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"A CUSTOMER PERCEPTION TOWARDS - HOMELOANS INDIAN BANKS OFFER"

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ABSTRACT

A person's ambition of owning a home demonstrates the amount of work, luxury sacrifices, and most importantly, the gradual accumulation of finances needed to realise that dream. Everyone aspires to possess a home, among other things. A person's home is a haven where he can rest and feel at ease. Whether they are commercial banks or financial institutions, many banks offer house loans to those who want to own a home. In order to meet the people's diverse demands, India has been providing house loans for about 30 years at attractive and fair interest rates. Due to their extensive network of lenders, Housing Loans offers services at your doorstep and assists you in finding a property that meets your needs. In order to draw customers to them, many banks are offering house loans at the lowest possible rate. These banks, which have a more customer-friendly mentality, presently provide consumers the cheapest loans for homes. The RBI recommended banks to promote the flow of credit for housing finance in light of the severe housing shortage in the nation and the social-economic role that commercial banks play today. The house loan market rates have fallen by 50 basis points as a result of the RBI lowering the bank rate. The Indian Bank and Standard Chartered Bank have announced a house loan for a 20-year period, making them the first players in this market to do so. It will undoubtedly increase the overall cost for people to design their homes over longer time periods now.

KEYWORD: Home Loan, interest rates,basis points,Indian bank and chartered bank other all bank

INTRODUCTION

For the majority of individuals, owning a home is one of the largest ambitions they will ever realise, and it is also an expensive one. Giving such a dream life demands a lot of work on the part of the buyer, and the only way to fit the home into their budget is by taking out a home loan. A home loan can be used to purchase a new home or apartment, the land on which to build it, or even for home renovations, additions, and repairs. This is the most common type of home loan availed to purchase a house. There are many housing finance companies, public banks, and private banks that offer housing loans where you borrow money to purchase the house of your choice and repay the loan in monthly installments.

You can get up to 80%-90% of the house's market price in the form of financing. The lender will hold the house until you completely repay the loan. If you already own a piece of land and need money to build a house on it, this form of mortgage is what you need. Let's say you already own a home and would like to add a room or a floor to it to accommodate your expanding family. Loans for home extensions might be used to finance this. If there is a problem with the existing system, a home improvement loan can be used to finance renovations or repairs including painting the inside or outside of the house, improving the plumbing, upgrading the electrical system, waterproofing the ceiling, and more. You can transfer the remaining balance of the house loan to a new lender who offers a lower interest rate and better service if the present interest rate on the loan is too high for you or you are dissatisfied with the service provided by your current lender. You can even investigate the potential for a top-up loan on your current one after the transfer. This kind of mortgage offers funding for both the building of the house itself and the land on which it will be built, all in the same loan. A home loan is a secured loan that is acquired for the purpose of buying a property by pledging the asset as security. House loans provide high-value financing with reasonable interest rates and lengthy terms. EMIs are used to pay them back. The borrower receives title to the property back after repayment. A home loan offers funding to enable you to affordably buy your ideal home. Up to 75-90% of the cost of the home is covered by the lender, leaving you to pay the remaining amount as a down payment at closing. Home loans provide plenty of money at low interest rates and have The term "Tenure" of a loan refers to the length of time it will take to pay back in full. The maximum home loan term is 30 years. The maximum loan term is determined by the applicant's retirement age. Banks approve home loans that can be repaid in 30 years or less, but before the borrower retires from employment. The maximum tenure for applicants who are self-employed might range from 30 years to 60 to 65 years of age, depending on the bank. The term "Tenure" of a loan refers to the length of time it will take to pay back in full. 30 years is the maximum loan term for a house. The applicant's age at

retirement determines the maximum loan term. Home loans that can be paid off in 30 years or fewer but before the borrower retires from employment are approved by banks. Depending on the bank, the maximum tenure for candidates who are self-employed could range from 30 to 60 to 65 years of age. There is no such thing as an optimum or optimal term when taking out a home loan. The applicant's preferences, financial situation, and other life objectives will all play a role in the tenure decision. Some people can decide to pay a higher EMI and pay off the debt as quickly as feasible. This makes it possible to save more money during middle age. A sizable portion of those seeking home loans opt to keep their monthly payments as low as possible in order to have more money available for other costs. Also, some people might try to balance having a good level of disposable income with settling the debt quickly. Additionally, a long-term home loan might be closed early by making smaller pre-payments in addition to regular savings and prudent financial planning.

