



RETAIL BANKING IN INDIA WITH SPECIAL REFERENCE TO HOME LOAN MARKETING

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Abstract

The present paper is an initiative to understand the various dynamics related to home loan marketing and to undertake empirical study related to home loan. In this regard secondary data is considered. The various variables identified are financial basics are behind drop in home cost, interest rate plays an important role, paper work, decrease in profitability, awareness among the prospective customers, poor are not getting the budgetary help, rearrangement of housing policy of government, service quality, speed of providing services and implementations of schemes should match the economic profile of the borrower.

Key words: Home loan, Banking, Customer, Retail Banking

Introduction

Housing is an important sector for any economy as it has inter-linkages with nearly two hundred and sixty-nine other industries. The development of housing sector can have direct impact on employment generation, GDP growth and consumption pattern in the economy. To help develop housing in the country, there is a need to have a well-developed housing finance market. In India, housing finance market is still in its nascent stage compared to other countries. The outstanding amount of housing finance from all sources accounts for less than 7.4 percent of GDP when compared with 17.85 percent in China, 20.60 percent in Malaysia, 3.2 percent in Spain and 80 percent in the US.

The demand for housing is increasingly being made by individuals and households get increasing level of income and prosperity. The supply of houses has to come from builders, developers and construction companies scattered widely across the country, both in the private and public sector.

In India, housing finance market is very complex. The government, both at centre and states, is a facilitator and is assisted by two regulators, Reserve Bank of India (RBI) and National Housing Bank (NHB). The housing finance market is dominated by Domestic and foreign commercial banks. In

addition, there are cooperative banks and housing finance companies, self-help groups, micro-finance institutions, and NGOs. The RBI regulates commercial banks and partially cooperative banks which are mainly governed by the State Governments under State Cooperative Acts. The NHB regulates the housing finance companies. The others are not regulated by any authority in India.

The government initiates and strengthens measures to extend housing to the weaker sections of the society. A number of measures were announced from 2001 but a concentrated effort was made in 2006 after some fears were expressed that there was a housing bubble developing in India which could eventually burst off. It was then recognized that role of housing could be critical in India and therefore measures announced thereafter aimed to improve business environment in the country.

Review of literature

Kumaraswami M. and Nayan J. (2014) studies the importance of housing finance and the institutions providing housing finance. A detailed discussion of the marketing strategies adopted by financing institutions has been discussed by taking into account the loan criteria, eligibility, loan amount, interest rate, security, loan tenure, margin and processing fee. Finally the paper highlights the performance of the housing sector, major findings and suggestions to improve the effective marketing of housing finance for both public and private sector banks.

Peppercorn (2013) presents the following critical factors for development of housing finance markets: a) Value for money, i.e. maximize the impact of public resources, leveraging government initiatives with the involvement of the private sector, with the goal of achieving a higher multiplier; b) Coordination, i.e. to ensure the coordination between administrations and public/private sectors, to maximize the efficiency and effectiveness of the programs; c) to Public sector role, i.e. from provider to enabler of housing; and d) Inclusive housing finance, i.e. to include non-salaried borrowers. According to Peppercorn, poorer households tend to borrow from informal sources, at higher rates.

Ghosh S.(2012) in his study mainly focused on the guidelines followed by commercial banks in India regarding the appraisal process of housing loans with specific reference to Indian Overseas Bank. Hingorani P. and Tiwari P. in their paper evaluated the present issues and challenges in the Indian urban housing market and gave suggestions for tools and approaches that can guide movement towards a more holistic approach.

Mishra A.K.(2011) discussed the overall resources invested by housing finance company in India since their incorporation and identified the area where efficiency can be improved and cost reduction is possible for optimum and effective utilization of resources. Berstain 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).

Need for the Study

Retail banking has been popular segment to enter into many banks. In the retail banking, housing sector has been most promising segment which has a comprehensive growth rate of about 30 percent for the next five years. With the government keen on infrastructure development and announcing various tax Sops housing loan segment has been a tempted area for many banks to enter into housing sector which can be bifurcated into organized and unorganized segment with the unorganized segments accounting for over 75 percent of the housing units constructed.

1.4 Objectives of the Study

The present Articles studies retail banking in India with special reference to home loan marketing. Objectives of the study are listed as under

- i. To analyze the profile of the borrowers on the basis of economic and demographic factors
- ii. To understand the concept and marketing of Retail Banking services in Indian banking system.
- iii. To analyze and compare the retail banking services offered and marketed by various banks

Research Methodology

Sampling

Sampling methods are classified as either probability or non-probability. In probability samples, each member of the population has a known non-zero probability. Probability methods include random sampling, systematic sampling, and stratified sampling. In non-probability sampling, members are selected from the population in some non-random manner. These include convenience sampling, judgment sampling, quota sampling, and snowball sampling.

The obtained data from 117 respondents were entered into SPSS worksheet. The sample size of 117 which was considered satisfactory according to the determination of the sample size for the study.

Scope of the Study

The study is conducted in retail banking in India with special reference to home loan marketing. Home loan is the main driver in Retail Banking since housing finance satisfies the basic necessity of life namely; housing for society and also profitable for the banker. The area of target population is Tiruchirappalli city of Tamil Nadu state in India. The research is Exploratory. The purpose of the analysis is to determine the retail banking in home loan marketing.

