



A Perceptual Study of Customers regarding Home Loan Services of SBI and HDFC Banks

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Abstract

In the last decade there has been a substantial rise in the demand for home loans in India. Housing is a primary human need next in importance only to food and clothing. Housing, however, is a major expenditure and cannot be funded out of a family's normal monthly income or savings. The prospective homeowner must look for a loan substantial in size and so structured that he can repay it over a longer period of time, in many cases almost one's entire working life. Last decade has observed a significant rise in the home loan market in India. It has become pertinent to identify the key factors that play an important role in triggering this elevated growth. A number of banks and financial institutions have entered in housing financing sector. They not only offer home loans but also loans for improvement, extension, conversion and construction etc. The home loan schemes of private and public banks are very competitive. The main purpose of this study to compare and analyze customer perception of housing loan services of SBI, India's largest public sector bank and HDFC, the largest private sector banks in India. A sample size of 210 respondents has been selected from the city of Indore. Finally the whole research was carried out based on the objective of the study.

Keywords: *Housing, Monthly income, Financial Institutions, significant, improvement, competitive.*

Introduction

Owning a house is one our most valuable possession, one of our biggest investments in terms of finance, and also one of our biggest joys. Ensuring that your dream house turns into a reality, requires much more effort than merely shelling out funds for investments and making a trip to a property broker. You need to gather information and understand the implications involved on housing transactions, the processes for obtaining housing finance and the various other aspects . Starting from scratch you need familiarize yourself with the 'buying' jargon involved in housing and housing finance in India, evaluate your reasons of buying, plan your funds, decide on the right house, before making the final purchase deal. Though shelter was enshrined as a fundamental right in the constitution, housing did not get the attention it reserved. This was perhaps due to the fact that at that time nobody expected the problem of housing to assume the present gigantic proportions. Proper housing, even at a lower scale, has never kept pace with the minimum requirements of the people. The housing backlog has been compounded by the high rate of population growth. Inadequate housing facilities have led to the rapid growth of slums and unauthorized settlements, poor quality of services, housing land prices and increasing costs of construction. In rural areas the situation is even more alarming.

For the expansion of the housing sector in India, three partially conflicting objectives of household affordability, viability of financial institutions and mobilization of resources have to be reconciled. A national level public sector institution, Housing Urban Development Corporation (HUDCO), was established in 1970 for catering to all income groups in an integrated and



financially viable composition. In the private sector, the Housing Development Finance Corporation (HDFC), the first primary housing institution was established in 1977 in the private sector to cater to individual loan requirements. There has been a considerable increase in the number of Housing finance institutions (HFIs) in the last few years both in the public as well as in private sector. With the primary objective of mobilizing deposits required for the housing sector through local savings the National Housing Bank has been set up by the Government of India. Housing Finance system in India is an important subject. With HUDCO's assistance a number of state Housing Development Authorities are providing cash loans for providing housing on a greater extent than before.

All Commercial banks and Private sector banks are now emerging as lenders in the segment, taking a slew initiatives in the form of opening dedicated outfits/cells to cater to the ever-increasing demand for housing loans, offering competitive interest rates with fixed/ variable options, Waiver of processing fee, Free additional attractive packages and flexibilities in housing loan Schemes. Generally the traditional trend of the term "Housing Loans" or "Housing Finance" means finance for buying or modifying a property. Hence "Housing Finance" may be defined as the financial resources for an individual or a group of persons used facially for the purpose of housing. A number of banks and financial institutions have entered in housing financing sector. They not only offer home loans but also loans for improvement, extension, conversion and construction etc. The home loan schemes of private and public banks are very competitive.