What are the factors affect home loan eligibility?

Age limit:- When someone files for a house loan, it is the very first and important element a lender or financier takes into account. Typically, financial institutions strive to limit the house loan duration to the principal applicant's age of superannuation. This indicates that young professionals in their 20s and early 30s can easily obtain a loan with a period of up to 25 years. Nonetheless, it can be a little difficult for older applicants, especially those over 40, to qualify for a longer tenure. Single applicants 50 years of age and older have frequently had home loans declined solely on account of this.

Income:- Let's divide this up into salaried, professional, and independent workers. Whatever category the applicant comes into, they must have a reliable source of income. In general, lending money is less risky if the applicant is a working person.

Salaried Individual:- This group includes everyone employed by a government agency or a legally established private business. The majority of banks stipulate that the candidate must have worked for the current company for at least one year before applying. Almost all lenders require pay stubs, Form 16, bank statements, and an employer reference letter. Proofs for the same is needed for co-applicant and guarantor too (if applicable).

Independent Professionals:- These professionals include nurses, dentists, architects, engineers, management consultants, chartered accountants, independent contractors, etc. It is required to submit bank statements and ITR documents.

Self Employed: You fall into this group then. You can surely submit an application for a house loan if you have bank statements and tax-related documents to support it.

2. LITERATURE REVIEW

Chaubey M. (2009) in “Housing Finance in India – Problems and Prospectus” claims that his research shows that house loan consumers chose to take loans owing to low interest rates as their top consideration, followed by simple payment plans, easy installment plans, and so on. A whopping 92% of consumers for house loans chose floating rates of interest, while 60% of all customers selected loan terms longer than 15 years and 70% acknowledged that loan approval and disbursement times are typically longer than expected. For greater transparency in transactions, it was also advised that customer loan account information be made available online and that EMIs be made available not just monthly but also quarterly and semi-annually.

Vetrivel T (2010) in “Customer Perception and satisfaction towards Home Loans” where they looked at customer satisfaction levels and how they felt about Baghat Urban Co-op Bank Limited. Based on their research, they found that people in the area are happier with this bank than they are with other banks because of their trust in the institution, lower interest rates, and easy repayable EMIs. Additionally, they stated that in order for the bank to succeed in the housing loan market, it should offer various services to a variety of consumer groups.

Dr Rangarajan C (DEC 2010) According to reports, the Indian financial system has amassed a huge network of financial markets and institutions throughout the years. The banking industry dominates the sector, accounting for around two-thirds of the assets of the organised financial sector.

Havio Kauppi (JAN 2000) claimed that unemployment rates are greater in nations where a sizable share of the populace resides in owner-occupied dwellings. Than countries where the majority of people live in private rental housing, this would suggest that rental housing improves labour mobility. In this study, the authors create a straightforward intertemporal two-region model that enables us to examine how different housing markets—for owner-occupied homes and rentals—allocate people in terms of both space and time. Big brother SBI has escalated the rate war for home loans by announcing that it will give loans for Rs. 2–10 lakh at 12.5 percent, the lowest rate provided by any housing finance provider.

Narasimham Committee (JUN 1991) draws attention to the fact that, despite our nation's banking sector having advanced quickly over the past 20 years, productivity and efficiency have declined, and profitability has been eroding. In order to increase the competitiveness and efficiency of the Indian banking system, the committee strongly suggests liberalising and deregulating the economy.

