

***A STUDY ON CUSTOMERS VIEW AND PERCEPTION TOWARDS
HOME LOAN***

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ABSTRACT

Everybody wants to own a home. Person gets shelter in the home to take rest and feel comfortable. Many commercial banks and financial institutions give loan for home to the people who want to own a home. To attract consumers, banks provide home loans at cheaper rate. Currently banks offer cheapest loan for homes, as a gesture of customer friendly attitude. The present study was undertaken with the intent to investigate after examining the literature reviewed and noticed that their exit gap in terms of customer perception towards the home loan disbursed by banks. Accordingly, the problem of the study focuses on customer views towards the housing loan schemes of the bank. An attempt has also been made for the study of banks delivery and disbursement of loan leading to customer satisfaction.

Keywords: Home Loan, Customer-friendly attitude, Commercial banks

INTRODUCTION

Indian home loans industry:-

Indian Home loans industry is growing at a fast pace of 30% per annum, which is shown in the statistics with average ticket size (loan size) and Amount disbursed is rising every year the opportunities have become more dominant for different organization in India. The demand drivers are fast growing middle class population, rise in working women workforce, bigger aspirations of youth, Tax saving, Transparency in the real estate market.

ADVANTAGES OF HOME LOANS

Appealing Interest Rates:-

For increasing their customers' base and to help the customers, many attractive rates of interest are offered by the banks to their customer. According to customers need and to facilitate home loans are provided on either fixed or floating rates by many banks.

Assistance in Owning a Home:-

Customers, for owning a home, are provided by technical and financial assistance by the banks.

No Need of a Guarantor:-

Some banks have relieved their customer to find a guarantor for availing the home loan. Now-a-days commercial banks have liberalized their laws for the customers to avail home loans. The guarantor is no more required by the banks to get a loan sanctioned.

Door to Step Services:-

For the benefit of the customers and considering the present busy life of the customers, many banks provide door to step services to the customers from preliminary level till the disbursement of the home loan. For example, Union Bank of India and ICICI Bank provide door to step services to the customers.

Loan period:-

According to the loan amount and the creditability of customers many banks provide a longer period for repayment of loan amount, i.e. up to 15-20 years as maximum loan tenures, to lessen burden on customers to repay their home loan.

Free Accidental Death Insurance:-

A number of banks also propose free accidental death insurance to the customers together with the housing loans for their benefit. Such home loans benefits have become so popular among customers that anyone who could not afford to buy a house can now buy it with a home loan, thus making their dream of owning a home become true.

DISADVANTAGES OF HOME LOANS:-

Interruptions in Processing of Home Loan:-

Several times the process of providing home loans gets delayed, because of interruptions in completion of various formulations. As a result, customers are weakened mentally and financially as well.

Fluctuating interest rates:-

Due to one or other reasons, at different intervals, floating rates fluctuate. Such fluctuations lead to increased rate of interest and thereby increase the price of home loans.

Higher Cost of Processing:-

A high processing fee is charged by the public sector banks for sanctioning home loans. Serious charges at different levels are levied from the customers to carry out the requirements. Consumers are often deprived of availing home loan benefits, if they are not in a position to pay such charges.

Obstructions in home loan disbursement:-

For disbursement of home loan amount, a customer has to face a lot of problems. Home loan disbursement to the customers gets delayed customers, owing to the legal formalities involved, hence causing obstructions in the way of the customers to get a home loan. These are a few disadvantages or limitations of availing home loans. A few banks charge high instalments for repayment of the home loan amount, thereby causing problems to customers. A good and prompt service to the customers can remove these limitations.

HOME LOANS DISBURSEMENT:-

The every bank has its own procedure to disburse the loan amount among customers. After choosing your right home, the next step is disbursement of home loans. The loan amount is disbursed after identifying and selecting the purchased property or home and thereafter submitting the necessary legal documents. In the disbursement of home loans a clear title and full verification to ensure that a person has full rights on his house.

Conditions regarding co-applicants: -

All Housing Finance Institutions set down criteria as to who can be the co-applicants. Co-applicants to the loan will be co-owners of the property. Minors are not permitted to be as either co-owner or as co-applicants by these institutions as per law, as they cannot enter into a legal contract. Even friends or relatives who are not in blood relations are also not permitted to take a property jointly. However, to get a higher loan income of co-applicants can be clubbed together for eligibility. A Table clarifying co-applicant's acceptability of relationship for income clubbing is given below:

Clubbing Income of Co-applicants:- It is as follows:-

Husband-Wife: - Income of husband-wife can be clubbed.

Parent - son: - It can be clubbed if only son is there but not if any male sibling exists.

