan schemes.

Maheswari and Govindarajan.k in their article entitled, housing loan borrower in banks": A Micro Study". They concluded that adoption of modern banking technology as a means to improve housing loan borrowers.

Objectives of the study

1. To study the features of housing loan schemes of SBI and HDFC banks
2. To analyse the attitude of borrowers of housing loan schemes of the SBI and HDFC banks

Methodology

The current study is descriptive and analytical and relies on both primary and secondary data. The primary data for the study is compiled from the 100 respondents from the Coimbatore region who were the borrowers of home loans from SBI and HDFC banks respectively using the snowball sampling technique. The secondary data for the study is collected from various published resources pertaining to both the financial institutions.

A review on the housing loan schemes of SBI and HDFC banks

State Bank of India and HDFC Ltd are leading in the housing finance segment of the country. Their vast range of home loan products and competitive interest rates can make it difficult for customers to take a pick.

Table 1: Housing loan structure of SBI and HDFC

Category	SBI Home Loan	HDFC Bank Home Loan
Aim	SBI home loans cater to both salaried and self-employed applicants. The loan can be used to purchase an already-built house or an under-construction property. SBI home loans can also be used for home renovation.	HDFC Bank offers home loans that help people from different walks of life buy or construct a home. They have specific loans that cater to farmers, agriculturists, etc. HDFC offers home loans for both salaried and self-employed individuals.
Lend amount	Rs.5 lakh – Rs.10 crore	Up to Rs 10 crores
Prime interest rate	8.40% p.a. - 10.70% p.a.	8.20% p.a. - 9.50% p.a.
Loan Tenure	Up to 30 years	Up to 30 years
Capability	Applicant must be at least 18 years of age and not more than 70 years old.	Applicants must be at least 18 years old and less than 65 years old.
Early pay off fee	NIL	<ul style="list-style-type: none"> • No prepayment charges for individual applicants with variable interest rate loans. • 2% prepayment charges for fixed rate loans and non-individual borrowers.
Processing fee	0.35% of the loan amount plus applicable service tax, minimum of Rs. 5,000.	Up to 0.50% of the loan amount or Rs.3,000 (whichever is higher)
Merits	<ul style="list-style-type: none"> • Competitive interest rates 	<ul style="list-style-type: none"> • Low interest rates

	<ul style="list-style-type: none"> No prepayment charges Long repayment tenure Special interest concession for women applicants Home loan can be availed as overdraft 	<ul style="list-style-type: none"> Lower EMIs for women under special promotional campaign Long repayment tenure Approval of loan even before selecting property No hidden charges involved
Demerits	The maximum loan amount is lower when compared to HDFC bank	Higher interest rates than State Bank of India
Conformation	<ul style="list-style-type: none"> Proof of identity Proof of residence Property papers like permission for construction, occupancy certificate, etc. Bank account statement for the last 6 months Income proof documents like salary slips, IT returns, copy of Form 16, etc. 	<ul style="list-style-type: none"> Proof of identity Proof of residence Bank account statement for the last 6 months Proof of educational qualification Form 16 Latest salary slips or income tax returns of self and business. Property related documents like allotment paper.
Implementation Process	Applications for SBI home loans can be made online or by visiting their branch	Application for HDFC home loans can be made online through their website or by visiting their branch.
Favour Home Loan Products	<ul style="list-style-type: none"> SBI Regular Home Loan SBI Balance Transfer Home Loan SBI Flexipay Home Loan SBI Privilege Home Loan SBI Shaurya Home Loan SBI Pre-approved Home Loan SBI Bridge Home Loan SBI Home Top Up Loan SBI Smart Home Top Up Loan SBI YONO Insta Home Top Up Loan SBI Corporate Home Loan SBI Home Loan to Non-Salaried SBI Tribal Plus SBI NRI Home Loan 	<ul style="list-style-type: none"> HDFC Home Loan Home Improvement Loan Home Extension Loan The HDFC Advantage Special Home Loan for Agriculturists Rural Housing Loans HDFC Plot Loans HDFC Reach Loan Pradhan Mantri Awas Yojana HDFC Home Loan for NRI/PIO

Source: Bankbazar.com

Analysis and discussion

Personal Profile

Table 2: Personal Profile

Variables	Classification	SBI	HDFC
Gender	Male	41	36
	Female	09	14
Age (In years)	Less than 35	17	17
	Between 35& 45	19	20
	More than 45	14	13
Area of Residence	Rural	17	15
	Urban	33	35
Education	Graduate	42	43
	Non graduate	08	07
Monthly income	Less than Rs.30000	11	13
	Between Rs.30001 and Rs.50000	31	30

