

©KY PUBLICATIONS
RESEARCH ARTICLE
Vol.3.Issue.3.2016
July-Sept.



ISSN:2349-4638

<http://www.ijbmas.in>

**INTERNATIONAL JOURNAL OF BUSINESS, MANAGEMENT
AND ALLIED SCIENCES (IJBMAS)**
A Peer Reviewed International Research Journal

**FACTORS INFLUENCING HOUSING LOAN BORROWERS OF PRIVATE AND PUBLIC
SECTOR BANKS IN COIMBATORE CITY – COMPARATIVE STUDY**

SUMATHI C¹, Dr. S. KOUSALYA DEVI²

¹Research Scholar, Department of Management, Coimbatore Institute of Management and
Technology, Coimbatore, Tamilnadu, India

²Assistant Professor, PG and Research Department of Commerce, L.R.G Government Arts College for
Women, Tirupur, Tamilnadu, India



ABSTRACT

The purpose of this specific study is to assess the factors that influence the borrowers in public and private sector banks in Coimbatore city. Both qualitative and quantitative methods have been chosen to conduct the research. Questionnaire survey have been carried out involving 120 borrowers of 60 respondents from public sector bank (SBI) and 60 Respondents from the private sector bank(HDFC).Collected data were analyzed with the help of garrett ranking method, based upon the analysis relevant recommendations are purposed.

©KY Publications

INTRODUCTION

Blessed those who live in their own house and fortunate are those who have coinage to buy one but all are honored to purchase a house of their own. For many such less fortunate obtaining a house has become possible in modern times through loans. Adequate housing is a fundamental need of human beings prerequisite for mental, physical and intellectual development. So the life insurance Corporation of India and housing societies entered in the field of housing loans for their borrowers. Today there are nearly 400 housing finance companies registered with the registrar of companies, of these 39 have been approved by the national housing bank for financial assistance.

The vision of owning a house is one of the vital primacies of every P. The delinquent of housing in India has been intensified by the upsurge in population, low-income level, low-rate of accumulation to the housing routine and insufficient conservation. Numerous foundations such as banks, housing finance corporations and enterprises have been providing housing finance as a financial provision for meeting countless needs relating to housing as acquisition of plot, Apartment flat or a house, building, extension or maintenances, makeover of house. Housing Finance is a service industry. So, the foremost aim of the institutions should be to earn, encourage and preserve the borrowers. If the organizations are able to satisfy

this objective the outstanding results like cost-effectiveness and efficiency would habitually follow. This study has been conducted to explore several aspects influencing housing loan borrowers.

Public Sectors Banks

Banks which are held by government are known as public sector banks. At present in India, there are 26 largest public sector banks. In India largest public sector bank is SBI (State Bank of India).

State Bank of India (SBI)

The State Bank of India was time-honored on 18th July 1955, under the state bank of India act to conquest the business of the imperial bank of India. SBI is the second biggest bank in the world. SBI is retained by the government of India and is the Major and biggest bank in the India. SBI has been bestowed "The Most Preferred Home Loan Provider" by Awaaz Customer Awards. SBI home loans give discount on interest rates on Green Homes under its environment fortification program. SBI bids SBI-optima supplementary home loans and SBI-Home line exceptional personal loans for prevailing home loan borrowers who have a reimbursement record of 3 years, etc.

Private Sector Banks

Private sector banks are owned by private individuals or corporations. That is, the commercials which are not owned by the government of India are known as private sector banks. These banks are under the control of Reserve Bank of India.

Housing Development Finance Corporation (HDFC)

HDFC—a domestic name that Indians proudly reckon with Housing Development Finance Corporation Limited (HDFC Ltd) was recognized in 1977 with the prime impartial of meeting a social need was promising home rights by providing enduring finance to households. For the past three and a half epochs, HDFC has bowed the notion of finance for the growing middle class in India into a world –class enterprise with exceptional status for professionalism, and flawless service. HDFC of housing finance offers mortgage for edifice Construction and revamping of houses at the lowermost interest rates which range from 10.40% - 10.65% p.a.

"HOUSING LOAN""HOUSING FINANCE" Means finance for buying or modifying a property. The various housing loan plans offered by commercial bank and private sector bank could be classified as under,

1. Home purchase loan
2. Home Extension loan
3. House improvement loan
4. Land Purchase loan
5. Loan to NRIs

Hence, "Housing finance" is a financial resource for an individual or a group of persons used specifically for the purpose of housing. A study of these housing loan schemes offered by public sector bank would pave way for certain policy discussions for improving this housing loan schemes.