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. "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-term 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 has introduced loan linked deposit scheme for increasing the flow of household savings into the housing sector on one hand and to strengthen the financial base of having financial institution on the other hand. Provident fund resources are also made available to the housing sector at a reasonable cost. In addition the institutions such as Life Insurance Corporation of India (LIC), General Insurance Corporation (GIC), and commercial banks have established specialized housing finance subsidiaries to undertake direct household mortgage loan operations to the housing development finance as a part of governmental regulations on investment pattern,

Advantages of housing loans

The various benefits of home loans arising to the customers are:-

Attractive interest rates

Help in owning a home

No requirement of guarantor

Door-Step Services

Long loan period

Insurance in case of accidental death

Disadvantages of housing loans

The main disadvantages of home loans are high lightened as below:



Delays in processing

Fluctuating interest rates

High Cost

Problems in disbursement

Literature Review

(Mittal, 2014) in his study on the customers of SBI and ICICI bank discussed about the demographic profile of the customers and their choice of a particular type of bank. The study focused on the service quality perception of customers towards retail banking services along with customer needs, preferences and usage rate. The author concluded by stating that age, occupation and education significantly influence the customer's choice for a particular type of bank. A significant difference was observed between the age-wise, education-wise and occupation-wise distribution of SBI and ICICI banks. The income of the respondents and their choice of a particular type of bank were independent of each other.

In their study (Sangwan and Bhan, 2012) evaluated the housing loan schemes of private and public sector banks on a sample size of 200 customers. The study concluded that except PNB all the banks offered loan on fixed interest rate with a repayment period of 20 years to individuals for whom equitable mortgage and guarantee were security. Except for HDFC each bank had limit to provide loan. Differences were also observed in the processing charges charged by the banks to the customers. The results of the study state that lower interest rates, low processing cost of private sector banks were the main source of attractions to the customers and the non cooperative behavior of the employees of the public sector banks was one of the reasons for selection of private sector banks by most of the respondents. Majority of the respondents agreed that they prefer housing loan for construction of a new house. In this case they had to keep the papers of their house as a security for the loan.

In their study (Kaur et al., 2017) conclude that there are various satisfactory factors which affect the satisfaction level of customers of housing loan. On the basis of collected data, it is being concluded that customers are satisfied by S.B.I. bank because the interest rate is lower in S.B.I. as compare to H.D.F.C. Bank and the trust level that customer have with these banks is very high in comparison to H.D.F.C. Bank, especially older persons are more dependent on Public banks. Overall in level of customer satisfaction the customer is more satisfied with the S.B.I. Bank in variables of application form of home loan is easy to understand, interest rate charges by bank, loan processing is fast, employee behavior and public sector bank. But, in H.D.F.C customer is satisfied with the after home loan services provide by their bank as compared to other banks. So, there is a need to reduce the rate of interest, terms and conditions, procedural formalities and processing fees.

Maximum percentage of the respondents had opted for Home Purchase category of Home loan, both in LIC (42%) and SBI (48%), Fixed rate of interest is the most preferred option by the respondents regarding the purchase of Home Loan, Low Rate of Interest, Easy Accessibility, Status/Reputation of the institution and Scheme offered by the company, were the major factors that the respondents consider as the reason for selecting SBI as an institution for taking Home Loan, whereas the factor of Prompt service was found to be a major factor that the respondents consider as the reason for selecting LIC as an institution for taking Home Loan. Longer repayment period, Easy documentation formalities, Cooperative staff and Easy installments are the major factors that had influenced the respondents to opt for Home Loan from SBI, whereas the factors namely Fast processing of Loan, Good communication, Suggestion by friends/relatives and Trust on institution acted as the major influencing factors that influenced the respondents to opt for Home Loan from LIC (Gupta and Sinha, 2015).

Objectives



1. To explore various factors affecting the perception of customers towards housing loan services of SBI and HDFC.
2. To Identify the difference in mean perception of SBI and HDFC customers towards housing loan services on the basis of identified factors.

