

## **A Study on Home Loan Disbursement and Behaviour Track of Customers in Private and Public Limited Banks**

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### **Abstract**

After incorporating financial sector reforms, stiff competition prevails among banks in order to attract new customers and to retain the existing ones. In order to survive in the existing competition, bankers have to offer numerous innovative services in accordance with their customer's expectations. The level of customer satisfaction may be increased by reducing the service gap. The present study has been carried out in private sector banks. The result of the study portrays that private sector bank customers are satisfied due to bank physical appearance followed by employee skill and competency, employee response to customer query and the like. Further, the result of correlation test discloses that customer's satisfaction depends on area of residence, occupation, family income, multiple bank accounts, type of bank account, frequency of operation, duration of holding account, service quality marital status and educational qualification.

**Keywords:** Private Bank and Public Bank in India.

### **INTRODUCTION:**

Home is a place in a person's life story can be significant, this is particularly important if a person has lost some physical and cognitive abilities. Knowing their way around their home helps compensate, and being comfortable in their living space reduces stress and helps well-being. Home is one of the things that everyone one wants to own. Home is a dream of every person that shows the quantity of efforts, sacrifices luxuries and above all gathering funds little by little to afford one's dream. Home is a shelter to person where he rests and feels comfortable. The demand of home loans has increased dramatically. For fulfill this purpose many banks are providing home loans whether commercial banks or financial institutions to the people who want to have a home. Part of the reason for this increase is because the accessibility of loans has gotten bigger.

Today, home loans are available in the market at very low interest rates that meet the demands of many home buyers. A home represents the largest asset that typically people have and this is why home loans have such a huge impact in the loan market today. When a person purchases a home, he or she will be investing a huge amount of cash. Many people can't come up with the whole money to pay out the house, while some others can't even afford to invest money for the house they will like to purchase. When getting a home loan, the individuals should consider taking care of different aspects related to the home loan.

**Banking in India:**

Banking in India, in the modern sense, originated in the last decade of the 18th century. Among the first banks were the Bank of Hindustan, which was established in 1770 and liquidated in 1829–32; and the General Bank of India, established in 1786 but failed in 1791. The largest bank, and the oldest still in existence, is the State Bank of India (S.B.I). It originated and started working as the Bank of Calcutta in mid-June 1806. In 1809, it was renamed as the Bank of Bengal. This was one of the three banks founded by a presidency government, the other two were the Bank of Bombay in 1840 and the Bank of Madras in 1843. The three banks were merged in 1921 to form the Imperial Bank of India, which upon India's independence, became the State Bank of India in 1955. For many years the presidency banks had acted as quasi-central banks, as did their successors, until the Reserve Bank of India<sup>[5]</sup> was established in 1935, under the Reserve Bank of India Act, 1934

In 1960, the State Banks of India was given control of eight state-associated banks under the State Bank of India (Subsidiary Banks) Act, 1959. These are now called its associate banks.<sup>[6]</sup> In 1969 the Indian government nationalised 14 major private banks, one of the big bank was Bank of India. In 1980, 6 more private banks were nationalised.<sup>[8]</sup> These nationalised banks are the majority of lenders in the Indian economy. They dominate the banking sector because of their large size and widespread networks. The Indian banking sector is broadly classified into scheduled and non-scheduled banks. The scheduled banks are those included under the 2nd Schedule of the Reserve Bank of India Act, 1934. The scheduled banks are further classified into: nationalised banks; State Bank of India and its associates; Regional Rural Banks (RRBs); foreign banks; and other Indian private sector banks.<sup>[7]</sup> The term commercial banks refers to both scheduled and non-scheduled commercial banks regulated under the Banking Regulation Act, 1949.

### **Nationalization**

Despite the provisions, control and regulations of the Reserve Bank of India, banks in India except the State Bank of India (SBI), remain owned and operated by private persons. By the 1960s, the Indian banking industry had become an important tool to facilitate the development of the Indian economy. At the same time, it had emerged as a large employer, and a debate had ensued about the nationalisation of the banking industry. Indira Gandhi, the then Prime Minister of India, expressed the intention of the Government of India in the annual conference of the All India Congress Meeting in a paper entitled "Stray thoughts on Bank Nationalization."<sup>[21]</sup> The meeting received the paper with enthusiasm.

