A COMPARATIVE STUDY ON PRIVATE AND PUBLIC HOUSING FINANCE COMPANY LIMITED WITH SPECIAL REFERENCE TO SBI AND HDFC BANK

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ABSTRACT

The aim of this paper to identify the borrowers perception of housing finance feasibility of various loan schemes depend on interest rate, processing time, stages of loan sanctioning, facilities offered by banks, period of sanctioning loan, speed of communication and loan extension facility offered by housing financial institutions.The study is extended to evaluate the opinion and attitude of home loan borrowers towards home loan schemes of SBI and HDFC Bank with reference to their perception, factors leading to selection and level of perception.This study has been conducted through literature study as well as a questionnaire administered survey of 450 respondents of different age groups, income & occupation and has been analyzed through various analytical tool to comply with the objectives & also to draw conclusions.

This paper may suggest as a valuable guideline and advice for customer to review their loan schemes, rate of interest, processing time and stages of loan sanctioning according to the need of the housing loan borrowers.

KEYWORDS*: Housing loan, Interest Rate, Perception*

INTRODUCTION

Housing is one of the basic needs of human beings and it is essential as food and clothing. The problem of housing has been of great importance ever since the evolution of mankind. It is viewed not only as a basic need, but an instrument of change to generate income, provides safe living and increase productivity. The house plays a significant role in the socio-psychological development of individuals. Housing has a vital bearing on the health and status of people. Proper accommodation is an important indicator of the standard of living of people. A house is a permanent shelter to protect human beings from the vagaries of nature. Now housing is a symbol of social prestige and an indicator of the social status. It provides aesthetic contentment, emotional and mental satisfaction, comfort and safety. The home gives shelter from natural dangers like rain, wind, snowfall, flood, heat etc. Home is a place where persons feel happy and spend their time with loved ones.
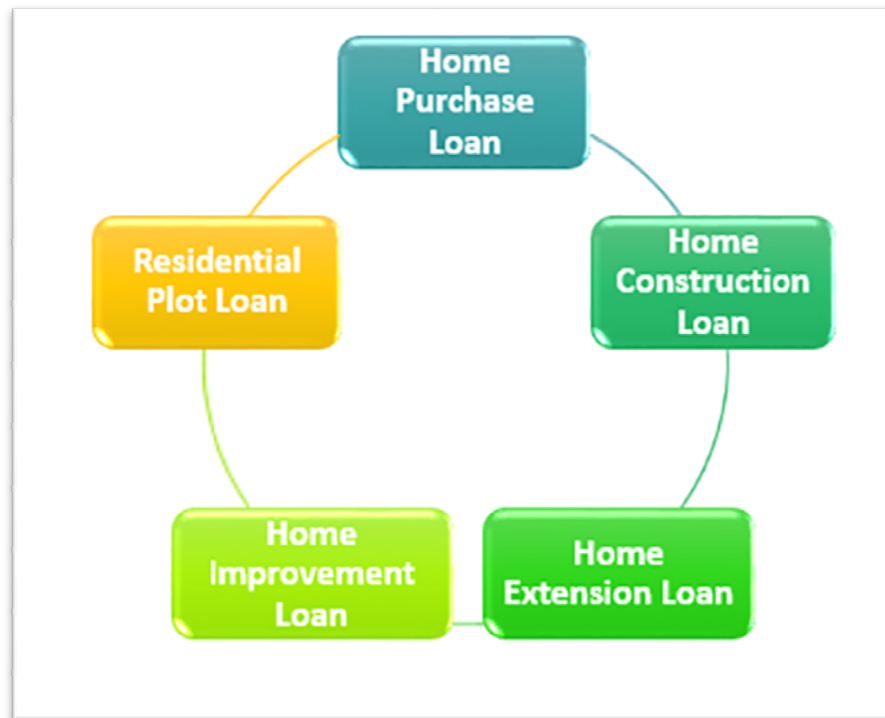
Figure 1

Since home life affects the very foundation of an individual's life, it has top priority for most people, regardless of their income levels (Report on Trend and Progress of Housing in India, 2014). Housing has great social importance. It is one of the basic human entitlements which connect people with the society. The social quality of life is more or less reflected in the state of its housing. The indirect impact of housing is in terms of improved habitat living, educational, social and cultural standards leading to human capital formation. The house value is important collateral for contracting other loans, that improve the earning and repayment capacity of borrowers (Report on Trend and Progress of Housing in India, 2013).