Methodology

The study is exploratory in nature and was conducted in Indore, the commercial capital of Madhya Pradesh. S.B.I was selected as the representative of public sector bank and H.D.F.C was selected as the representative of the public sector bank. The study also analyzed the perceptual difference between customers of SBI and HDFC regarding housing loan. A sample size of 204 respondents selected. Out of which 106 responses were collected from S.B.I and 98 responses were selected from H.D.F.C bank. The sampling technique used for the purpose of research is convenient sampling. The study is based on secondary data and primary data was collected using the survey method with the help of a structured questionnaire. After collection of the data the raw scores were tabulated for the purpose of conducting statistical analysis. The tabulated data was analyzed using Statistical Package of Social Sciences (SPSS 16.0). The data based on 23 items of the scale were subjected to the principal component method of factor analysis with the help of varimax rotation to identify the factors that affect the perception of the customers of SBI and HDFC towards housing loan. Six factors namely, Satisfactory terms, Employee behavior, Easy to understand, Other benefits, Trustworthy and promotion were emerged. On the basis of these factors following six hypotheses were set and Z- test was used to test the hypotheses.

The questionnaire adopted in this study consisted of 27 questions for collecting responses on perception of customers towards housing loan services. Reliability of the measures was assessed with the use of Cronbach's alpha. Cronbach's alpha allows us to measure the reliability of different variables. As a general rule a coefficient greater than or equal to 0.7 is considered acceptable and is a good indicator of reliability. In the present study the reliability of the questionnaire comes to be 0.86. Correlation was also calculated and four questions were dropped since their correlation was less than 0.196.

Hypotheses

H01: There is no significant difference in the mean perception of SBI and HDFC customers regarding the factor Satisfactory terms.

H02: There is no significant difference in the mean perception of SBI and HDFC customers regarding the factor Employee behavior

H03: There is no significant difference in the mean perception of SBI and HDFC customers regarding the factor Easy to understand.

H04: There is no significant difference in the mean perception of SBI and HDFC customers regarding the factor Other benefits

H05: There is no significant difference in the mean perception of SBI and HDFC customers regarding the factor Trustworthy.

H06: There is no significant difference in the mean perception of SBI and HDFC customers regarding the factor Promotional schemes.

Result and Discussion

In the study we used principal component method of factor analysis to determine the minimum number of factors that will account for maximum variance in the data. This initial solution is then rotated by using varimax method with Kaiser Normalization to select the variables with high loading on a particular factor. Generally, factor loading represents how much a factor explains a variable. High loading indicates that the factor strongly influences the variable. The study identified six factors that affect the perception of customers towards housing loan services of



SBI and HDFC. These factors are tabularized with their items, loads and percentage of variance. The discussion of each factor is as follows:

Factor 1: Satisfactory terms was constituted of six items with a total factor load of 3.80 And 23.93 % of variance. The items were Affordable rate of interest (0.742), Reasonable processing charges (0.705), Quick disbursement of loan (0.677), Convenient loan repayment (0.626), Good communication (0.554) and Quick sanction of loan (0.495). Affordable rate of interest was the most important factor for the satisfaction of housing loan customers of SBI and HDFC. This clearly indicates that nowadays customer has become more concerned and aware about the different rate of interest charged by the banks. Individual attention, Goodwill post purchase behavior. In her study (Sreelaxmi, 2007) states that the home loan sector in India is on a boom. The new class of young buyers, whose affordability is high, is spending a little more on paying EMI rather than spending huge amounts on the rents, thereby owning a house. The government is also encouraging this sector by allowing tax benefits. The housing finance sector shows an exponential growth as compared to the other areas of credit.

Factor 2: Employee Behavior was constituted of four items with a total factor load of 2.68 And 10.53 % of variance. The items were prompt services of employees (0.74). Cooperative employees (0.720), individual attention (0.615), Good post purchase behavior (0.607). Customers are influenced by the prompt services of employees. Public banks should also pay more attention to tangibles whereas private banks to reliability in pursuit to increase customer satisfaction, commitment and trust. Next, the results regarding the differences in the customer satisfaction, customer commitment and customer trust across banks showed that there was no significant difference in the customer trust between the public sector and private sector banks, but significant differences were observed in case of customer satisfaction and customer commitment. Customers of private sector bank are more satisfied and committed than public sector banks (Hazra, 2014).

