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## HOME LOANS OFFERED BY PUBLIC AND PRIVATE SECTOR BANKS

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**Abstract:** *Every person, regardless of their circumstances, needs a safe and comfortable place to call home. It functions well as a location for families to call home. Many individuals choose to put their money towards the purchase of a home because it is both an essential component of daily life and an asset for the future. However, in today's market, it is quite challenging for a family to be of middle class to buy a property since the prices are so high. As a result, the Government has made the House Loan facility available to every person at a cheaper rate of interest in order to make life easier for the people. In its most basic form, a housing loan allows a person to finance the purchase of a house via the payment of a certain number of monthly payments at a predetermined interest rate. An individual may get a loan from a financial institution, subject to the terms and conditions of the financial institution, such as eligibility requirements and income requirements. In today's modern world, a variety of financial institutions provide customers the opportunity to take out loans at varying interest rates. The interest rate is the most important aspect of the loan. The happiness of customers and the processes involved in obtaining a house loan in both the public and private banking sectors is the primary focus of this comparative research.*

**Keyword:** home loan, interest rate, financial banks.

### 1. INTRODUCTION

A mortgage loan represents a significant long-term commitment that is essential. In the last ten years, there has been an exponential rise in the demand for mortgage loans. The reasons for this growth are not difficult to understand and include a shift in mentality brought on by globalization and integration with developed economies, where mortgages are the dominant form of financing, income tax breaks in Union Budgets, and a substantial increase in the ability of young Indians to generate income for them. As a result, the current state of the market for house loans reveals a healthy level of growth and points toward an optimistic future. There is a multitude of financial institutions, including banks and housing finance organizations that provide affordable mortgages with low rates of interest. The home loan programs that are made available by banks in both the public and private sectors are quite competitive. The majority of people give their business to banks that are part of the public sector when it comes to house loans. This is mostly due to the fact that they regard these institutions to be safer and the interest rates offered by these banks are more favourable. On the other hand, private sector banks are continually being established in our nation, and the preferences of our country's younger people are shifting as a direct result of the services and amenities offered by these banks. Before applying for a loan, the client should have a solid understanding of each and every phrase that is associated with mortgages and home loans. This is the single most critical step. Home Purchase Loans, Home Improvement Loans, Home Construction Loans, Home Extension Loans, Home Conversion Loans, Land Purchase Loans, Bridge Loans & Mortgage Loans are some of the various types of home loans that are available from both public and private sector banks. These loans can be tailored to meet the specific requirements of individual customers.

## Advantages of Home Loans

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

- Help in owning a home
- Tax benefits of home loans
- Attractive interest rates
- Long term loan
- Repayment schedule on the basis of Earning Capacity of the borrower
- Facility of joint loan And the advantages to the bank offering home loan are also profitable. Moreover, since the larger part of this loan is given against mortgages of personal properties, the propensity of default is low. Efficient management of Loans and Advances portfolio has assumed greater significance as it is the largest asset of the bank having direct impact on its profitability.

## Disadvantages of Home Loans

The main disadvantages of home loans are high lightened as below:

- High processing fee
- Delay in processing
- Fluctuating interest rate
- Problems in disbursement

The above mentioned disadvantages or limitations can be removed by providing good, prompt and efficient services to the customers.

The acquisition of a property, the realization of which is the objective of every single person, necessitates the use of a mortgage loan. This loan has a more extended repayment period. Home loans are often approved for 80% to 90% of the value of the property, however this percentage may sometimes go as high as 90%. In addition, there are two categories of banks in India, which are referred to as public sector banks and private sector banks respectively. Banks that are considered to be part of the public sector are those that have a government ownership stake of more than fifty percent. The banks that have been nationalized are known as the public sector banks. Banks that are considered to be part of the private sector are those that have a shareholding that is owned by private shareholders. India has a total of 49 financial institutions, with 29 belonging to the private sector and 27 to the public sector.

**Public Sector Banks:** The financial institutions that are managed by the central government are referred to as public sector banks. Banks that are owned and operated by the government are often referred to as public sector banks. The process that results in the establishment of a nationalized bank is the transfer of ownership of a bank and all of its assets to the government.

**Private sector banks:** These private lenders are the ones that own them. In the same way, private banks are run by private promoters who are granted the authority to oversee operations in accordance with the demands of the market. In most people's minds, private banks are perceived as transnational corporations that do business in other countries. These financial institutions make loans available at reasonable interest rates. At the current time, there are 21 private banks operating in India. The private owners exercise authority over the private banking institutions. The Indian Companies Act mandates that each and every one of the private banks to get themselves registered. The most recent technology are available in private banks.

## 2. LITERATURE 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.

**Satish Manwani, et. al (2019)** have compiled the facts on the influence of the elements that have an effect on the level of customer satisfaction with the home loan program offered by ICICI bank. The happiness of

ICICI bank's client base is the topic that will be investigated in this research. For the purpose of this survey, both primary and secondary data are being gathered. The basic data come from a survey that included 200 samples.

