



CUSTOMER PERCEPTION TOWRDS HOME LOANS- A COMPARATIVE STUDY OF PUBLIC & PRIVATE SECTOR BANKS

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ABSTRACT

Shelter is one of the basic human needs. House is centre and domestic device for mankind's moral and substance development ever since the dawn of civilization. Housing is one of the most important that we human beings need. Housing loan markets can play an important role in stimulating affordable housing markets and improving housing quality in many countries. Unfortunately, these are still in infancy in India. This lack of development often translates into lower homeownership rates or poor housing quality.

Key words: Housing loan, Housing in India, Housing , A comparative study, NBFC, Public sector banks

1. INTRODUCTION

Real estate and dwellings has a share of 6.8 % in India's GDP. Housing is a basic necessity for human life and second largest generator of employment, next only to agriculture. Housing activities have both forward and backward linkages in nearly 450 sub-sectors such as manufacturing (steel, cement, and builders' hardware), transport, electricity, gas and water, supply, trade, financial services. In view of increased urbanization, the housing requirements in urban areas have been witnessing increase over the years.

The Eleventh Five Year Plan (2007-12) estimated housing requirement of 24.7 million units in urban areas of which 99 % was in the economically weaker sections/lower income groups (EWS/LIG) segment. While these institutions largely cater to the formal sector, access to finance by the informal market segment largely remains untapped. As this untapped market segment is significant and growing, the Government of India has announced various measures like the Interest Subsidy Scheme for Housing for the Urban Poor.

Home Loan in India

Home loans, also known as mortgages, use the borrower's home for collateral. This home can be a single-family house up to a four-unit property, as well as a condominium or cooperative unit. This is a comparative study of NBFC HDFC and public sector bank SBI and private sector bank Indusind bank. The most common purpose of a home loan is to provide the funds a buyer needs to purchase a home. Home equity loans allow a homeowner to borrow against the difference between the home's value and the current loan balance, or equity. Invest or loans permit buyers to purchase homes as rental properties or to fix up and sell at a profit.

Types of Home Loans

The two most widely used types of home loans are fixed-rate loans and adjustable- rate loans. A fixed-rate loan keeps the same interest rate for the life of the loan, which means that the principal and interest portions of the monthly payment stay the same.

Adjustable-rate mortgages begin with a lower interest rate for the first few years and then adjust to market rates after the initial period is over. Caps are placed on how much the rate can adjust at any given time, as well as on how much the rate can increase over the duration of loan. This means the principal and interest portions of the monthly payment change repeatedly through the duration of loan. There are different types of home loans tailored to meet our needs. Here is a list of few: Home Purchase Loans: This is the basic home loan for the purchase of a new home. Home Improvement Loans: These loans are given for implementing repair works and renovations in a home that has already been purchased. Home Construction Loan: This loan is available for the construction of a new home.

Home Extension Loan: This is given for expanding or extending an existing home. For eg: addition of an extra room etc. Home Conversion Loan: This is available for those who have financed the present home with a home loan and wish to purchase and move to another home for which some extra funds are required. Through home conversion loan, the existing loan is transferred to the new home including the extra amount required, eliminating the need of pre- payment of the previous loan. Land Purchase Loans: This loan is available for purchase of land for either construction or investment purposes.