Kumar N. & Dr. Gangal V. K. (2011) in “Performance of Non-Banking Financial Companies in India - Evaluation” claims that through offering short- and medium-term loans, Non-Banking Financial Companies in India dominantly assist the capital market. These non-banking financial institutions also support lease or hire buy purchases of long-term properties. In this paper, he looked at all 1215 banks, out of which the data from HDFC and three other banks were excluded because they were showing a significant difference in comparison. After looking at all 1211 financial companies, he came to the conclusion that the increase in the share of investments in total fund uses during the 2008–2009 fiscal year was due to investments in mutual funds and shares and debt obligations of other companies.

Keerthi B.S. (2013) in “A study on Emerging Green Finance in India: claims that the goal of retail banking is the customer. Retail banking is merely mass-market banking wherein individual consumers utilise regional offices of enormous commerce banks. In recent years, the expansion and development of such retail banking has been greatly accelerated across several dimensions. The author has also argued that Retail Banking needs constant innovation in order to attract and keep consumers.

Chellamma T (11th April 2019) in her study ‘An analysis of the performance “Indian Financial System & Indian Banking Sector In one portion of "A Description Research Study," the history, concepts, roles, and types of banks are clearly outlined. In the second, the many stages of the Indian financial system and its current institutional makeup are covered. She has placed emphasis on the entirety of India's financial system, highlighting elements like financial institutions, financial markets, and financial assets. She goes on to examine the three stages that the Indian financial system has gone through since 1951, up until the time of this publication. She has also come to the conclusion that throughout the Post-Nationalization era, which spans from 1969 to 1991, the Indian Banking System gained momentum in terms of geographic breadth and functional diversity. “Impact of Home Loan on Tax Liability of Salaried Employees” notes that as Benjamin Franklin says that the only

things which are certain in our lives are the death and the taxes. With the way India's tax system is set up today, it is obvious that we cannot completely escape paying taxes, but with careful tax planning, we may minimise their impact. Home loans are now a potent tool for tax reduction and savings, especially for those who earn a living from their jobs. Due to the lack of an interest rate ceiling for let out properties (LOP) compared to self-occupied properties (SOP), the author has come to this conclusion after studying the current tax structure. "A study on Housing Finance Policies and Appraisal Process of Home Loan in India" claims that owning a home is one of a person's greatest life goals. One must apply for a home loan in order to realise their dream of owning a home, which requires them to go through the bank's credit appraisal process. In contrast, the Banks/HFCs develop a wide range of financial and non-financial instruments and approaches to evaluate the applicant's creditworthiness. The author of this study has focused mostly on the standards that Indian banks and HFCs adhere to when conducting credit appraisals. He has come to the conclusion that the housing sector is one of the main factors in India's economic development. Reason of Getting a Home Loan These days, taking out a mortgage loan has several benefits. In addition, the RBI has been constantly lowering interest rates, which has led to the availability of home financing loans at rates as low as 11.5% to 13%, down from 16.5% to 18% four years ago. The Finance Minister's generosity during the Budget seems to be confined to the housing and construction industries each year. In accordance with the Budget 2000, principal payments of Rs 20,000 and interest payments of up to Rs 2 lakh were free from income tax. Industry for home loans in India.

3. RESEARCH DESIGN AND DATA COLLECTION METHOD

Research design:- This project is based on exploratory study as well descriptive study. It was an exploratory study when the customer satisfaction level was studied to suggest new methods to improve the services of providing home loans and it was descriptive study when detailed study was made for comparison of disbursement of home loans by commercial banks.

Sampling:- Sampling is the process of choosing a sample from a particular world in order to make inferences about that universe. A sample is a representative subset of the study's target population.

Sample Size:- Larger samples yield more trustworthy results than smaller samples. To acquire a trustworthy outcome, it is not practical to target the entire population or even a sizable fraction of them. Thus, in this aspect picking the sample to research is known as sample size. As a result, I will use a sample size of 100 for my project. Both professionals and businesspeople make up the sample size. IT professionals, physicians, jewellers, wood merchants, and real estate agents will serve as examples.