Brother-Brother: - If they plan to stay together in the new property and are currently staying together, only then their income can be clubbed for availing home loans.

Brother-Sister: - No clubbing-is possible.

Sister-Sister: - No clubbing is possible.

Parent-Minor- Child: - No clubbing is possible in this case also.

Charges applicable to avail home loans:-

a) Processing fees:-

First of all is the processing fee. This is a charge that is levied by most the housing finance institution or banks. It is a percentage on the sanctioned loan amount and is normally paid when the application form is submitted. Instead of a percentage, some homes loan

financial institutions also charge a particular fee according to the loan amount. The fees paid in excess is adjusted at the time of submission of application with the charges, when a lower amount is sanctioned, which one makes to the financial institutions. The processing fee is refunded by most of the financial institutions, in case of rejection of the loan application.

b) Administrative fees:-

Administrative fee is a percentage of the approved loan amount. Housing finance institution/banks or collects this amount for issuing interest certificates, maintaining customer's records, technical and legal charges, etc throughout loan's tenure. This charge is paid by the customer on receipt of offer letter from Housing finance institution/banks. This payment is made before availing the disbursement amount.

c) Rate of interest:-

Rate of interest is applicable throughout the loan amount's tenure and is charged on the principal monthly reducing manner. Customers are given an option to choose the rate of interest from either a fixed or a variable rate by most housing finance institution/banks.

d) Legal Charges:-

Legal charges are levied by some housing finance institution/banks mainly Public Sector Banks which they incur on their panel of lawyers on getting the property documents vetted.

e) Technical Charges:-

To meet their cost on visit to the customer's property for ensuring quality of construction and according to the norms of the respective approval authority, certain Housing Finance Institutions/Banks levy technical charges.

f) Stamp Duty and Registration Charges:-

The Stamp Duty and Registration Charge are levied on to customer by housing finance institution/banks, in case of registered mortgage, which varies from state to state depending on the state laws where one buys a property.

g) Charges on Personal Guarantee:-

Housing finance institution/banks demand for personal guarantees from the customers. Charges on stamping of personal guarantee given by the customer are also recovered from the customer.

h) Cheque Bounce Charges:-

Housing finance institution/banks levy a nominal charges on the customer whenever a cheque, through payments is made to housing finance institution/banks, get dishonoured.

i) Delayed payment charges:-

If the customer delays the payment of instalments beyond the due date, housing finance institution/banks charges for the delayed payment from the customer.

j) Additional charges:-

Most housing finance institution charge a particular percentage on the delayed payment. When a customer fails to clear the dues within a stipulated time frame these charges are levied.

k) Incidental charge:-

When a representative from housing finance institution/banks is sent for collection of outstanding dues, incidental charges are payable from the customer which is normally charged at an even rate per visit. Most housing finance institution/banks levy these charges.

l) Prepayment Charges:-

When a customer makes a part prepayment or a full repayment of the loan, penalty of prepayment charges is charged by housing finance institution/banks. This is levied only on round sum payments and not on the EMIs that is paid by the customer. This charge is not levied on the entire outstanding principal, but only on the amount prepaid. These charges are levied by most Housing Finance Institutions and Banks while granting home loan to the customers.

OBJECTIVES OF THE STUDY

The study is descriptive in nature and tries to analyze and study the home loan market. The study attempts to achieve the following objectives:

1. To study the consumer perception towards home loans.
2. To understand the socio-economic categories of customers satisfaction related to home loan.
3. To explore the lending practice followed by home loan company.

LIMITATIONS

All the beneficiaries of home loan have not been interviewed by the researcher due to paucity of time.

The study is confined to Bhyandar region.

RESEARCH METHODOLOGY:

For the present study home loan companies operating in Bhyandar region was selected.

Sampling procedure

A random sampling technique will be used.

Unit of observation and sampling size

The unit of observation is the home loan companies in Bhyandar region, total sample size considered was 200 potential customers

Data collection

- Primary data: Pre coded questionnaire was designed in such a way to meet the requirement of the study personal interviews and personal discussion was also been adhered.

- Secondary data : RBI's bulletins , publication of Indian banks, association of home loan ,Indian institute of bankers ,Indian banking association ,NBFC's journal, various published and unpublished literature and websites.