REVIEW OF LITERATURE

Govinda Rao, (2011) says that Loan financing markets play an imperative role in motivating affordable housing markets and civilizing housing eminence in many nations. Inappropriately, they are frequently less established in India. This deficiency of growth often decodes into lower homeownership rates or lower housing quality. Most stem from the central predicament that the resources are always too inadequate and housing development profoundly depend on the financial institutions for example banks, credit firm corporations and development banks for the supply of finance to meet their daily financial requirements.

Uma Shankar Mishra in her editorial authorized "Housing Loan Quality Characteristics Regard Borrowers Gratification in Banking Division of India" discovered basic equivalence model is articulated to indicate the impact of the association between borrower's satisfaction and loan attributes.

Deepall Singh 2001 in his study "Customer conduct, Performance and banking retrial products an analysis, stresses that borrower's approach is significant for the development of housing loan schemes.

Rajesh Kumar stood (2003) in his article entitled: Housing Loan Portfolio of ASCBs – Growth Drives Allied Risk and extenuation approaches," has determined that banks should evaluate the housing loan portfolio at periodical interludes for seizing new markets and to elude risk in the housing loan schemes.

Maheswari and Govindarajan.k in their article entitled, housing loan borrower in banks”: A Micro Study”. They concluded that adoption of modern banking technology as a means to improve housing loan borrowers.

SCOPE OF THE STUDY

The study has been undertaken mainly to highlight the factors influencing house loans obtainable by private and public sector bank in Coimbatore city.

SAMPLING DESIGNING

The study is grounded on sampling method. A sample of 120 borrowers representing various categories such as entrepreneurs, Agriculturists, government personnel, private employees and freelance Self-employed people have been included in the study. It has been commenced from borrower’s perspective, and banks are excluded from the study. Only individual borrowers have been taken and other is excluded from the study.

TABLE 1: INFLUENCING BORROWERS CATAGORIES

Source: Primary data

S NO	OCCUPATION	STATE BANK OF INDIA		HDFC BANK	
		F	%	F	%
1	Business	12	20	10	16.6
2	Agriculture	9	15	6	10
3	Self-Employment	6	10	12	20
4	Government Employment	18	30	15	25
5	Private Employment	15	25	17	28.3
	Total	60	100	60	100

METHODOLGY AND TOOL FOR DATA COLLECTION

Housing loan borrower’s aspects is distinguished between the following public and private sector banks namely SBI (State bank of India) and HDFC. The data from the borrowers relating to the housing loan can be acquired from the interview schedule. This methodology was accumulated with help of both primary and secondary data. The primary data is collected right from the respondents with the assistance of interview schedule. The secondary data were composed together from the books, Journals, and websites.

SAMPLING TECHNIQUE

Sixty respondents from the State bank of India (SBI) and sixty respondents from the Housing Development Financial Corporation (HDFC) BANK were taken with a view to study “Factors influence housing loan borrowers of private and public sector banks in Coimbatore city”. Besides Statistical tools like percentage and GARRETT ranking method were used for this analysis.

MEASUREMENT OF VARIABLES

To measure the attitude of borrowers towards housing loan schemes some variables have been identified. These variables are measured with help of Garrett’s ranking method. The following ten factors are identified

1. Rate of interest
2. Repayment methods
3. Free Incentives
4. Processing charges
5. Customer Service
6. Quick disposal of loan application
7. Service charges
8. Friendly Behavior of the staff
9. Lesser Formalities
10. Nearer to the borrowers residence

FACTORS INFLUENCING HOUSING LOAN BORROWERS

According to the modern bank marketing concept the customer is the king. For any product to stand in the market it should satisfy the customer. The demand for a particular product changes from time to time.

At present borrowers (Housing loan borrowers) expect more from the banks. The basic mechanism in the banking industry is providing borrower satisfaction. It seems to be the mass customization of the services not only in terms of product deliverables but also in terms of distribution channels.

There are a number of factors which influence the borrowers of housing finance in selecting the bank. The borrower attitude analysis is an important technique in studying the housing loan schemes of the banks.

The importance given to a factor by a person may not be the same as in the case of another. Some of them are satisfied with one aspect but dissatisfied with other aspects of the scheme. Thus, it is a difficult task to identify a single factor which influences the borrowers. It was found that factors such as the rate of interest, the quick disposal of loan applications, lesser formalities in advancing housing loans, the processing charges, the repayment method, free incentives, customer services, nearer to residence and friendly behavior of employees influence the borrowers in choosing the banks.

