



CUSTOMER PREFERENCE OF HOUSING LOANS IN PRIVATE AND PUBLIC SECTOR BANKS WITH SPECIAL REFERENCE TO COIMBATORE CITY

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Abstract:

A strong banking sector is important for flourishing the economy of housing loan through leading banks have become a source of support to pursue housing facility & materialize the dream of future. Though streaming both the public & private sector bank are offering housing loan as per the same guidelines of RBI there may be sum difference in some of the factors such as insurance coverage, concession for pre-closure cash back offer etc. in this context it is important to study the insight level of customer preference with respect to housing loan & to identify the problems faced by customers. The study helps in knowing how far the banking services used by the customers. In the view of the objectives set for the research, the study examines the efforts made by the government in the form of policies are helpful to home loan borrowers. The study mainly concerned with the customers satisfaction and problems faced by them in private and public banks with regards to providing housing finance to individual borrowers and to examine the operational factors which influence them in the selection of housing financial institutions.

KEYWORDS: Housing loans, Types of Home loans, Customer Preference, Home loan schemes.

I. INTRODUCTION

A Housing loan is taken out from a bank or financial company in order to purchase/construct a new house or reconstruct an existing mortgage. There are several different ways in which an individual can get a home loan mortgage. Over the past few years, many new banks and housing finance companies have opened up and are providing attractive and low lending rates. In 1998 the governments setup the national housing with the objective of providing housing finance to all section of society. Housing finance refers to finance for meeting the various needs related to housing such as purchase of land, construction of house, extension of a

house etc. The home loan schemes offered by both public & private sector bank are very competitive. The most important thing the respondents should know about each & every term related.

NATIONAL HOUSING BANK ACT 1987 [23rd Dec 1987]

"An act to establish a bank to be known as the housing bank to operate as a principal agency to promote housing finance institution both at local and regional level and to provide financial and other support to such institution and connected there with or incidental hereto."

Sec 2(d) of NHB act 1987 defines a housing financial institution as under: Housing finance institution includes every institution, whether incorporated or not which primarily transacts or has as one of its principle objects. The transacting of the business or providing finance for housing whether directly or indirectly. The National Housing bank has setup under the NHB of 1987, which was passed on 9 July 1988 it is owned by RBI of India and to encourage housing finance institutions and provide them with financial support. Besides, the national housing bank also makes advances and gives loan to scheduled bank and formulates schemes that leads to the proper use of resources for housing process.

OBJECTIVES OF THE STUDY

The objectives of the study are as follows:

- To study the demographic profile of the respondents.
- To identify the factors preferred to choose the bank for housing loan.
- To identify the problems faced by the customers with obtaining the housing loan.

RESEARCH METHODOLOGY

Research methodology is the specific procedure or techniques used to identify, select process and analyze information about a topic. The research methodology shows the period, sample design and tools used for the study

SAMPLING SIZE AND TECHNIQUES

A sample size of 100 respondents has been taken for the study by applying convenience sampling techniques. The convenient sampling method is used in our study. When population elements are selected for inclusion in the sample based on the ease of access, it can be called as convenient sampling.

STATISTICAL TOOLS USED

The following statistical tools have been used for analysis and interpretation of the data:

- 1) Percentage analysis
- 2) Analysis of variance
- 3) Chi-square test
- 4) Ranking

REVIEW OF LITERATURE

Umamageswari (2016)¹ shows that identify the factors preferred of choice of bank for housing loan and identify the problems faced by the customers with obtaining the Housing loan. This study concluded that major factor which is motivated the customer for availing a housing loan was easy procedure to get loan and amount sanctioned which plays a vital role in public sector bank whereas in case of private sector bank it had easy procedure to get loan and rate of interest plays vital role in it. But the major problems faced by respondent in public sector bank was long processing period, where as in case of private sector bank it was higher insurance coverage. The researcher suggested that it would be beneficial for the interest of the borrowers if RBI would take proper measure to avail housing loan easily.

Shani, Sopna (2011)² in this study they are analyzing customer satisfaction level in home loan. The study is based on various problems in housing loan scheme provided by bank. They are using primary data, customers are the king. Their satisfaction is important.

Rashed A Karim (2013)³ in this analysis they are evaluating financial performance of private banks based on ratio analysis. They have used five private banks to asses credit risk, operational efficiency etc.. It helps us to know management have exerted potential and strong impact on banking performance of private banks.

Pushpa Sangunan, Kanuar Bhan (2012)⁴ in this study they are analyzing private and public bank and analysis customer satisfaction level, various schemes and problems faced by them. Public sector banks must concentrate more on loan processing, preference to customers and various loan schemes must be provided. Private sector bank is most preferable.

Prabha Garg (2014)⁵ analyzed comparative study on public and private sector banks. In this analyses public is offering low interest rate and new scheme for women but tenure period is short. But private bank has high interest rate, better customer service. They have used both 9 primary and secondary data. But old trend people mostly choose public sector and private sector. Now trend people prefer private bank.

