



A STUDY ON CUSTOMERS VIEW AND PERCEPTION TOWARDS HOME LOAN

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ABSTRACT

Everyone needs to own a home. Person gets shelter in the home to take rest and feel comfortable. Many commercial banks and financial institutions give loan for home to the people who want to own a home. To attract consumers, banks provide home loans at cheaper rate. Currently banks offer cheapest loan for homes, as a gesture of customer friendly attitude. The present study was undertaken with the intent to investigate after examining the literature reviewed and noticed that their exit gap in terms of customer perception towards the home loan disbursed by banks. Accordingly, the problem of the study focuses on customer views towards the housing loan schemes of the bank. An attempt has also been made for the study of banks delivery and disbursement of loan leading to customer satisfaction.

Keywords: Home Loan, Customer-friendly attitude, Commercial banks

INTRODUCTION

Indian home loans industry:- Indian Home loans industry is growing at a fast pace of 30% per annum, which is shown in the statistics with average ticket size (loan size) and Amount disbursed is rising every year the opportunities have become more dominant for different organization in India. The demand drivers are fast growing middle class population, rise in working women workforce, bigger aspirations of youth, Tax saving, Transparency in the real estate market. There are advantages and disadvantages of home loan and other charges mention in under.

ADVANTAGES OF HOME LOANS

The various benefits of home loans arising to the customers are:

(1) TAX BENEFITS

The primary benefit of a home loan is the income tax deduction. You can claim on the interest and principal repayments. You can claim up to Rs.1.5 lakh on principal repayments u/s 80C, up

to Rs.2 lakh on interest repayments u/s 24B, up to Rs.2 lakh on interest repayment in special circumstances u/s 80EE and 80EEA, and up to Rs.1.5 lakh on stamp duty expenses u/s 80C.

(2) LOWER INTEREST RATE

The home loan interest rate is greatly lower as differentiated to any other loan types available. If you come across a cash crunch, you may get a top-up on the existing home loan at a lower interest rate than a private loan to solve the issue.

(3) DUE DILIGENCE OF PROPERTY

When you go through a bank to buy a house, the bank will behaviour thorough checks on the possessions from the official perspective and check if all the documents produced are genuine.

This due carefulness check from the bank's end will decrease the risk of you being scammed. If the bank agree to the property, that means you and your house are safe.

(4) LONG REPAYMENT TENURE

Unlike any other loans, home loans come with longer repayment tenure, as much as 25-30 years. This owns to the significant loan amount one will have to borrow to buy a house.

Spreading the loan amount and interest applicable over a long term will reduce the monthly EMIs reducing the borrower's burden.

(5) NO PREPAYMENT PENALTY

When you take a floating-rate home loan, you can make prepayments towards the loan whenever you have a lump money at hand without having to pay any prepayment penalty. This will help you close up the home loan much before the set loan tenure.

(6) APPEALING INTEREST RATES

For increasing their customers' base and to help the customers, many attractive rates of interest are offered by the banks to their customer. According to customers need and to facilitate home loans are provided on either fixed or floating rates by many banks.

(7) OWNING A HOME

Customers, for owning a home, are provided by technical and financial assistance by the banks.

(8) NO NEED OF A GUARANTOR

Some banks have relieved their customer to find a guarantor for availing the home loan. Now-a-days commercial banks have liberalized their laws for the customers to avail home loans. The guarantor is no more required by the banks to get a loan sanctioned.

(9) DOOR TO STEP SERVICES

For the benefit of the customers and considering the present busy life of the customers, many banks provide doors to step services to the customers from preliminary level till the disbursement

of the home loan. For example, Union Bank of India and ICICI Bank provide doors to step services to the customers.

DISADVANTAGES OF HOME LOAN

1. LONG TERM COMMITMENT

A home loan is a long-term commitment, requiring regular payments over a period of several years. This can be a significant financial burden, and make it hard to adjust to unexpected changes in your income or expenses.

2. INTEREST COST

Home loans come with interest charges, which can add a significant amount to the overall cost of the home. Over time, the interest cost can add up, making the home much more expensive than the original purchase price.

3. RISK OF FORECLOSER

If you're unable to make your loan payments, the lender may foreclose on the home, which means they can take possession of the property. This can be a devastating event and result in a significant financial loss.