SIGNIFICANCE OF THE STUDY

Housing finance is basically required by both suppliers (builders) and users. The builders need finance for land acquisition, purchase of building materials and construction related activities. The household-users need finance to purchase / construction of a new house or flat or purchase of a house-site and for repairs, renovation or extension of the house already owned. Housing being a long durableasset, the finance required is generally a long term credit in nature. The relevance of the present study is to assess and evaluate the level of satisfaction of home loan borrowers of Public sector banks and Private sector banks based on the perception they already have and the factors which guide them for the selection.

STATEMENT OF PROBLEM

The housing shortage is a universal phenomenon. The government at central and state levels have been taking many measures and set up many institutions like HUDCO and NHB to control the housing finance agencies and to reduce the housing problems in India. A number of Housing Financial Companies (HFCs), public sector banks, co-operative

banks, old generation banks and new generation banks are actively engaged in the field of housing loans. The crisis of housing problem has not been alleviated till now. The problem of people not only associated with the availability of loan, but also they are bothered about the kind of services being offered by these housing finance institutions.

Unlike other parts of the country, the state of Tamilnadu having large number of educated population who are aware of different housing loan schemes of various housing financial institutions to cater their needs. Now a day the need and aspirations of people of India has undergone revolutionary changes due to change of joint family to nucleus family and acute urbanisation.

Prospective borrowers in search of feasibility of home loan schemes depend on interest rate, processing time, stages of loan sanctioning, facilities offered by banks, period of sanctioning loan, speed of communication and loan extension facility offered by housing financial institutions. The housing financial institutions presently operating in India with selective study area have their own policy to attract people towards it. The study is extended to evaluate the opinion and attitude of home loan borrowers towards home loan schemes of SBI and HDFC Bank with reference to their perception, factors leading to selection and level of satisfaction.

OBJECTIVES OF THE STUDY

Based on information gathered from the secondary data, it is decided to learn some important matters of home loan schemes of two HFIs.

- To examine the general perception of home loan beneficiaries of SBI and HDFC Bank.

- To measure and compare the perception about the home loan policy of SBI and HDFC Bank.

- To measure and compare the perception about the home loan cycle of SBI and HDFC Bank.

- To make suitable recommendations on the basis of the findings of the study.

METHODOLOGY AND DATABASE

The methodology followed in the present research work is briefly presented below.

Method of Research

The research work is both descriptive and analytical nature. It is descriptive because it is a fact finding investigation. It is analytical in nature because it uses the statistical methods for analyzing the quantitative data. The methodology uses 3 phases. They are literature survey, secondary data and primary data.

Sampling

The study was mainly based on primary data collected from home loan borrowers of public sector bank and new generation bank. Since the population size is large, it is desirable to apply sampling technique to collect data. Sample bank selected for the study was SBI from public sector and HDFC Bank from private sector. Total number of sample respondents determined is 450. Equal number of respondents are selected, 225 from SBI and 225 from HDFC. Since it is difficult to collect data throughout the district are selected as sample. Equal number of home loan borrowers was selected from different among district. A pre-tested questionnaire was used to collect information from home loan borrowers.

REVIEW OF LITERATURE

The literature review helps the researcher to get acquainted with the research problem and provide guidelines in selecting a proper research methodology.

Bawa. K &Kainth.G (1985) discussed the trends of urbanisation in the state of Punjab during 1971-81. They revealed the fact that if this trend of urbanisation continues, the state will face the severe problems of housing and sanitation of urbanisation.