Chandan babu, P.Rajini (2016)⁶ study shows that Kumar (2006) he studied the bank nationalization in India marked a paradigm shift in the focus of banking to mass banking. Internationally also efforts are being to study causes of financial inclusion of low income group treating it both a business opportunity as well as a corporate social responsibility .This study concluded that all the banks must have ATM facilities .It will be better to have networking ATM system i.e. if it is not possible to install ATMs in all parts of the city there should be tied up and other banks. Presently, some banks are doing the same. There should be the suitable requirements of more officers in the public sector banks so that the branches which are really understaffed and over burned become systematically sufficient. There should be appropriate requirement of more officers in the public sector banks so that the branches, which are really understaffed and over burdened, become systematically sufficient.

Anita (2014)⁷ study shows that, "it is not only customary but also absolutely necessary for a researcher to review the existing literature".By doing so, she may put greater emphasis on those aspects of research problem which have not been duly covered by earlier researchers. Moreover, it facilitates the comparison between the earlier findings and findings of the present study.

Narayana and Brahmanandam (1990)⁸ in their study, "A study of customer services in commercial banks" have studied customer services in bank by analyzing physical facilities, reputation of bank, complaints and suggestion system, staff behavior besides their diverse services like account operations, cheque operations, draft and money transfer operations etc.. This study concludes that if the facilities in the branch infrastructure, décor, sitting facility, signage, etc. are adequate, it not only leads to customer satisfaction but Overall improvement in working of the branch as well whether it is availability of latest products strategic intent, timely delivery services. If all the signage are in place it will direct the customer to right desk without wasting their time which further helps the service officer in attending the customers in time and cater to their needs.

Anju otwani (2017)¹¹ this study concludes as undertake the comparative analysis of public & private banks (Allahabad bank and HDFC bank) in housing loan sector. To study consumer preference for the above two mentioned banks. To analyze the satisfaction level of public and private bank (Allahabad & HDFC banks home loan customers. To identify the popular schemes of the above two mentioned banks to evaluate the impact of tax considerations on housing finance with respect to Allahabad & HDFC bank. On the basis of data analysis and preparation, this study concludes that people prefer HDFC Bank more to Allahabad Bank. Youngsters prefer private banks because of the services and facilities offered by them.

TYPES OF LOAN PROCESS IN HOUSING LOAN

1. Home loan application

The application forms from any bank office or download it from online. Duly fill the form and attach copies of the loan related documents such as ID proof, address proof of educational details and employment, bank statement etc. if you apply online, you can get instant provisional approval within 24 hours. Send the form and the non refundable processing fee to the bank for loan approval process. The processing fee differs from one bank to another from 0.25 % to 0.50 % which is usually non refundable in case if the loan is denied. This is used for the loan processing procedure and maintenance of your loan.

2. Discussion with the bank

After submission of application form, the applicant will be called by the bank for a face to face discussion to evaluate the papers and decide on the loan amount etc. This discussion meet happen in 2 or 3 days after the submission of application form. At this. Point, the applicant can also bring the original documents of all the proofs submitted earlier.

3. Bank Investigation

A field investigation will be conducted to check all the information stated in the application form and qualified bank employee or a verification agent will investigate and Verify all the details. The representatives will visit the office and residence of the applicant to verify the details. In process, the references mentioned by the applicant will also be checked and cross verified.

After this, the bank will verify the applicant repayment capacity and if it is not satisfactory, the loan will be rejected. It will check the ability of the borrower to repay the loan amount with interest on time along with the previous loan transactions track record. If the bank finds that the applicant can repay, then the loan will be sanctioned.

4. Offer Letter for the loan sanction

Once the loan is sanctioned, the bank will send an offer letter to the applicant with details regarding the home loan such as loan amount sanctioned, interest rate for the loan, type of interest selected: fixed or floating interest rates, loan tenure, mode of loan repayment, special scheme or offer if applicable and the general terms and conditions of the home loan approved. If you are satisfied with all the norms, then you can provide an acceptance letter with your signature to the bank to acknowledge the sanction.

5. Submission of legal documents

These days, the bank requires all the legal documents related to the property for availing the loan. The bank will perform legal check and these documents will be detained by the bank till the applicant repays the loan amount.

6. Technical Valuation of property.

Along with the legal check, the bank will also perform a technical valuation of the property. For under construction projects, the bank will check the quality and progress of the construction work along with the locality valuation to evaluate the value of the property. The bank has qualified valuers to assess the property value under established parameters. This is performed to ensure a clear title and if the property is viable and meets the valuation standards. 22

7. Registration and Signing

After all the financial and technical valuations, the home loan registration process begins. The legal loan documents will be prepared on stamp papers by the bank lawyer. The loan agreement must be signed and submitted back to the bank along with post dated cheques.

8. Loan Disbursal

After registration, the bank will disburse the loan amount based on the agreed terms of disbursal either as a full payment or partial payment mode in stages. Usually for ready possession of the property, the amount will be disbursed in full.

The above mentioned home loan process is applicable in most banks though there might be changes according to individual bank policies. This long home loan process is now simplified with the instant home loan process available online. You can try any one based on your convenience and requirement.