DATA ANALYSIS

A well-structured questionnaire was circulated among the respondent and the responses are:

Age	No. of respondent	Percentage
21-35	130	65%
35-50	60	30%
50 and above	10	5%
Total	200	100%

Gender	No. of respondent	Percentage
Male	141	70.5%
Female	59	29.5%
Total	200	100%

Occupation	No. of respondent	Percentage
Service	75	37.5%
Business	68	34%
Farming	25	12.5%
Other	32	16%
Total	200	100%

Qualification	No. Of respondent	Percentage
Up to HSC	47	23.5%
UP to Graduates	62	31 %
Up to Post Graduates and others	58	29 %

Illiterate	33	16.5%
Total	200	100%

Marital Status	No. of respondent	%
Married	148	74%
Unmarried	52	26%
Total	200	100%

Monthly Income	No. of respondent	%
Below 20000	47	31
20000- 50000	73	49
50000-& above	30	20
Total	200	100%

Types of housing loan	No. of respondent	%
Purchase	74	37%
Construction	46	23%
Renovation	24	12%
Conversion loan	56	28%
Total	200	100%

Amount of housing loan	No. of respondent	%
Less than15 lacs	37	18.5%
15lacs to less than 20lacs	55	27.5%
20 lacs to less than 25lacs	69	34.5%
More than 25 lacs	39	19.5%
Total	200	100%

Queries regarding the complexities faced by customers in getting home loan

Duration taken by your bank to sanction a home loan

Duration	No. of respondent	%
0-1 months	74	37
0-2 months	68	34
0-3 months	36	18
More than 3 months	22	11
Total	200	100%

Duration taken by the bank in sanctioning the loan is

Duration taken	No. of respondent	%
Very little	25	12.5%
Justified	133	66.5%
Very long	42	21%
Total	200	100%

The processing charges of the banks are high

processing charges	No. of respondent	%
Yes	25	12.5%
No	175	87.5%
Total	200	100%

The paper formalities of the housing loan

paper formalities	No. of respondent	%
Justified	150	75%
Too much	50	25%
Total	200	100%

Satisfied by transparency in operation

Satisfied by transparency in operation	No. of respondent	%
Satisfied	161	80.5%
Not Satisfied	39	19.5%
Total	200	100%

Foreclosure procedure of the bank

Foreclosure procedure	No. of respondent	%
Satisfactory	155	77.5%
Not satisfactory	45	22.5%
Total	200	100%

Queries related to preferences made by the customer in choosing a specific bank

Which type of bank would like to choose?

Type of bank	No. of respondent	%
Nationalised bank	78	39%
Private bank	55	27.5%
Other financial institutions	67	33.5%
Total	200	100%

OBSERVATION

65% of the respondent belong to age group of 21-35 years, whereas 70.5% of them were males and the rest females.37.5% of respondent belong to service class and 34% belong to business fraternity.31% of respondent seeking home loan were graduates and 29% were post graduates. Out of total respondent 74% were married, 49% of the respondent has monthly

income between Rs20000-Rs50000. 37% of the respondent had procured the loan to purchase the house property. 34.5% of respondent has taken loan between 20lakh to 25lakh.

In regards to complexities faced by the customers in getting home loan 37% of respondent said that duration taken to sanction loan is 0-1 month. Whereas 66.5% are in favour that duration taken by bank is justified. 87.5% of the respondent said that the processing charges of the bank are not high. 75% justified that the paper formalities of the banks are justified. 80.5% of the respondent are satisfied by the transparency in operations of banking activities. 77.5% response to foreclosure procedure as satisfactory and 39% of the respondent like to prefer nationalised bank to obtain home loan.

FINDINGS

According to my study home loan procedure is difficult and time consuming process for those who do not have appropriate documentary evidence.

Maximum people preferred fixed rate of interest.

People get knowledge about home loan from television, internet or families and friends.

Respondent are agreeing the way they are treated by the banks.

Quality of service and minimum rate of interest are the important criteria which are seen by the people before taking home loans.

CONCLUSION AND SUGGESTIONS

1. Banks should be provide different housing loan schemes with attractive features like rate of interest, margin etc. for attractive more and more people in rural area.
2. Housing schemes and process of passing loan should be easy to make the people understand.
3. Rate of interest should be competitive with other financial institutions.
4. Proper credit appraisal of the customer should be done.
5. Open more number of branches in different cities and tap the rural areas.
6. Counter facility should be provided in all banks to help the customers.
7. To attract more customers, banks should make process of loan repayment easy.

8. Loan passing process should be quicker by public sector bank like private sector bank.
9. File processing charges should be eliminated in the banks.
10. For customer's awareness banks should also distribute booklets and advertise attractive advertisements for the awareness of the customer on different housing loan scheme.
11. The number of staff, handling loan affairs should be increased.
12. To respect the customers by giving them individual attention and also help them to know the bank better by public sector bank.
13. There should be lesser formalities for providing the home loans.
14. The bank should disseminate information using web sites and personal contact programs for providing information on various product and services.

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