Thereafter, her move was swift and sudden. The Government of India issued an ordinance ('Banking Companies (Acquisition and Transfer of Undertakings) Ordinance, 1969') and nationalised the 14 largest commercial banks with effect from the midnight of 19 July 1969. These banks contained 85 percent of bank deposits in the country.<sup>[21]</sup> Jayaprakash Narayan, a national leader of India, described the step as a "masterstroke of political sagacity." Within two weeks of the issue of the ordinance, the Parliament passed the Banking Companies (Acquisition and Transfer of Undertaking) Bill, and it received the presidential approval on 9 August 1969.

A second dose of nationalisation of 6 more commercial banks followed in 1980. The stated reason for the nationalisation was to give the government more control of credit delivery. With the second dose of nationalisation, the Government of India controlled around 91% of the banking business of India. Later on, in the year 1993, the government merged New Bank of India with Punjab National Bank.<sup>[22]</sup> It was the only merger between nationalised banks and resulted in the reduction of the number of nationalised banks from 20 to 19. Until the 1990s, the nationalised banks grew at a pace of around 4%, closer to the average growth rate of the Indian economy.

### Growth of Banking in India

Indicators	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number of Branches	70,373	72,072	74,653	78,787	82,897	88,203	94,019	102,377	109,811
Population per Banks (in thousands)	16	16	15	15	15	14	13	13	12
Number of Commercial Banks	284	218	178	169	166	163	163	169	151
Deposit as percentage to <a href="#">GNP</a> (at factor cost)	62%	64%	69%	73%	77%	78%	78%	78%	79%
Credit Deposit Ratio	63%	70%	74%	75%	74%	74%	76%	79%	79%
Per Capita Credit	10,752 (US\$150)	13,869 (US\$190)	17,541 (US\$240)	21,218 (US\$300)	24,617 (US\$340)	28,431 (US\$400)	34,187 (US\$480)	38,874 (US\$540)	44,028 (US\$610)

Bank Credit	11,004 billion (US\$150 billion)	15,071 billion (US\$210 billion)	19,312 billion (US\$270 billion)	23,619 billion (US\$330 billion)	27,755 billion (US\$390 billion)	32,448 billion (US\$450 billion)	39,421 billion (US\$550 billion)	46,119 billion (US\$640 billion)	52,605 billion (US\$730 billion)
Per Capita Deposit	16,281 (US\$230)	19,130 (US\$270)	23,382 (US\$330)	28,610 (US\$400)	33,919 (US\$470)	39,107 (US\$540)	45,505 (US\$630)	50,183 (US\$700)	56,380 (US\$780)
Aggregate Deposits	17,002 billion (US\$240 billion)	21,090 billion (US\$290 billion)	26,119 billion (US\$360 billion)	31,969 billion (US\$440 billion)	38,341 billion (US\$530 billion)	44,928 billion (US\$630 billion)	52,078 billion (US\$720 billion)	59,091 billion (US\$820 billion)	67,504.54 billion (US\$940 billion)

### Home Loan in Private and Public Limited Banks:

A home loan is a long term commitment which is critical. The demand for home loans has increased manifold in the last decade. The reason for this growth is not hard to see, changing mindset with globalization and integration with the developed economies, where mortgages rule the roost, income tax sops in the Union Budgets and substantial rise in the income-generating capacity of Indian youth. So, the present scenario of home loans shows good amount of growth and is heading for a bright future. There are number of banks and housing finance companies offering cheap home loans at a low interest rate. The home loan schemes offered by both public and private sector banks are very competitive.

Mostly people prefers public sector banks for home loans, especially because they believe that it is more secure bank and interest rate is lower. On the other hand the private sector banks are coming daily in our country and the preference of younger population is changing because of services & facilities provided by them. And the most important thing is that the customer should know about each and every term related with Home Loans before applying for a Loan. There are different types of home loans tailored to meet customer needs like Home Purchase Loans, Home Improvement Loans, Home Construction Loans, Home Extension Loans, Home Conversion Loans, Land Purchase Loans; Bridge Loans & Mortgage Loans offered by public and private sector banks.

### II. Research Objectives

The prime objectives of the study are:

- ❖ To Study the housing loan disbursement and repayment track analysis of public & private banks.
- ❖ To study consumer preference for the above two mentioned banks.
- ❖ To analyze the satisfaction level of public and private banks housing loan customers

- ❖ To know the strength of the public and private banks.
- ❖ To identify the popular schemes of the above two mentioned banks

### **III. Research Methodology**

Proposed study is an empirical one and is based on Primary as well as secondary data.

#### **❖ Collection of Primary Data:**

The primary data for my study was being collected by conducting survey among 100 people through Questionnaires and telephonic Interview. Primary data also included information collected by personal interview with the Managers of Public and Private sector banks

#### **❖ Collection of Secondary Data:**

The sources of secondary data include Annual Reports, Manual, Research papers on Housing loan , Websites and official records.