4. INTERRUPTIONS IN PROCESSING OF HOME LOAN

Several times the process of providing home loans gets delayed, because of interruptions in completion of various formulations. As a result, customers are weakened mentally and financially as well.

5. FLUCTUATING INTEREST RATES

Due to one or other reasons, at different intervals, floating rates fluctuate. Such fluctuations lead to increased rate of interest and thereby increase the price of home loans.

6. HIGHER COST OF PROCESSING

A high processing fee is charged by the public sector banks for sanctioning home loans. Serious charges at different levels are levied from the customers to carry out the requirements. Consumers are often deprived of availing home loan benefits, if they are not in a position to pay such charges.

7. OBSTRUCTIONS IN HOME LOAN DISBURSEMENT

For disbursement of home loan amount, a customer has to face a lot of problems. Home loan disbursement to the customers gets delayed customers, owing to the legal formalities involved, hence causing obstructions in the way of the customers to get a home loan. These are a few disadvantages or limitations of availing home loans. A few banks charge high instalments for repayment of the home loan amount, thereby causing problems to customers. A good and prompt service to the customers can remove these limitations.

CHARGES APPLICABLE TO AVAIL HOME LOANS:

A) PROCESSING FEES

First of all is the processing fee. This is a charge that is levied by most the housing finance institution or banks. It is a percentage on the sanctioned loan amount and is normally paid when the application form is submitted. Instead of a percentage, some homes loan financial institutions also charge a particular fee according to the loan amount. The fees paid in excess is adjusted at the time of submission of application with the charges, when a lower amount is sanctioned, which one makes to the financial institutions. The processing fee is refunded by most of the financial institutions, in case of rejection of the loan application.

B) ADMINISTRATIVE FEES

Administrative fee is a percentage of the approved loan amount. Housing finance institution/banks or collects this amount for issuing interest certificates, maintaining customer's records, technical and legal charges, etc throughout loan's tenure. This charge is paid by the customer on receipt of offer letter from Housing finance institution/banks. This payment is made before availing the disbursement amount.

C) RATE OF INTEREST

Rate of interest is applicable throughout the loan amount's tenure and is charged on the principal monthly reducing manner. Customers are given an option to choose the rate of interest from either a fixed or a variable rate by most housing finance institution/banks.

D) LEGAL CHARGES

Legal charges are levied by some housing finance institution/banks mainly Public Sector Banks which they incur on their panel of lawyers on getting the property documents vetted.

E) TECHNICAL CHARGES

To meet their cost on visit to the customer's property for ensuring quality of construction and according to the norms of the respective approval authority, certain Housing Finance Institutions/Banks levy technical charges.

F) STAMP DUTY AND REGISTRATION CHARGES

The Stamp Duty and Registration Charge are levied on to customer by housing finance institution/banks, in case of registered mortgage, which varies from state to state depending on the state laws where one buys a property.

LITERATURE REVIEW

Kshitija Sawant, Dr. Shrikrishna Mahajan (2013) had studied on "Housing Loan Management: A Study of KUC Bank Ltd" and revealed that The Kolhapur Urban Cooperative bank still have an edge on public sector banks in terms of their

proximity to their customers and a helpful attitude of their staff to cater the needs of their members.

Dr. Anshu, Dr. Shiv Jaggarwal, Kapil Ahuja (2021) had studied “REVIEW STUDY ON FINANCIAL PERFORMANCE OF HOUSING FINANCE COMPANIES” and it can be concluded that Housing finance companies are facing a liquidity crunch. These are facing a huge problem of NPA (non performing assets) due to unequal distribution of income in national, the repayment capacity of major portion of middle income group remains in doubt and legislative structure of recovery of dues from defaulting borrowers is not very much effective in the country . Companies take short term loan from Banks while short term borrowing and long term lending leads to increase in profitability

Fitri Juniwati Ayuningtyas (2005) had studied on “THE PREFERENCES FOR HOUSING LOAN DEMAND IN INDONESIA BEFORE AND AFTER THE LOAN-TO-VALUE POLICY CHANGE” and the study results showed that there were differences between savings, loan interest rates, and property sector NPLs, and the number of mortgages before and after a LTV policy change.