How is home loan given by any bank

Application form and Personal Interview

Credit appraisal by the bank and loan sanction

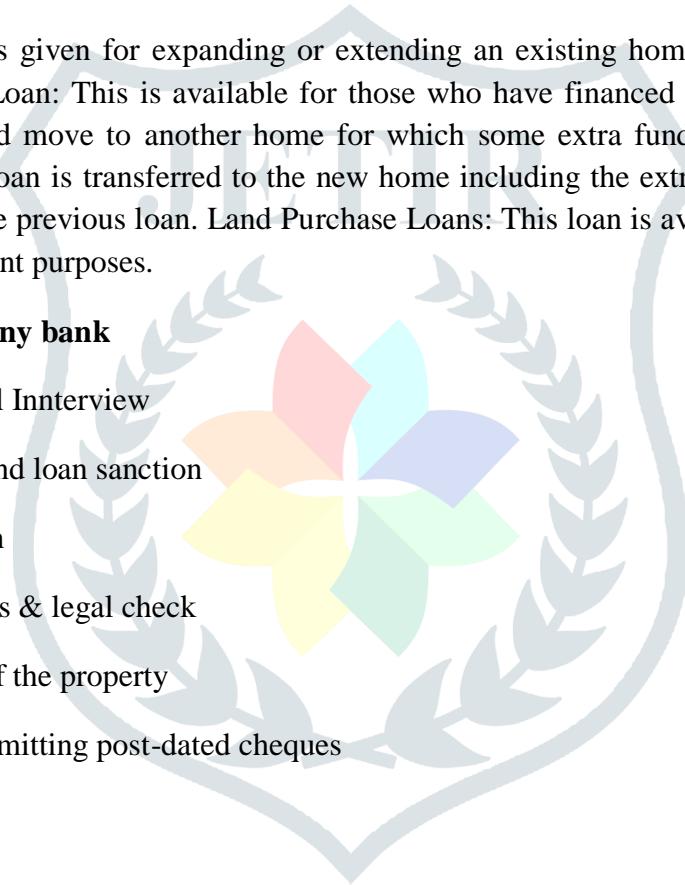
Offer Letter by bank/institution

Submission of legal documents & legal check

Technical / Valuation check of the property

Signing of agreements and submitting post-dated cheques

Disbursement



3. IMPORTANCE OF THE STUDY

Since not much research work has been done in the area of housing finance a comparative analysis was undertaken the end of an era for a big financial institution HDFC Ltd which got merged with HDFC Bank on july 1,2023 and SBI one of the biggest financial institutions and Indusind bank Ltd a leading private sector bank.

Taking a home loan nowadays has many advantages. Added to this, the RBI has been regularly slashing interest rates, with the result that housing finance loans that came at an interest rate of 16% few years ago are now available at 8.4 % or lower and also special in lowered interst rates for women.

5. OBJECTIVES OF THE STUDY

Objectives of the study are as under

1. To study the customers` satisfaction levels towards public and private sector banks and NBFC in India.
2. To study problems faced by customers while obtaining home loans.

6. REVIEW OF LITERATURE

Naveen K. Shetty, et. al (2009), examined the significance of microfinance in relation to the accomplishment of monetary inclusion. The research focuses on the impact that the widening gap that was developed after and the supply of monetary administrations in India.

Kumar and Gulati (2010), overseen with the primary emphasis being placed on the sufficiency of the Indian community banks' holdings We used the operational cross-sectional data that was collected from public and private area banks in the United States during the financial years 2005-2006 and 2006-2007.

According to J.P. Sah (2011), "housing is not a static but a growing problem and as the modern concept of housing does not limit the idea of housing merely to the provision of shelter and it is an integral part of overall policy improvements of human settlements and economic development

Gupta and Sinha (2015), In this research, a comparison was made between the State Bank of India and the LIC housing finance businesses with regard to the availability of reduced interest rates on house loans. The primary purpose of this comparative research is to get an understanding of the elements that influence customers as well as the purchasing patterns of consumers.

Chithra and Muthurani (2015), Within the scope of this research, the opinions of clients about house loans offered by HDFC bank in Chennai were analysed. This research had a total sample size of 85 people, all of whom were selected at random. According to the findings of this survey, HDFC Bank is the most reputable bank.and the institution need to expand the kinds of services it offers since doing so would bring about an expansion of its customer base.

Raju Kaur, et. al (2017) In the course of their research, they compared two financial institutions located in Bathinda, Punjab: the State Bank of India and the Housing Development Finance Corporation. In this research, there were a total of 100 people that participated in the survey.

S.V. Satyanarayan et. al, (2019) In their research comparing public and private housing finance companies in India, the authors conducted research on the performance of public and private housing finance companies over the course of ten years, from 2008-2009 to 2017-2018, and compared the operational performance of these two types of companies.

Rekha. D. M, et. al (2019) In the course of their research, they have collected information about the development and performance of home loans in India. Their primary goals are to get a perspective of HDFCL customers and become familiar with the problems they face.