**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. This research makes use of both primary and secondary sources of information; the primary data comes from a survey that was carried out in Bathinda, while the secondary data comes from research papers and a variety of periodicals. This study is carried out in a very methodical manner, and as a result, the goals that it set out to accomplish have been accomplished.

**Dr. B.C, et.al (2017)**, has done research on the theoretical underpinnings of house loans. The primary purpose of this research is to get a comprehensive understanding of the idea of a house loan. The whole analysis is based only on secondary sources of information.

**Murugan et. al (2017)** The purpose of this research is to get an understanding of the customer's perspective on house loans. The main poll for this research includes feedback from 500 participants. This survey is carried out in a methodical manner, and their goals are successfully accomplished.

**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.

**Kshitija Sawant et. al (2013)**, This research looked at the home loans offered by Kolhapur urban Cooperative Bank as well as those offered by other banks. The primary purpose of this research is to determine the challenges that are faced by individuals who get mortgage financing. In this study of several banks, both primary and secondary data are gathered from the respondents. The years 2004-2005 through 2008-2009 were used to compile the data for this research.

**Goyal and Joshi (2011)**, according to the findings of their study on the Social and Ethical Aspects of the Banking Industry, banks are able to extend themselves as a social and morally oriented association by simply handing out credits to organizations that are concerned with social issues, moral issues, and the environment.

**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. In the Indian local saving money sector as a whole, it has been determined that industry possession is incapable of becoming a competitive advantage.

**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, which are tempting the growing population of the country to avoid the official monetary credit framework, have had on the housing advance market.

**Vidhayavathi. K (2002)**, found out in her investigation of the performance of housing finance institutions on some of the selected business factors and by the means of an opinion survey on the home loan seekers and came to the conclusion that apart from interest rate advertisement, service quality, courtesy, and speed of various other important sectors affecting the growth of the housing finance industry.

**Leelamma Kuruvilla (1999)**, studies on the National Home Policy as well as the most recent developments in housing finance. She suggested that the modification in the legitimate casing work, modifying the strategy for the housing money, and the dynamic contributions of the Government in the housing division would moderate the housing problem.

### 3. RESEARCH METHODOLOGY

#### Scope of the study

The participants in the research were restricted to clients of both private and public sector banks located within the Pune area. There were a total of 200 clients that participated in the interview.

#### Objectives of the study

Main objectives of the present study are:

1. To evaluate & compare the Home Loan schemes of SBI, BOI, HDFC and ICICI.
2. To know about the customer's response regarding the home loans.
3. To study the satisfaction level of customers while dealing with the banks.
4. To study the problems faced by customers in obtaining the home loans.

#### Collection of data

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

#### Comparative 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.)

#### Interpretation

We are not satisfied with the null hypothesis since the estimated value is higher than the crucial value (3.495 is more than 1.96). When it comes to the level of overall satisfaction experienced by bank clients, there is a significant gap between the public sector bank and the private sector bank.

As far as the contentment of consumers is concerned, the vast majority of customers are flocking to private sector banks to fulfill their needs for house loans. This is due to the fact that private sector banks provide superior customer service and excel at relationship marketing. The same issue is glaringly obvious in the data that was just presented.

## FINDINGS OF THE STUDY

1. 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 instalments.
2. The majority of the respondents want 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.
3. Public Sector Banks require large formalities to be fulfilled.
4. Respondents are agreeing on the statement that easy availability is an important factor for taking the home loan from the particular bank.
5. According to the respondents miscellaneous expenses affect their selection for home loans.
6. People get knowledge about home loans from television, internet, families and friends.

## 4. CONCLUSION

It is possible to draw the conclusion from this research that both private and public sector banks, such as HDFC and SBI, are worthy of consideration when applying for house loans. Although both banks 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.

Both of the banks provide services that are comparable to one another in terms of quality. People often choose public sector banks for house loans rather than private sector banks because they have a higher level of confidence in public sector banks and the interest rate offered by public sector banks is lower than that offered by private sector banks. On the other hand, private sector banks are beginning to operate in our nation, and most adolescents choose private sector banks over public sector banks due to the fact that private sector banks provide a greater variety of services and amenities than public sector banks. The private sector bank does not need additional paperwork for house loans, and the procedure of disbursing home loans is completed in a short amount of time. As a result of a higher degree of customer satisfaction in private sector banks in comparison to public sector banks, private sector banks are now the dominant financial institutions in our nation at the present time. There are many banks that provide services that are comparable to one another, but the procedure for providing the service is more common in private sector banks. The consumer chooses the plan that is both advantageous to them and simple for them to repay when faced with several options. Private Banks are more appealing to younger people than public ones, despite the fact that the former provide higher interest rates; this is because younger people are more interested with getting prompt services and other amenities. In a word, the offers and programs that are made available by banks are not nearly as high of a priority as customer satisfaction with the services that are being offered to customers.

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