DATA ANALYSIS AND INTERPRETATION**SIMPLE PERCENTAGE ANALYSIS****GENDER**

The following table 4.1.1 presents the classification of the respondents based on gender

TABLE

GENDER OF THE RESPONDENTS Gender	Frequency	Percent
Male	62	62.0
Female	38	38.0
Total	100	100.0

INTERPRETATION

The above table shows that 62.0 per cent of the respondents are male and 38.0 per cent of the respondents are female. Hence, majority (62.0 per cent) of the respondents have taken home loan are male.

ANALYSIS OF VARIANCE**PERSONAL PROFILE VS FACTORS PREFERRED TO CHOOSE THE BANK**

Personal profile factor	groups	Mean	S.D	No	T-value	F-value	Sig.
Gender	Male	2.2629	.42358	62	-0.036		Ns
	Female	2.2658	.36781	38			
Age	21-30 years	2.3542	.35137	24		0.982	Ns
	31-40 years	2.2714	.37583	49			
	41-50 years	2.2000	.50621	17			
	Above 50 years	2.1200	.44171	10			
Marital status	Married	2.2373	.40083	83	-1.504		Ns
	Unmarried	2.3941	.38966	17			
Educational qualification	Schooling level	2.2310	.40187	29		1.012	Ns
	Ug graduate	2.3152	.45410	46			
	Pg graduate	2.2524	.26948	21			
	Professional course	1.9750	.26300	4			
occupation	government	2.0125	.38275	16		4.559	**

CHI-SQUARE TEST

TYPE OF BANK FOR HOUSING LOAN

Health advertisement	Groups	Type of bank for housing loan				Total		Table value	Sig.
		Public sector		Private sector		No	%		
		No	%	No	%				
PURPOSE OF OPTING HOUSING LOAN	Purchase of home	5	45.5	6	54.5	11	100	4.520	Ns
	Construction	37	53.6	32	46.4	69	100		
	Renovation	1	25.0	3	75.0	4	100		
	Land purchase	1	16.7	5	83.3	6	100		
	Home extension loan	6	60.0	4	40.0	10	100		
Duration taken by bank to sanction the bank loan	Below 30 days	10	47.6	11	52.4	21	100	0.253	Ns
	30-60 days	29	50.9	28	49.1	57	100		
	60-90 days	7	53.8	6	46.2	13	100		
	Above 90 days	4	44.4	5	55.6	9	100		
Type of interest	Fixed	30	50.8	29	49.2	59	100	0.041	Ns
	Floating	20	48.8	21	51.2	41	100		
Level of submission	High	14	46.7	16	53.3	30	100	1.949	Ns
	Medium	32	49.2	33	50.8	65	100		
	Low	4	80.0	1	20.0	5	100		
Repayment mode	Direct Payment	23	47.9	25	52.1	48	100	0.174	Ns
	Deduction from salary account	23	52.3	21	47.7	44	100		
	cheque	4	50.0	4	50.0	8	100		

RANKING**SATISFACTION LEVEL OF THE RESPONDENTS**

The following table presents the satisfaction level of service provided by the bankers.

TABLE**SATISFACTION LEVEL OF THE RESPONDENTS**

Level of satisfaction of the services provided by Bankers	Mean rank	Actual rank
v21 Accounts management	3.04	2
v22 Do you like the presentation given by the sales people about loan process	3.44	3
v23 Duration of loan process	2.81	1
v24 Customer grievances attended on calls	4.61	6
v25 Customer grievances solved within the mentioned period	4.05	5
v26 Opinion regarding recommending services to others	3.50	4

(Source: computed)

It is observed from the table 4.1.20 that, the respondents have given the highest rank to the service V23 (mean of 2.81) duration of loan process, followed by V21 (mean of 3.04), Accounts management, V22 (mean of 3.44) Presentation given by sales people about loan process, V26 (mean of 3.50), opinion regarding recommending service to others, V25 (mean of 4.05) customer grievance solved within the mentioned period and the least priority has given to V24 (mean of 4.16) customer grievance attended on calls. The Friedman rank test has been applied to find out the significant variations in mean rank that influence the respondents in level of satisfaction of the services provided by the bankers. Ho-factors do not differ significantly among the respondents.

SUGGESTIONS

- Private bank can reduce the interest rate in housing loan so respondents prefer the bank mostly..
- Public sector banks can reduce the requirement of legal documents it will reduce the burden of respondents.
- Private sectors bank are providing better services for customer so respondents mostly prefer private sector banks.
- Public and private sector banks can provide better repayment service for respondents it will be more convenient.
- Public sector must provide better information about legal securities so it will be more flexible for customers to apply for housing loan.

CONCLUSION

After doing this research, the project concludes that respondents prefer both public and private sector banks equally. Mostly people prefer government banks for loans especially older persons are more dependent on government banks. It is true that younger population preference is changing and they prefer more private banks because of service and facilities provided by private banks. The interest rate is lower in government banks. This study concludes that most preferred banks are SBI and HDFC. But business people prefer private sector banks. The study also motivates for future research by examining the satisfaction level of customer during different period of time to see the difference in their satisfaction level and its impact on business profitability.