Manjari Agarwal,Poonam Arya (2017) had studied on “A STUDY OF CUSTOMERS’ PERCEPTION AND SATISFACTION TOWARDS HOUSING LOANS OF LIC HOUSING FINANCE LTD. AND SBI BANK IN HALDWANI REGION” and find out that In this study, both LICHFL and SBI attracted a varied client base and people preferred both the institutions but LICHFL was slightly more preferred than SBI Bank for home loans.

OBJECTIVE OF THE STUDY

1. To study the consumer perception towards home loans.
2. To understand the socio-economic categories of customers satisfaction related to home loan.

RESEARCH METHODOLOGY

For the present study home loan companies operating in Surat city was selected.

Sampling procedure: A random sampling technique will be used.

Unit of observation and sampling size: The unit of observation is the home loan companies in Surat city, total sample size considered was 100 potential customers Data collection.

- Primary data: Pre coded questionnaire was designed in such a way to meet the requirement of the study personal interviews and personal discussion was also been adhered.
- Secondary data : RBI’s bulletins , publication of Indian banks, association of home loan ,Indian institute of bankers ,Indian banking association ,NBFC’s journal, various published and unpublished literature and websites.

DATA ANALYSIS

Age	No of respondent	Percentage
18-40	60	60
41-60	30	30
61 and above	10	10
Total	100	100

Gender	No of Respondent	Percentage
Male	65	65
Female	35	35
Total	100	100

Occupation	No of respondent	Percentage
Business	26	26
Public Sector	23	23
Private sector	25	25
Self employed	16	16
Housewife	10	10
Total	100	100

Annual Income	No of respondent	Percentage
2-5 lakh	24	24
6-10 lakh	61	61
10 lakh and above	15	15
Total	100	100

Amount of loan	No of respondent	Percentage
0-5 lakh	18	18
5-10 lakh	27	27
10-15 lakh	35	35
15-20 lakh	20	20
Total	100	100

INTERPRETION

60% of the respondent belong to age group of 18-40 years and rest are 30% and 10% respectively 41-60 and 60 and above age group.

From total respondent there are 65% of them were males and the rest are females.

26% of respondent belong to business and 25% belong to public sector fraternity, and other 23% belong to public sector and 16% belong to self employed other and rest are 10% is housewife.

61% of the respondent has annual income between Rs6-10 lakhs, 24% of the respondent has annual income between 2-5 lakh and last 15% are between 10 lakhs and above

35% of respondent has taken loan between 10lakh to 15lakh. 18% of respondent has taken loan between 0 to 5 lakhs and 27% and 20% of respondent has taken loan respectively between 5 to 10 lakh and 15 to 20 lakhs.

FINDINGS

According to my study home loan procedure is difficult and time consuming process for those who do not have appropriate documentary evidence.

Maximum people preferred fixed rate of interest.

People get knowledge about home loan from television, internet or families and friends.

Respondent are agreeing the way they are treated by the banks.

Quality of service and minimum rate of interest are the important criteria which are seen by the people before taking home loans.

CONCLUSION AND SUGGESTION

- (1) Loan passing process should be quicker by public sector bank like private sector bank.
- (2) File processing charges should be eliminated in the banks.
- (3) For customer's awareness banks should also distribute booklets and advertise attractive advertisements for the awareness of the customer on different housing loan scheme.
- (4) The number of staff, handling loan affairs should be increased.
- (5) To respect the customers by giving them individual attention and also help them to know the bank better by public sector bank.
- (6) There should be lesser formalities for providing the home loans.
- (7) The bank should disseminate information using web sites and personal contact programs for providing information on various product and services.
- (8) Banks should be provide different housing loan schemes with attractive features like rate of interest, margin etc. for attractive more and more people in rural area.
- (9) Housing schemes and process of passing loan should be easy to make the people understand.
- (10) Rate of interest should be competitive with other financial institutions.
- (11) Proper credit appraisal of the customer should be done.
- (12) Open more number of branches in different cities and tap the rural areas.
- (13) Counter facility should be provided in all banks to help the customers.
- (14) To attract more customers, banks should make process of loan repayment easy.

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