Factor 3: Easy to understand was constituted of four items with a total factor load of 2.27 and 6.88 % of variance. The items were less formalities (0.675), Easy documentation (0.575), simple procedure (0.526) and transparent loan procedure (0.491). The item less formalities has the highest factor load. K.L. Srinivasan (2000) in his thesis entitled "A project on Housing Finance How SBI can establish leadership" has concluded that simplification of the documentation process, careful and friendly approach systems and procedures, good customer service and non-insistence in collateral securities are the most important variable in the marketing of housing loan schemes by banks.

Factor 4: Other benefits was constituted of three items with a total factor load of 1.92 and 5.68 % of variance. The items were aware of tax benefits (0.699), free accident insurance cover (0.643), no hidden charges (0.578). (Rao, 2005) in his study concludes that during 2002 -03 housing loans by banks grew at a hefty growth rate of more than 100%. The factors that contributed to this aggressive growth in the portfolio of housing loans of banks and HFC are: Tax intensives on repayment of principal and interest, rising income level of middle class, falling interest rate, stable real estate prices, easy availability of housing loans, low returns on the investment opportunities available in the market.

Factor 5: Trustworthy was constituted of four items with total factor load of 2.09 and 4.92 % of variance. The items were confidentiality of information (0.654), prompt handling of grievances (0.544), would recommend of others (0.478), secure information (0.413). When it comes to faith of customers on a bank, public sector banks are always preferred in India. It has been observed in some public sector banks that many a times the staff is not cooperative and considerate to the customers. Except for a few of persons, nobody bothers to solve the problems of customers promptly (Motwani, 2012).



Factor 6: Promotional schemes was constituted of two items with a total factor load of 1.37 and 4.60 % of variance. The items were attractive advertisements (0.786) and Different schemes for different category of customers (0.585). (Kumaraswami and Nayan, 2014) in his study discussed the loan criteria eligibility, loan amount, interest rate, security, loan tenure, margin and processing fee. Finally the paper highlights the performance of the housing sector, major recommendations and suggestions to improve the effective marketing of housing finance for both public and private sector banks. H.D.F.C. bank home loans has product portfolio for satisfying varying consumer needs. The bank has got goodwill and this can be used for promoting its services. If new promotional activity and services were introduced, it will help to a great extent to the organization to increase the business (Chithra and Muthurani, 2015).

Result and Discussion

In The result of hypotheses test show that the calculated value of Z was less than the tabulated value of 1.96 for all hypotheses. Thus all hypotheses were not rejected except hypothesis H02, in this case the calculated value of Z was more than the tabulated value of 1.96. This shows that there was no significant difference in the perception of customers availing housing loan services of SBI and HDFC regarding the factors namely satisfactory terms, easy to understand, other benefits, trustworthy and promotional schemes. However significant differences was observed in the in the mean perception of SBI and HDFC customers regarding the factor Employee behavior. After the loan provided by the bank, when the time comes for repayment of the loan amount the public sector is liberal than the private sector bank, because public sector provide some grace days to the borrower but private sector will not. Instead after the time period the bank start charge penalty to the borrower.

Recommendations

- ❖ Housing schemes and process of passing loan should be easy to make the people easy to understand.
- ❖ A counter facility should be provided in all banks to help the customers and prompt grievance handling should be provided.
- ❖ The process of loan repayment should be easy. This will be able to attract more customers towards availing of housing loans.
- ❖ The Loan passing process should be quicker by public sector bank like a private sector bank.
- ❖ Banks should not charge any hidden file processing charges for loan clearance.
- ❖ Public sector banks should take an initiative to respect the customers by giving them individual attention and also help them to know the bank better.
- ❖ Loans should be made easily available and there should be fewer formalities while providing loans.
- ❖ More personal attention should be given to the customers and working efficiency of the employees should be enhanced.
- ❖ The formalities and paperwork should be reduced by resorting to technological advances while providing loans to the customers.