7. RESEARCH METHODOLOGY

Sample size

The participants in the research were restricted to clients of both private and public sector banks located within the Shimla city. total population of about 2 lakhs, There were a total of 200 customers that participated in the survey.

Objectives of the study

Main objectives of the present study are:

1. To know about the customer satisfaction regarding the home loans.
2. To study the problems faced by customers in obtaining the home loans.

Collection of data

For the study I have collected both primary data as well as secondary data. The primary data has been collected from the customers through questionnaires to check the satisfaction level of customers about the home loan schemes . In secondary data, the annual reports of RBI reports of these banks, articles published in magazines, journals, and newspapers have been studied.

8. DATA ANALYSIS AND INTERPRETATION

Comparative Analysis of Home Loan Schemes Offered By SBI, HDFC AND Indusind Bank

BASIS	SBI	INDUSIND	HDFC
MAX LOAN AMOUNT	UPTO 10 CRORE	UPTO 5 CRORE	UPTO 10 CRORE
RATE OF INTEREST	8.3-8.5% FLOATING	8.5-8.75% FLOATING	8.3-8.4% FLOATING
LOWEST EMI	RS 815/ PER LAKH 30 YERAS	RS 830 PER LAKH 30 YEARS	RS 810/- PER LAH 30 YEARS

AGE OF RESPONDENTS

Age of borrowers	Number of borrowers	percent
Below 30 years	100	50
30-50 years	88	44
Above 50 years	12	6
Total	200	100

Majority borrowers are below 30 years and a large proportion are in the age group 30-50 years 44%

GENDER OF RESPONDENTS

Gender type	Number of borrowers	percent
Male	146	73
Female	54	27
Total	200	100

OCCUPATION OF RESPONDENTS

OCCUPATION	NUMBER OF BORROWERS	PERCENT
PROFESSIONAL	26	13
SELF EMPLOYED	74	37
GOVERNMENT EMPLOYEE	90	40
OTHERS	20	10
TOTAL	200	100

INCOME LEVEL OF RESPONDENTS

INCOME LEVEL	NUMBER OF BORROWERS	PERCENT
BELOW 4 LAKHS	40	20
4-8 LAKHS	110	55
ABOVE 8 LAKHS	50	25

TYPE OF BANKS

TYPE OF BANK	NUBER OF BORROWER	PERCENT
PUBLIC	100	50
PRIVATE	20	10
HDFC	80	40

Majority customers are with public sector bank because of widespread network within the town.

Customer satisfaction survey

It was done using a likert scale in the questionnaire the statements are given as follows. The statements favoring using statistics tools the public sector/private sector or HDFC have been marked as yes.

STATEMENTS	Public sector bank	Private sector bank	HDFC
Bank staff is aware of their own products and schemes	Yes. Old employees trained staff	No Constant transfers	Yes Single product company trained employee
Working hours	yes	yes	yes
Fast sanctioning	No long documentation	Yes less formality	Yes less formality
Response time	Long wait	quick	faster

Disbursement time	long	conveinient	convienient
Rate of interest	less	high	low
Technology platforms	limited	yes	yes

FINDINGS OF THE STUDY

1. The sanction time and formalities by public sector banks takes longer.
2. The majority of the respondents are not aware of different home loan products such as home Equity loans , home improvement loans.
3. According to the respondents cross selling and forced selling of insurance and other products affect their selection for home loans.
4. The process of sanction should be timely and is timely in case of HDFC and public sector banks.
5. The disbursement process including technical valuations from time to time during construction should also be timely as again seen in case of HDFC and Public sector banks.

It is possible to draw the conclusion from this research that both HDFC and public sector banks, such as HDFC and SBI, are worthy of consideration when applying for house loans. Both institutions provide dependable facilities and services, the majority of customers choose public sector banks because they are seen to be safer and because they charge cheaper interest rates on loans. Younger people do have their in private sector banks and therefore at times prefer housing loans from these very institutions. HDFC being primarily into housing only upto now acted as a dedicated housing finance institution and processed loans much more faster than by earning the trust of the customers.

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