#### **❖ Sample Techniques:**

The sample was selected using a convenient sampling.

#### **❖ Execution of Survey work:**

I have done survey work to collect primary and secondary data. I personally approached to individuals and got the questionnaires filled b y them. Selection of individuals was random.

### **LITERATURE REVIEW:**

The main purpose of this chapter is to give a proper orientation and perspective to the present research work. The chapter deals with the review of literature on various aspects of the proposed research study,

**Gayatri Devi**, in her article<sup>14</sup> **“Housing Problem, Policy and Schemes in India”** (1989), has made an attempt to analyze housing problems in urban and rural areas of India in the context of the country’s rapidly growing population as well as government’s policy and plans for solving this acute problem. The unplanned and rapid industrialization, urbanization and rural-urban migration are the factors responsible for the urban housing problem, while the mass poverty in Indian villages is the main factor causing rural housing problem.

**Solanki R.S. and Dixit K.K.** on **“Housing Problems in Rural India”** (1989) has revealed that rural people who are developed socially and economically reside in pucca houses, whereas rural poor people live in kachcha houses. The costly building materials, high cost of house construction technology, high cost of skilled labour, etc. have made them to live in kachcha houses, which lack some basic amenities. Therefore, it is necessary that a better housing scheme be planned and implemented to help the rural poor.

Berstein David (2009) examined in his study taken from 2001 to 2008 that in this period there is increasing use of home loans as compared to private mortgage insurance (PMI). Vandell, Kerry D (2008) analyses the sharp rise and then suddenly drop down home prices from the period 1998- 2008. Changes in prices are for the reasons as such economic fundamentals, the problem was not subprime lending per se, but the dramatic

reductions and subsequent increases in interest rates during the early- mid-2000 , the housing loan boom was concentrated in those markets with significant supply-side restrictions, which tend to be more price-volatile. The problem was not in the excess supply of credit in aggregate, or the increase in subprime per se, but rather in the increased or reduced presence of certain other mortgage products.

**Dr. Rangarajan C. (2001)** said that the financial system of India built a vast network of financial institutions and markets over times and the sector is dominated by banking sector which accounts for about two-third of the assets of organized financial sector. R.R.Krishna and V.S.Krishna Mouthy (1999) stress in their article entitled “Trend and policy Issues of Housing finance in India”, that simplified procedures and speedy sanction of housing loans will give a boost to the constructing houses.

### ANALYSIS & INTERPRETATION

#### ANALYSIS OF HOME LOAN SCHEMES OFFERED BY SBI, BOI, HDFC and ICICI BANK

Basis	SBI	BOI	HDFC	ICICI
Eligibility	Min. age – 18 years Max. age – 70 years	Min. age – 18 years Max. age – 70 years (65yr for salaried)	Min. age – 21 years Max. age – 65 years(60yr for salaried)	Min. age – 21 years Max. age – 65 years (60yr for salaried)
Max. Loan Amount	Upto 10 crore	Upto 5 crore	Upto 10 crore	Upto 10 crore
Rate of Interest	9.35% - 9.4% Floating	9.7% - 9.95% Floating	9.4% - 9.95% Floating	9.4% - 9.45% Floating
Lowest EMI	Rs.830/- per Lakh for 30 years.	Rs.855/- per Lakh for 30 years.	Rs.834/- per Lakh for 30 years.	Rs.834/- per Lakh for 30 years.
Repayment Period	Maximum 30 years	Maximum 30 years	Maximum 30 years	Maximum 30 years
Margin / LTV Ratio	Upto 90%	Upto 85%	Upto 90%	Upto 90%

Processing Charges	0.35% of loan amount, Min. Rs.2,000 and Max. Rs. 10,000. (Plus S.T.)	0.25% of loan amount, Min. Rs.1,000 and Max. Rs. 10,000. (Plus S.T.)	0.5% of loan amount, Max. Rs. 10,000. (Plus S.T.)	0.5% of loan amount, Min. Rs.2,500 and Max. Rs. 10,000. (Plus S.T.)
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**Table 2: Socio Demographic Profile of Respondents**