Bose Ashish& Om PrakashMathur (2010) explained that the duty of 'The Ministry of Urban Development and Poverty Alleviation under the Government of India' is to formulate policies, sponsors and supports programs, coordinates the activities of central ministers, state governments and monitor programs concerning urban development and housing in the country.

Bukhary. H (1999) In his paper "Theoretical issues of policies in general and housing policies, in particular in Bangladesh" have been discussed and found that the Government's housing policies were oriented towards providing housing for its own employees only. However the Government also had prepared housing schemes for people under the poverty line. In the light of "the enabling approach" Government would help the up-gradation of the slums through providing various services, making available, affordable land, finance and encouraging NonGovernment Organisations (NGO) to upgrade shelters and provide essential services. The Government also established a National Housing Authority (NHA) to cater the needs of housing for low and middle income groups in Bangladesh.

Dwivedi. R.M (2007) in his book 'Urban Development and Housing in India 1947 to 2007' pointed out that due to urbanization, the urban poor will increase to constitute as much as 50 per cent of the total population living in cities by 2020. The cities of developing countries have become a dumping ground for surplus population working in unskilled, unprotected and low-wage informal service industries and trade in India.

Jasni Rani. K (2010) studied the relationship between marketing effectiveness and housing finance in the Pondicherry region. The study was about the relationship between customer satisfaction; customer loyalty and performance of the housing finance institutions in Pondicherry region. It was found that the customer satisfaction was strongly contributed the customer loyalty that in turn strongly contributed to the performance. It was suggested by the author that the housing finance institutions should adopt well-planned marketing activities to improve the financial performance as well as the customer satisfaction.

LIMITATIONS OF THE STUDY

- Even though a large number of commercial banks and the new generation banks are operating in the district, only one bank each from the two sides was selected for the study.

- The majority of the information required for the study was qualitative in nature and collected by using a 5 point scale. So all limitations of scaling techniques are affected in this study.

- Home loans were availed by both individual customers and institutional customers. The respondents of the present study include only individual customers who availed loan for owning a house or flat.

DATA ANALYSIS AND INTERPRETATION

Table No: 1 Comparison of SBI and HDFC Bank Respondents in Their Perception Relating to Home Loan Policy

Variables	SBI (Rank)	HDFC (Rank)
Collateral security	6	4
Stages of loan sanction	9	5
Income source of respondents	7	3
Terms and conditions of loan issue	4	6
Period of loan sanction	2	8
Employee related aspects	1	9
Promptness in communication	8	1
Cheque or ECS bounce charges	3	2
Customer care services	5	7

Table 1 explains the comparative study between SBI and HDFC Bank in relation to perception on home loan policy. It revealed that different factors affect differently among home loan borrowers. For example SBI give priority to employee related aspects, period of loan sanction, bounce charges on dishonour of cheques, ECS etc. Whereas the HDFC Bank respondents gave importance to promptness of communication, bounce charges, check the sources of income of respondents etc.

Analysis of Level of Perception on Home Loan Policy Based On Independent Variables

Here the researcher conducted an analysis of the level of perception of respondents with demographic variables like gender, age, area of residence, district, educational qualifications, occupation and income. Level of perception of home loan policy is classified into three levels based on three quartiles. First quartile refers to lower level of perception, second quartile refers medium level perception and the third quartile is meant for higher level perception. The tables are presented separately for Public Sector Bank (SBI) and New Generation Bank (HDFC Bank). Level of perception is explained in the table 2 below.

Table No: 2 Level of Perception on Home Loan Policy of Banks

Level	Value	No. of variables
Low	Below 28	
Medium	28-37	9
High	Above 37	

The tables are presented separately for public sector bank (SBI) and new generation bank (HDFC).