GARRETT RANKING FOR PUBLIC SECTORS

It was stroked that the ranking of the influencing factors would be reasonable. Hence, Garrett's ranking technique was used. Ranks have been calculated with formula given by the ` himself along with garrett
Garrett Ranking Formula= $R(R - 0.5)/N_j$

Specifications

R_{ij} = Rank given for the i^{th} variable by j^{th} respondents

N_j = Number of variable ranked by the j^{th} respondent

TABLE 2: GARRETT RANKING TABLE FOR STATE BANK OF INDIA (SBI)

	Factors influencing in availing loan	I	II	III	IV	V	VI	VII	VIII	IX	X	Total score	Mean score	Rank
1	Low rate of interest	9 (90)	9 (81)	6 (48)	10 (70)	5 (30)	1 (5)	18 (72)	1 (3)	1 (2)	-	3,435	57.25	I
2	Quick disposal of loan application	2 (20)	9 (81)	6 (48)	10 (70)	5 (30)	2 (10)	18 (72)	3 (9)	2 (4)	3 (3)	3,070	51.2	IV
3	Lesser formalities	3 (30)	3 (27)	5 (40)	2 (14)	4 (24)	9 (45)	3 (12)	2 (6)	28 (56)	1 (1)	2,541	42.35	VIII
4	Free incentives	5 (50)	4 (36)	5 (40)	2 (14)	11 (66)	4 (20)	2 (8)	3 (9)	3 (6)	21 (21)	2,531	42.18	IX
5	Low service charges	5 (50)	3 (27)	12 (96)	7 (49)	6 (36)	7 (35)	-	18 (54)	-	2 (2)	2,995	49.92	V
6	Friendly behavior of staff	9 (90)	3 (27)	5 (40)	6 (42)	5 (30)	2 (10)	4 (16)	22 (66)	1 (2)	3 (3)	2,993	49.88	VI
7	Good customer service	5 (50)	9 (81)	2 (16)	10 (70)	3 (18)	3 (15)	5 (20)	1 (3)	20 (40)	2 (2)	2,890	48.2	VII
8	Low waiver of procession fee	6 (60)	8 (72)	10 (80)	5 (35)	11 (66)	13 (65)	1 (4)	2 (6)	3 (6)	1 (1)	3,363	56.1	II
9	Convenient repayment method	13 (130)	7 (63)	6 (48)	6 (42)	7 (42)	14 (70)	3 (12)	2 (6)	-	2 (2)	3,169	52.8	III
10	Near to the residence	3 (30)	5 (45)	3 (24)	2 (14)	3 (18)	5 (25)	6 (24)	6 (18)	2 (4)	25 (25)	2,263	37.72	X

Garrett Ranking for SBI shows that low rate of interest ranked first, low waiver of processing charges ranked second, convenient method ranked third, quick disposal of loan applications ranked as fourth, low service charges ranked as fifth, friendly behavior as sixth, good customer service ranked as seventh, Lesser formalities ranked as eight and free incentives ranked as ninth and tenth respectively.

TABLE 3: GARREET RANKING TABLE FOR HOUSING DEVELOPMENT FINANCIAL CORPORATION (HDFC) BANK

S.NO	Factors influencing in availing loan	I	II	III	IV	V	VI	VII	VIII	IX	X	Total score	Mean score	Rank
1	Low rate of interest	9 (90)	9 (81)	6 (48)	4 (28)	3 (18)	6 (30)	5 (20)	7 (21)	8 (16)	3 (3)	3,101	51.68	I
2	Quick disposal of loan application	7 (70)	12 (108)	5 (40)	13 (91)	5 (30)	3 (15)	7 (28)	2 (6)	3 (6)	3 (3)	3088	51.47	II
3	Lesser formalities	4 (40)	-	10 (80)	9 (63)	11 (66)	8 (40)	7 (28)	5 (15)	2 (4)	4 (4)	2977	49.62	VI
4	Free incentives	15 (150)	3 (27)	3 (24)	2 (14)	4 (24)	4 (20)	3 (12)	5 (15)	4 (8)	17 (17)	2789	46.48	X
5	Low service charges	4 (40)	5 (45)	7 (56)	4 (28)	3 (18)	6 (30)	4 (16)	10 (30)	6 (12)	11 (11)	3004	50.07	IV
6	Friendly behavior of staff	2 (20)	14 (126)	3 (24)	2 (14)	1 (6)	4 (20)	11 (44)	6 (180)	13 (26)	4 (4)	2992	49.87	V
7	Good customer service	1 (10)	4 (36)	1 (8)	12 (84)	14 (84)	6 (30)	9 (36)	4 (12)	4 (8)	5 (5)	2840	47.33	IX
8	Low waiver of procession fee	14 (140)	1 (9)	7 (56)	3 (21)	7 (42)	5 (25)	5 (20)	5 (15)	8 (16)	5 (5)	2930	48.83	XII
9	Convenient repayment method	2 (20)	3 (27)	13 (104)	2 (14)	5 (30)	10 (50)	6 (24)	12 (36)	4 (8)	3 (3)	3042	50.7	III
10	Near to the residence	2 (20)	9 (81)	5 (40)	9 (63)	7 (42)	8 (40)	3 (12)	4 (12)	8 (16)	5 (5)	2957	49.28	VII

Garrett Ranking of HDFC bank the low rate of interest ranked first, quick disposal of loan application ranked as second, convenient repayment method ranked as third, low service changes ranked as fourth, friendly behavior of staff ranked eighth, and good customer services and free incentives ranked as ninth and tenth respectively

Hence it is clear that rate of interest to be levied by SBI and HDFC banks are an important fact at influencing the borrowers in approaching the banks.

