

Consumer Perception towards Home Loans

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Abstract-- House is a basic necessity. Every one, rich or poor, whether in rural or urban areas, needs a house to protect his life and property and also to promote his well-being. A House is in mundane sense, more than a shelter just like the nest of a bird which aims at enhancing the birds generation. Housing is thus a fundamental requirement both for the human existence and settlement. Housing is also accepted as a key sector of the national economy which measures the standard of living and economic condition of a country. Good housing is a pre-requisite for human development and welfare. It provides shelter, security, amenities and privacy to the human beings for decent living. Without good housing, people cannot realize their full potential and carry on the life they want to lead. Good housing reflects the general welfare of the community, whereas bad housing leads to serious consequences such as diseases, immorality and juvenile delinquency.

Recognizing the critical importance of human settlement in developing countries, the Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights, have recognized directly, emerge as the right to housing as a human right. The Supreme Court of India has interpreted the right to life as the right to livelihood and, more than that, the right to a residence proximate to the place of work. Assuming the importance of housing, Mahatma Gandhi, the Father of the Nation once remarked, "we don't need mass housing but housing of the masses". Housing provides both physical and mental strength and a psychological satisfaction to the poor, which can be offered as a collateral security for loan during the period of financial crisis. The better condition of the house ushers in that of the quality of life.

I. INTRODUCTION

A home loan is a long term commitment of 15-20 years, several factors like expertise, quality of service, in-depth domain knowledge and the company's level of commitment and transparency right through, the loan procedures, the fine print, quality of services offered and safe retrieval of the title deed are critical. There are lot many banks and financial institutions through which one can easily avail of a home loan at reasonable rate of interest.

II. OBJECTIVES

1. Analyzing the customer's PERCEPTION on home loans offered by banks.
2. To study the socio-economic profile of the respondents.
3. To study the housing loan borrowers for availing of such loan from public and private sector banks.
4. To study the corporate culture about the home loan.
5. To analyze public & private home loan market and its growing trends.
6. To analyze various methods of operating a home loan.
7. To gain knowledge about various home loan products.
8. To know various rates available while providing home loan.
9. To offer suggestions for the improvement of housing loan schemes in public and private sector banks.

III. SCOPE OF THE RESEARCH

1. The study focuses on the customer perception relating to the areas of customer preference, customer satisfaction, loyalty, repurchase decision and complaining behavior of customers in the purchase of housing finance.
2. In the current scenario the housing finance business has become liberalized and competitive. It is found that exploring the behavior of the customers will give an insight to housing finance to maximize their customers.

IV. DATA COLLECTION

A. Primary Data

Primary data are collected through the responses of the students through questionnaires which were specially prepared for this study. The questionnaire contained questions regarding the general and socio-economic characteristics of the respondents such as age, religion, educational qualification, etc. and also about their reason for taking home loan, term, rate of interest, procedure etc.

B. Secondary Data

There was extensive use of secondary information in the form of books, articles published in magazines, journals, newspaper, reports of Bank of Baroda and The Chennai people's co-op Bank Ltd., websites, circulars, pamphlets of the banks, Clippings etc.

C. Sampling Design

Our sampling frame for the survey is from Chennai city.

D. Sampling Method

Our research survey was on judgmental base we randomly selected people around us and has collected the data. Our survey tool was questionnaire.

E. Survey Method

Our survey method was personal interview. Our response rate was 500 out of 500.

V. RATIONAL OF THE STUDY

In recent times, banks vie with one another in organizing loan meals with prior arrangement with the ultimate of reaching new heights in the area of disbursement of loans. In the falling interest rate scenario it is quite understandable that every bank in its pursuit of capturing the market is exploring all avenues to offer a competitive rate to bring more and more customers in its fold. The housing finance segment has received much impetus and is balancing stupendous growth. The recent budget offers welcome initiatives toward infrastructure development.

It is a common phenomenon that people want to live in their own houses. People try to fund their finance the rough borrowing from their provident fund or their employer or friends and relatives or selling other personal assets.

VI. KINDS OF HOUSING FINANCE

Banks which are owned by government are known as public sector banks. At present in India, there are 26 largest public sector banks. LIC Housing Finance Ltd is one of the largest Housing Finance Company in India. The company is engaged in the business of providing loans for purchase, construction, repairs and renovation of houses/flats to individuals, corporate bodies, builders and co-operative housing societies and has its operations within India. They provide loans for homes, construction activities, and its corporate housing schemes. Around 89% of the loan portfolio derived from the retail segment and the rest from large corporate clients. The main objective of the company is providing long term finance to individuals for purchase / construction / repair and renovation of new / existing flats / houses. The company possesses one of the industry's most extensive marketing networks in India. The company is having their registered and corporate office at Mumbai. They have 7 regional offices, 13 back offices and 190 marketing units across India.