Sr. No.	Socio-Demographic Traits	Nationalized Bank (N=50)	Private Bank (N=50)
		Frequency (%)	Frequency (%)
<b>i)</b>	<b>Age (years)</b>		
	18-30	28.0	38.0
	31-43	40.0	34.0
	44-56	30.0	20.0
	57-69	2.0	8.0
<b>ii)</b>	<b>Gender</b>		
	Male	60.0	68.0
	Female	40.0	32.0
<b>iii)</b>	<b>Marital Status</b>		
	Married	82.0	72.0
	Unmarried	18.0	28.0
<b>iv)</b>	<b>Qualification</b>		
	High School/Intermediate	14.0	12.0
	Graduate	32.0	42.0
	Post-graduate	34.0	28.0
	Others	20.0	18.0
<b>v)</b>	<b>Occupation</b>		
	Service	46.0	22.0
	Businessman	12.0	24.0
	Self-employed	22.0	46.0
	Farmer	20.0	8.0
<b>vi)</b>	<b>Monthly income (Rs.)</b>		
	Rs. 20000-50000	48.0	38.0
	Rs. 50001-80000	32.0	50.0

	Rs. 80001-110000	20.0	12.0
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Table 1 shows that at Nationalized bank most (40%) of respondents are between the age of 31 to 43 years, 30% are between 44 to 56 years followed by 28% and 2% between the age of 18 to 30 and 57 to 69 years respectively. While in Private bank most (38%) of respondents are between the age of 18 to 30 years, 34% were between 31 to 43 years followed by 20% and 8% between the age of 44 to 56 and 57 to 69 years respectively. In Nationalized bank 60% respondents are male and 40% are female. In Private bank 68% respondents are male and 32% are female. In Nationalized bank maximum (82%) of the respondents are married, 18% are unmarried and in Private bank (72%) of the respondents are married and 28% are unmarried. It shows that at Nationalized bank majority of 34% respondents are post-graduate and 32% are graduate whereas 14% and 20% are high-school\intermediate and others passed respectively. While in Private bank 42% respondents are Graduate and 28% are Post-graduate whereas 12% and 18% are high-school and others pass outs. Regarding the Occupation at Nationalized bank majority of the respondents are service that is 46% while remaining three categories that is businessman, self-employed and farmer holds for 12%, 22% and 20% respectively. Whereas on the other side at Private bank 46% of the respondents are self- employed while service, businessman and farmer holds for 22%, 24% and 8%. It shows that at Nationalized bank majority of 48 percent respondents earned an income of Rs. 20,000- 50000 followed by the group of Rs. 50001-80000 with 32 percent, and the smallest sample of 20 percent earned the income of Rs. 80001-110000. Whereas on the other side at Private bank the majority of 50% respondents earned an income of Rs. 50001-80000 followed by the group of Rs. 20000-50000 with 38 percent and the smallest sample of 12 percent earned the income of Rs. 80001-110000.

**OVERALL SATISFACTION LEVEL OF THE RESPONDENTS**

Group Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
Private Sector Banks	100	3.50	1.097	.099
Public Sector Banks	100	2.96	.979	.112

Independent Samples Test		
	Levene's Test for Equality of Variances	T-Test for Equality of Means



		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% confidence interval of the Difference	
									Lower	Upper
V3	Equal variances assumed	9.664	.002	<b>3.495</b>	198	.001	-.535	.153	-.837	-.233

### FINDINGS OF THE STUDY

- ❖ Most of the people have lack of money in fulfilling their dreams and a few of them reluctant to pay cash in one go and wanted to pay their home loan slowly in installments.
- ❖ The majority of the respondents wants to take a loan for the construction of the new house.
- ❖ Home Loan availing procedure is very much difficult for the people who demanding it. Some Customer's does not has proper knowledge about different home loan schemes.
- ❖ of the bank towards the customer should be more personalized.
- ❖ The banks need to improve on the customer satisfaction level due to stiff competition among the banks.
- ❖ The booklet and attractive advertisement should be provided to the customer for awareness about different housing loan schemes offered by the banks
- ❖ Public Sector Banks require large formalities to be fulfilled.
- ❖ Respondents are agreeing on the statement that easy availability is an important factor for taking the home loan from the particular bank.

### CONCLUSION

In summary we can conclude that both public sector and private sector banks truly deserve to be the leading banks in home loan sector. The services offered by them are very competitive. Mostly people prefers public sector banks for home loans, especially because they believe that it is more secure bank and interest rate is lower. On the other hand the private sector banks are coming daily in our country and the preference of younger population is changing because of services & facilities provided by them. Private sector banks are very fast and lots of time they make things easy for borrower and also bends some rules for home loans but on the other hand public sector banks rules are very strict and stringent. The documents needed for home loan by private sector banks are also less as compared to public sector banks. So, there is need to reduce the rate of interest, terms and conditions, procedural formalities and processing fees.

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