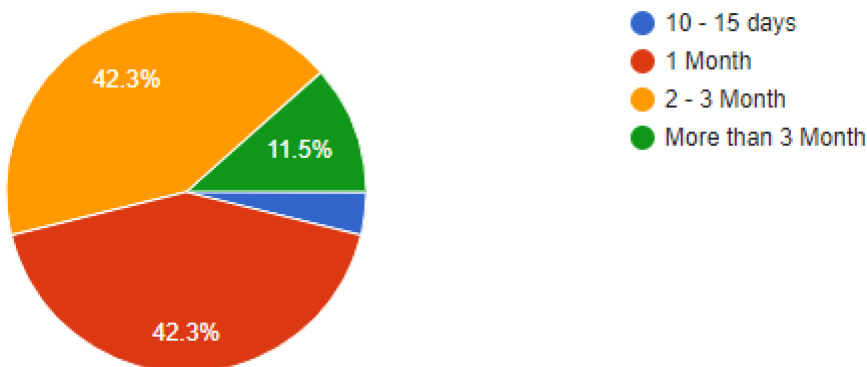
Sampling Technique:- Random sampling technique was used in the survey conducted.

Tools Of Analysis:- Data has been presented with the help of bar graph, pie charts, line graphs etc.

Data Collection Instrument Development:- The mode of collection of data will be based on Survey Method and Field Activity. Primary data collection will base on personal interview. I have prepared the questionnaire according to the necessity of the data to be collected.

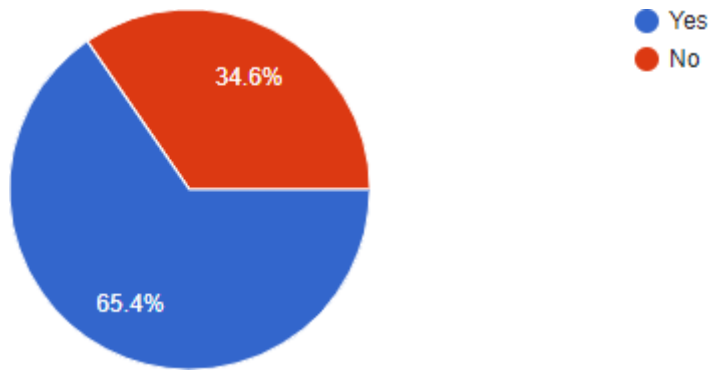
4. RESULT

1. The period required to pass a loan.



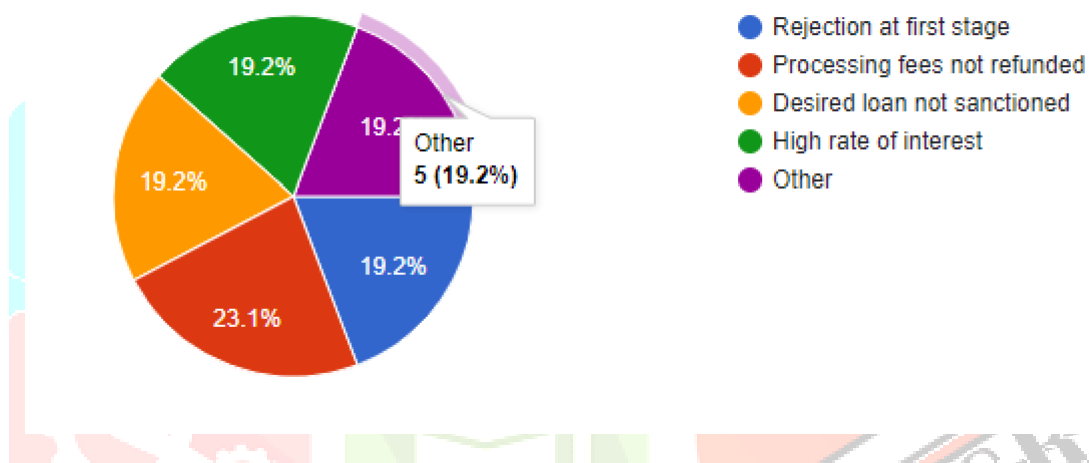
Talking about the period to passing a loan as per the respondents, 42.3% and 42.3% of the people got their home loan within 2-3 months and 1 month respectively, 11.5% get the same after 3 months, and the rest in 10-15 days.