Variables	Classification	SBI	HDFC
	More than Rs.50000	08	07
Loan borrowed	Less than 10 lakhs	15	10
	Between 11 and 20 lakhs	16	16
	More than 20 lakhs	19	24
Repayment duration	Less than 10 years	02	08
	11 to 20 years	33	37
	More than 20 years	15	05

Source: Primary Data

The above table denotes the demographic profile of the respondents who are the respondents availed housing loans from SBI and HDFC in Coimbatore. It is clear from the table that;

- Most of the respondents are male comprising at the count of 41 and 36 in SBI and HDFC respectively.
- A total of 19 and 20 respondents as a majority are aged between 35 and 45 years in SBI and HDFC respectively.
- Majority of the respondents have their residence in urban region comprising of 33 and 35 in SBI and HDFC respectively.
- 42 and 43 respondents are graduates in SBI and HDFC respectively.
- Most of the respondents on both the banks have their income spread between Rs.30001 and Rs.50000 at the count of 31 and 30 respectively.
- A maximum of 19 and 24 respondents have borrowed more than Rs.20 lakhs in SBI and HDFC respectively.
- Majority of the respondents at a count of 33 and 37 have their loan repayment duration of 11 to 20 years in SBI and HDFC respectively.

Table 3: Outlook of respondents on the Housing loan: Rank

Statements	SBI		HDFC	
	Mean Rank	Rank	Mean Rank	Rank
Amount of loan sanctioned	4.50	5	4.19	3
Speed of sanctioning the loan	4.66	2	4.46	1
Period of loan allowed	4.72	1	4.06	4
Operating hours of banks	3.45	10	3.63	9
Services provided after availing the loan	4.47	6	3.97	5
Individual care taken by officials of the bank	3.27	16	3.30	13
Location of the bank	3.11	17	3.41	12
Documentation procedures	4.61	3	4.32	2
Willingness of employees to help	3.39	15	3.22	15
Efficiency of employees	3.41	11	3.24	14
Number of employees	3.38	12	3.11	17
Experience of employees	3.16	14	3.55	11
Knowledge and professional skill of employees	4.18	7	3.66	8
Physical infrastructure of the bank	3.72	9	3.58	10
Flexible loan repayment options	4.54	4	3.81	6
Response to mail/telephone calls/quarries	3.20	13	3.16	16
Speed of complaint settlement	3.96	8	3.74	7

Source: Primary Data

The Table above presents the ranks of outlook of various constructs pertaining to the housing loan function of SBI and HDFC. The construct Period of loan allowed is ranked first based on mean value in SBI and the construct Speed of sanctioning the loan is ranked first in HDFC bank based on mean value.

Analysis of association between the outlook and the personal profile of respondents

H₀: The association between the outlook and the personal profile of respondents is insignificant

Table 4: Chi-Square Analysis

S.No	Dependent Variable	Independent Variable	χ^2	Sig. value	Hypothesis
1	Opinion	Gender	.682	.032*	Rejected
2		Age	1.487	.017*	Rejected
		Residence	21.042	.509	Accepted
3		Education	.227	.000**	Rejected
4		Monthly Income	4.136	.011*	Rejected
5		Loan	16.319	.034*	Rejected
6		Repayment duration	4.567	.027*	Rejected

Source: Primary data * Significant at 5%. ** Significant at 1%

The above table depicts the chi-square analysis between outlook and the personal profile. It is clear from the table that the hypothesis is rejected for all the variables except residence at 5 % and 1 % respectively. Hence, it is conferred that the association between the outlook and the personal profile do exist significantly via; gender, age, residence, education, monthly income, loan and repayment duration.

Conclusion

The Investment Information and Credit Rating Agency of India Limited (IICRA) annual report states that housing financing is a novel concept in India. A home loan is a practical and attractive way for the great majority of people to finance the construction or purchase of their ideal home. Companies in the housing financing market that prioritize their customers' need will thrive. The survey assessed customer attitude towards SBI and HDFC and shed insight on their home loan plans. The research results could help explain why clients' impressions of banks vary depending on their particulars. The housing finance business in India is under rapid reforms since the inception of NHB. The fundamental areas of housing business are rapidly observing rapid reforms. The structural reforms that system initiated were giving results slowly. But the market demand and supply are still with gaps.

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