Conclusion

These are several reasons that can be considered as having attributed to the growth of the home loan market. On the demand side, the first and the most important factor for the growth has been faster rise in incomes as compared to property prices, thus making housing more affordable. Most of the housing finance companies in India have introduced several new home loan products in order to meet the needs of a wide variety of customers. The various home loan schemes have market. The customer can choose those schemes which he feels is good for him and have the capacity to repay it on that specified time period. There are 6 factors that affect the perception of Private and public sector banks towards housing loan services in Indore city.



These factors are satisfactory terms, Employee behavior, Easy to understand, Other benefits, Trustworthy, Promotional schemes. The results of the study indicate that Satisfactory terms was the most important determinant of availing housing loan services with total factor load of 23.93 and 3.80 % of variance. Promotional schemes is the least important determinant with total factor load of 4.590 and 1.371 % of variance. The study also concluded that there is no significant difference between the mean perception of SBI & ICICI customers regarding the factors namely satisfactory terms, easy to understand, other benefits, trustworthy and promotional schemes. However significant differences was observed in the in the mean perception of SBI and HDFC customers regarding the factor Employee behavior.

Limitations

Our study was conducted in Indore, commercial capital of Madhya Pradesh so the findings may vary if the study is conducted on a larger scale and in some other metropolitan city. Some of the responses may be biased which could affect the analysis to some extent. Last but not the least the sample drawn may not truly represent the people of Indore, but to a large extent represented the target potential customers by the institutions providing home loans.

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Annexure

Table 1: Factor Analysis

Factor	Item	Item Load	Factor Load	Eigen Value	% of Variance
Satisfactory terms	Reasonable processing charges	0.742	3.80	5.50	23.93
	Affordable rate of interest	0.706			
	Quick disbursement of loan	0.676			
	Convenient loan repayment	0.625			
	Good communication	0.555			
	Quick sanction of loan	0.495			
Employee behavior	Prompt services of employees	0.736	2.68	2.42	10.53
	Co-operative employees	0.719			
	Individual attention	0.614			
	Good post purchase behavior	0.608			
Easy to Understand	Less formalities	0.674	2.27	1.58	6.88
	Easy documentation	0.576			
	Simple procedure	0.525			
	Transparent loan procedure	0.495			
Other benefits	Aware of tax benefits	0.698	1.92	1.306	5.68
	Free accident insurance cover	0.644			
	No hidden charges	0.578			
Trustworthy	Confidentiality of information	0.653	2.09	1.133	4.92
	Prompt handling of grievances	0.545			
	Would recommend to others	0.477			
	Complete information	0.414			
Promotions	Attractive advertisements	0.785	1.37	1.06	4.60
	Different schemes for different category of customers	0.586			

Table 2: KMO and Barlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.824
Bartlett's Test of Sphericity	Approx. Chi-Square	1.338E3
	df	253
	Sig.	.000

Table 3: Hypotheses Testing

Hypotheses	SBI		HDFC		Calculated Value (Z)	Rejected/ Not Rejected
	Mean	SD	Mean	SD		
H01	2.603	0.876	2.45	1.26	0.6843	Not Rejected
H02	3.248	1.075	3.09	1.04	1.978	Rejected
H03	3.882	2.211	2.81	1.34	0.3431	Not Rejected
H04	3.325	1.917	3.59	1.92	1.072	Not Rejected
H05	2.934	2.872	3.45	1.21	0.6624	Not Rejected
H06	3.146	1.074	3.02	1.14	0.5042	Not Rejected

Z Critical is 1.96 at 5% level of significance