Perception of Home Loan Policy and District of Respondents

Table 3: Comparison of SBI and HDFC Bank respondents in the perception relating to Home Loan Cycle

Variables	SBI (Rank)	HDFC (Rank)
Speed of processing loan	5	3
Numbers of visit to HFIs	2	1
Home loan cycle	4	4
Speed of loan sanction	3	2
Reputation of HFI	1	5

Table 5gives the comparative analysis of perception regarding the home loan cycle of HFIs. Analysis of the result revealed that different aspects perceived by home loan respondents of SBI and HDFC Bank differently. Relating to SBI

customers, reputation of the bank, frequency of visit to the bank, speed of sanction are arranged in priority. While the number of visits to the bank, speed of loan sanction, speed of loan processing is perceived by HDFC Bank borrowers.

Table 4: Result of Hypotheses Testing – Perception of Home Loan Borrowers

Sl. No.	Hypotheses	Statistical Test	P Value	Result	
1	A	There is no significant association between levels of general perception and income - SBI	Chi Square	0.358	Accepted
	B	There is no significant association between levels of general perception and income - HDFC Bank	Chi Square	0.129	Accepted
2	A	There is no significant association between levels of perception about home loan policy and gender - SBI	Chi Square	0.205	Accepted
	B	There is no significant association between levels of perception about home loan policy and gender – HDFC Bank	Chi Square	0.817	Accepted
3	A	There is no significant association between levels of perception about home loan cycle and place of residence - SBI	Chi Square	0.914	Accepted
	B	There is no significant association between levels of perception about home loan cycle and place of residence – HDFC Bank	Chi Square	0.389	Accepted

Note: All the relationship was significant at 5% level.

The table revealed that general perception based on income, home loan policy with regard to gender and home loan cycle and place of residence has no 241 difference among home loan borrowers of public sector banks and new generation banks.

SUMMARY OF FINDINGS, SUGGESTION AND CONCLUSION

FINDINGS

- Table 1 explains the comparative study between SBI and HDFC Bank in relation to perception on home loan policy. It revealed that different factors affect differently among home loan borrowers. For example SBI give priority to employee related aspects, period of loan sanction, bounce charges on dishonour of cheques, ECS etc. Whereas the HDFC Bank respondents gave importance to promptness of communication, bounce charges, check the sources of income of respondents etc.

- Table 4 gives the comparative analysis of perception regarding the home loan cycle of HFIs. Analysis of the result revealed that different aspects perceived by home loan respondents of SBI and HDFC Bank differently. Relating to SBI customers, reputation of the bank, frequency of visit to the bank, speed of sanction are arranged in priority. While the number of visits to the bank, speed of loan sanction, speed of loan processing is perceived by HDFC Bank borrowers.

- The table revealed that general perception based on income, home loan policy with regard to gender and home loan cycle and place of residence has no 241 difference among home loan borrowers of public sector banks and new generation banks.

SUGGESTION

- Specimen of filling an application form should be displayed in the bank premises

- The application form should be printed in regional language

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- Unambiguous words and jargons should be avoided

- The paper works of home loans made simpler

- Appoint marketing executives in Public Sector Banks because the majority of customers of New Generation Banks are satisfied with the services of executives appointed by them.

- Remote on-line applications for rural customers also

- Send SMS alerts for the timely payment of home loan repayment

- React quickly to the queries of customers

- Remaining amount of loan to be repaid have to be informed at regular intervals of time

- Embracing interactive technologies (mobile apps, social media) will help in reaching out to customers with tailored products according to their home loan needs.

CONCLUSIONS

To occupy a home is one of the major decisions a person to take during the early years of his life. Housing loan is supportive to fulfil the dream comes true. Taking a home loan is a long journey which involves many stages. The key to getting a home loan in a smooth way is being familiar with the entire home loan process. The amount decided to borrow should be based on level of income, down payment, job security, previous loan liability and repayment capacity of the borrower. Prospective borrowers should make financial planning about the payment of EMI, processing fees, loan tenure etc. They should be aware of the different types of home loans available in the market. Applicants of home loan should be aware of the types of interest offered by banks and the modes of repayments.

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