A. State Bank of India (SBI)

The state bank of India was established on 18th July 1955, under the state bank of India act to take over the business of the imperial bank of India. SBI is owned by the government of India and is the largest bank in the India sub continent. SBI is the second largest bank in the world. SBI has been awarded "The Most Preferred Home Loan Provider" by AWAAZ Consumer Awards. SBI home loans give concession on interest rates on GREEN HOMES under its environment protection program. SBI offers „SBI-optima“ additional home loans and „SBI-Home line“ special personal loans for existing home loan borrowers who have a repayment record of 3years, etc. State bank of India housing finance offers loan for construction and renovation of houses at the lowest interest rates which range from 10.05% & goes up to 10.20 % p.a.

B. Indian Overseas Bank (IOB)

The IOB bank Ltd was established in 1937. It was founded as an institution to provide quality banking services using state of the art technology. IOB Banking Corporation Ltd, the first bank in the country to go in for Internet banking. The Bank Proposes to bring credit cards to the "large, under -served population" in rural and semi-urban areas. Introduces first home loan securitization scheme of `58 core. IOB bank of housing finance offers loan for construction and renovation of houses at the lowest interest rates which range from 10.30 % & 10.60% p.a.

C. Housing Development Finance Corporation (HDFC)

"HDFC"—a household name that Indians proudly reckon with Housing Development Finance Corporation Limited (HDFC Ltd) was established in 1977 with the primary objective of meeting a social need was encouraging home ownership by providing long-tem finance to households. Over the last three and a half decades, HDFC has turned the concept of finance for the growing middle class in India into a world –class enterprise with excellent reputation for professionalism, and impeccable service. HDFC of housing finance offers loan for construction and renovation of houses at the lowest interest rates which range from 10.40% - 10.65% p.a.

D. Tamilnadu Mercantile Bank (TMB)

Tamilnadu Mercantile Bank Ltd (TMB) was established on 11th May 1921. The thought of establishing a bank for the Nadar business community was first proposed at the annual meeting of the Nadar Mahajana Sangam held at Thoothukudi in

1920. Originally known as the Nadar Bank Ltd., it changed its name to Tamilnadu Mercantile Bank Ltd., provides commercial banking products and housing loan in India. The borrowed home loans interest rate of 10.35%-11.10% provided the Tamilnadu Mercantile Bank.

VII. SCOPE OF THE STUDY

The study focuses on the customer perception relating to the areas of customer preference, customer satisfaction, loyalty, repurchase decision and complaining behavior of customers in the purchase of housing finance.

In the current scenario the housing finance business has become liberalized and competitive. It is found that exploring the behavior of the customers will give an insight to housing finance to maximize their customers.

VIII. LIMITATION OF STUDY

1. This research study was time bound and due to this only a few aspects of the Problem were taken up for study 500. This research study was taken in a limited area only (i.e. Chennai city)
2. Findings may vary if the area of study is changed. Some of the respondents might have been biased in their responses and as Such the analysis and conclusion based on it could vary to some extent. Some of the conclusions also depend upon secondary data.
3. To the extent these data are reliable, the conclusion derived from them are valid. This research study was limited only to nationalized and co-operative banks Due to non-availability of data on private banks.

IX. SUMMARY OF FINDINGS AND IMPLICATIONS

The entry of commercial banks into housing finance in early 1990s was definitely a landmark in the development of housing sector in India. Though, the banking sector was initially shy to enter the housing finance sector, once they entered, they entered it with great vigor. Consequently, housing finance witnessed phenomenal growth and real boom during the last two decades. Banks are now the major players in the field. Housing finance has emerged as an important segment of the credit portfolio of the banks. This phenomenal growth has also brought in fundamental changes in the housing finance system and housing market in India. It has become very competitive and the increasing competition has benefited the customers significantly. However, its rapid rate of growth in the recent years has become "the cause for potential worry" to the regulator RBI. It is more so particularly in the context of the ongoing subprime lending crisis in the housing sector in US.

The time has, therefore, come for banks to evaluate the possibility or potential of systemic failure in the present housing finance system and identify the safeguards required for ensuring its sustainability and soundness. Against this background, this study made an attempt to evaluate in depth the performance and operational problems faced by the banking sector in extending finance to the housing sector and based on findings; identify the areas of concerns and strategic interventions required.

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