2. Problems during the procedure of home loan.



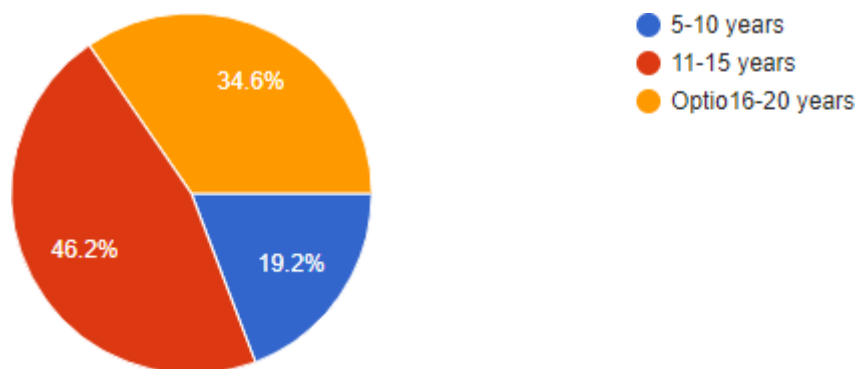
It is observed that during the procedure of the home loans, lot of problems are faced. About 65.4% of the people feel that it creates problems while passing the loan, while 34.6% don't face any such problems.

3. Types of problems faced during documentation



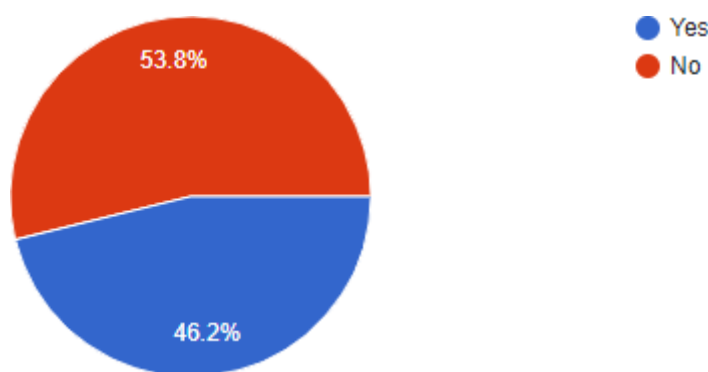
The above table states that various types of problems are being faced by the people during the documentation work while passing the home loan, such as processing fees not getting refunded, rejection of the loan at the first stage, desired loan not getting sanctioned, high rate of interest, and might be other reasons, showing bifurcation as 23.1%, 19.2%, 19.2%, 19.2% and 19.2% respectively.

4. Tenure of the loan



Looking into the tenuity of home loans, 46.2% of people take loans for 11-15 years, 34.6% for 16-20 years, and 19.2% for 05-10 years.

5. Satisfaction for service provided by the bank while obtaining a home loan.



From the above table 46.2% of the respondents are satisfied by the service of bank provided while obtaining home loans. The bank provides various services to the customers. About 53.8% of the respondents were not satisfied by the service of the bank while obtaining home loans.

5. CONCLUSION

As a conclusion, we may state that both public and private sector banks are deserving of their positions as India's top lenders of house loans. They provide highly competitive services. Most consumers choose private banks over public ones for home loans, particularly because they think the latter offer quicker services and have access to cutting-edge technology that makes the borrower's job simpler. Private sector banks are now very well-liked by customers, it has been discovered. When compared to banks in the public sector, these banks' customers are much more satisfied. Consumers use banks for a variety of often needed services, and individuals tend to favour banks that offer superior amenities and convenient banking. Overall, the investigation showed that it can be said that the satisfaction level in relation to services provided by the Private Banks are very high as compared to Public sector banks. Different banks offer the same product but their way of service differs. The customer's choice of the schemes which they feel are good and better for them and the capacity to repay it on a specified time period.

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