Limitations of the Study

Various problems faced and complaints expressed by the retail banking in home loan marketing had to be generalized as they are not confirmed to any particular area. The study has focused on the retail banking of the sample respondents regarding home loan marketing and hence the survey and analysis of data had been limited to the scope of the study.

Analysis and interpretation of data

Age Distribution

The following table depicts the respondent's age distribution for housing loans. For the purpose of the present study, the age of the respondents has been classified as 20-30 years, 30-40 years and above 50 years. The distribution of sample respondents according to their age had been furnished in the following table.

Table- 1 Age wise distribution

Age (in years)	No. of respondents	Percentage
20-30	09	7.0
30-40	40	34.5
40-50	44	37.7
Above 50	24	20.8
Total	117	100

Source: Primary data

The survey result exhibits that, out of 117 respondents, 7 percent of them were in the age group of 20-30 years, 34.5 percent of the sample respondent belonged to the age group of 30-40 years, 37.7 percent of them belonged to the age group 40-50 years and the remaining 20.8 percent respondents were found the age group of above 50 years.

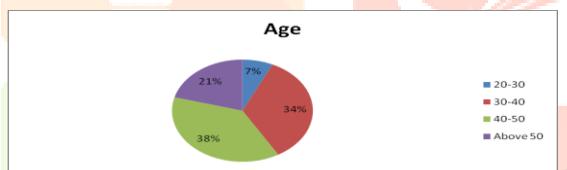


Figure – 1 Age wise distribution

Bank Preferred for Housing Loan

Table showing the borrowers opinion recording bank preferred housing loan.

Table 2. Bank preferred for housing loan

Bank preferred for housing loan	No. of respondents	Percentage
SBI	45	38.1
HDFC	38	32.8
ICICI	24	20.6
IOB	2	1.7
Indian bank	8	6.9
Total	117	100

Source: Primary data

From the above table it is clear that banks are prepared housing loans 38.1 percent respondents had prepared in SBI, 32.8 percent respondents had HDFC 20.6 percent respondents had ICICI, 1.7 percent loan borrower prepared housing loan in IOB and 6.9 percent of the respondents had prepared housing loan in Indian bank.

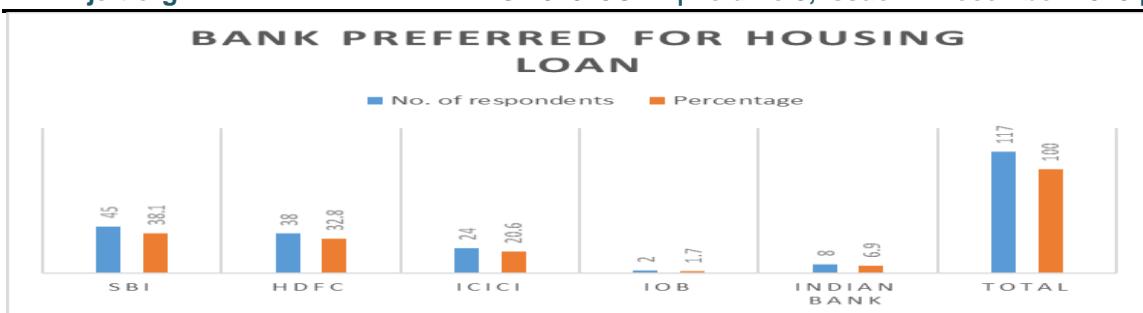


Figure – 2 Bank preferred for housing loan

To test the significant difference in customer satisfaction score based on gender

Null hypothesis, H_0 : There is no significant difference in customer satisfaction score based on gender.

Alternative hypothesis, H_1 : There is a significant difference in customer satisfaction score based on gender.

	Gender	N	Mean	Std. Deviation	t Value	P Value	Result
Customer Satisfaction Score	Male	83	35.73	1.396	4.841	< 0.001	Highly Significant
	Female	34	36.29	.895			

Inference: Since the P value is less than 0.001, the result is highly significant. That is, there is a significant difference in customer satisfaction score based on gender.

To test the significant difference in customer satisfaction score based on Marital Status

Null hypothesis, H_0 : There is no significant difference in customer satisfaction score based on marital status.

Alternative hypothesis, H_1 : There is a significant difference in customer satisfaction score based on marital status.

Marital Status	N	Mean	Std. Deviation	t Value	P Value	Result
Customer Satisfaction Score	Married	113	35.96	1.252	6.932	< 0.001
	Unmarried	04	34.00	1.026		

Inference: Since the P value is less than 0.001, the result is highly significant. That is, there is a significant difference in customer satisfaction score based on Marital Status.

Conclusion

Retail banking sector in India, with special reference to home loan marketing in Tiruchirappalli is the focused of this study. The present work explores as to how the Indian retail banking industry competes at global level. It also measures the comparative performance of Public Sector Banks and private Sector Banks on Service

Quality dimensions. The customer satisfaction is strongly contributing to customer loyalty that in turn strongly contributes to the performance. The results showed that the housing finance institutions should adopt well-planned marketing activities to improve the financial performance as well as the customer satisfaction.

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