Garrett ranking conversion table for factors influencing housing loan borrowers in getting the housing loan borrowers

GARRETT RANKING	FORMULA $R(N-0.5)/N$	CALCULATED VALUE	TABLE VALUE
I Rank	$100(1-0.50)/10$	5	81
II Rank	$100(2-0.50)/10$	15	70
III Rank	$100(3-0.50)/10$	25	63
IV Rank	$100(4-0.50)/10$	35	57
V Rank	$100(5-0.50)/10$	45	52
VI Rank	$100(6-0.50)/10$	55	47
VII Rank	$100(7-0.50)/10$	65	42

VIII Rank	100 (8-0.50)/10	75	36
IX Rank	100 (9-0.50)/10	85	29
X Rank	100 (10-0.50)/10	95	18

SUMMARY OF FINDINGS

1. There is no difference in the rate of interest between private sector bank and public sector bank.
2. There is difference in following formalities at the time of lending between private sector and public sector bank.
3. There is a difference in repayment method between private sector and public sector bank.
4. There is difference in offering incentives to the borrowers at the time of lending in private sector and public sector bank.
5. There is a difference in service charges and processing charges in private sector and public sector bank.
6. There is difference in treating the borrowers in both the banks.
7. The major objective is to analyze the factors influencing in availing housing loan facilities, this study reveals that the borrowers from both the private and public sector bank influenced the rate of interest offered by the bank

SUGGESTIONS

1. People who opt home loans for courtesy as the main feature traditionally bankers and financiers have been too proud of their position as lenders. So the field staff helps the borrowers in filling up the application form and which other matters. All the advertisements should be focused on the place of execution in addition to the courteous behavior evinced by the employees of the service provider.
2. Branches can obtain sustainable banners and print the banners in an attractive way and display them in the banking hall for the benefit of the customers.
3. The bank should review the housing loan portfolio at periodical intervals for capturing the new market to avoid risk and updating their schemes.
4. Attractive incentives are to be given to borrowers
5. Incentive and recognition should be given to banks and employees doing special work in this field.
6. Loan application forms should be simplified.
7. It has been recommended that bank need to often attractive returns and awareness programs must be initiated to educate borrowers about the services of banking.

CONCLUSION

The present study we conclude that there are various influencing factors which affect the satisfaction level of borrowers of housing loan. On the basis of collected data, it is being concluded that borrowers of the bank are pleased but not extremely pleased due to high rate of interest charged by banks and complicated terms and conditions. So there is need to reduce the rate of interest, terms and conditions, procedural formalities and processing fees. At the same time many booklet and attractive advertisement should be provided to the customer for awareness about different housing loan schemes offered by the banks. There is vital scope for housing promotion in India. Banks can perform a vital role in endorsing house building in villages. Banks need to introduce more dynamic and pioneering housing loan arrangements and also need to concentrate on mass customization versus mass market.

REFERENCES

1. Deepall Singh, Consumer, Consumer behavior& banking retail products an analysis, banking finance, May 2001.
2. R.R. Krishna and V.S. Krishna Moorthy. Trend and policy Issues of Housing Finance in India. Southern Economist, April 1 & 15, 1999.
3. Rajesh Kumar Sood – Housing Loan portfolio of ASCB – Growth Driver Associated Risks and Mitigation Strategies – IBA Bulletin, June 2003.
4. K.L Srinivasan, A Project on Housing Finance – How SBI can establish leadership. SBI, STC Perambur.
5. Jasmindeep Kaur. 2008, Problems of Housing Finance in India, Abhigyan, Volume XXV, No.4, Mar, 2008, pp. 24-32

6. Jay Sampath.2006, Tackling rising home loan rates, Dalal Street, Volume XXVII, No.21, June-2006, pp 89-91
7. P.S.N. Rao.1998, Transformation of Housing Policy in India, Property India – 1998 pp 23-30.
8. Thane lingam, N.1985 Research methodology, Rainbow publications, Coimbatore.

BOOKS

1. Agarwal, H.N. 1980. A portrait of Nationalized Banks, Delhi: Inter India Publication.
 2. Thanulingam, N. 1985 Research Methodology, Rainbow Publications, Coimbatore
 3. Vershney, P.N. 1997, Banking Law and Practice. (34th edition).
 4. Gupta SP 2000, Statistical Methods, Sultan Chand & Sons Publications, New Delhi
-