

## 2. 'Customers' Perception towards Home Loan - A Study with Reference to Mumbai Region

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### **Abstract**

Buying a house is one of the best investment option available for many investors. This encourages real estate sector and hence enhances our economic development. Many public sector and private sector banks, financial institutions provide home loan at a concessional rate of interest. These financial institutions can be easily accessed for home loan. Yet purchasing the house is a daunting task in today's situation, as it is a major investment. This study focuses on the customers' perception about home loan. In this study, the data were collected through a formal questionnaire and customer conversations. The study result indicates that, majority of the respondents select the home loan based on the interest on loan, service provided by the bank, and processing charges charged by the banks. This study also takes into account the choice of the customer, problems faced by the buyers of home loan and the knowledge about Pradhan Mantri Awas Yojana.

**Keywords:** Home Loan, Pradhan Mantri Awas Yojana (PMAY), Customers' perception

### **Introduction**

Buying a home /house is a dream for everyone. Because of the increasing price of homes, purchasing a home by lump sum transfer has become almost difficult for an average earning person. Hence the idea of home loan has come into existence. There are many public sector and private sector banks and financial institutions which provide home loan. To attract customers, bank provide home loans at cheaper rate. The more information the customer have about a product or service, the more comfortable they are while buying the product. It's very difficult to select one offer for home loan from one financial institution among the thousands of choices

available. Beyond this, there are complex market jargons and technicalities that render this work harder and harder. This research takes into account customer preference, factors that affect house loan, difficulties faced by the customers etc. There are many problems faced by customers while borrowing loan from banks. Few problems are such as lack of information, administrative delays, unsanctioned loan amount and credit score. This research aims to recognize certain problems that customer face when they borrow home loan from Bank.

### **Types of Home Loans**

There are various home loans options offered by public or private sector banks and non-banking financial companies in India. The various type of property loans that are generally available are:

#### **1. Land-purchase Loan**

Land –purchase loans are given by banks or Non-Banking Financial Companies (NBFCs) to buy a plot or land on which the loan applicant is looking to construct a house. Generally banks lend up to 80-85% of the price of the plot or land.

#### **2. Home-Purchase Loan**

A home –purchase loan amount is utilized to buy a residential property. Financial institutions usually provide up to 80-85% of the market value of the house as loan amount. The interest rate on these loans is either fixed, floating or hybrid.

#### **3. Home-Construction Loan**

Financial institution issue home loans to applicants who want to construct a house on a plot owned or co-owned by them. The loan application and approval process for home – construction loans are different in certain aspects than from the commonly available housing loans. This includes:

- a. The plot or land should have been bought within a year.
- b. The borrower has to make a rough estimate of the cost that will be incurred for the construction of the house.
- c. If the cost of plot is not included in the loan amount, only the estimation for construction of house is taken into consideration.

#### **4. Home-Extension Loans**

This loan is taken by individuals who want to expand or extend their existing house. Few banks differentiate this loan based on the purpose of expansion of the current house. Most banks include this type of loan as part of their home-improvement loans.

#### **5. Home-Improvement Loans**

Home –improvement loans are taken by individuals who own a house, but lack of fund to renovate it. Renovation includes – repairs to existing house, painting of the walls, digging a bore well, water –proofing, electrical wiring etc.

#### **6. NRI-Home Loans**

NRI-home loans are specialized home loans that assist non – resident Indians who are interested in buying residential property in India. Though the structure of this home loan variant is similar to the regular home loans, the paper work is a bit more exhaustive.

#### **7. Home –Conversion Loans**

Existing home-loan borrowers who wish to move into another property can avail a home conversion loan to buy a new house.

### **Review of Literature**

**Vidhayavathi. K (2002)** in her study evaluated the performance of housing finance institutions on certain selected business parameters as well as through an opinion survey over the home loan seekers and concluded that apart from interest rate , advertisement, service quality, courtesy and speed of service are certain other important dimensions affecting the growth of housing finance industry.

**Kumara swamy (2014)** this study discussed about the importance of housing finance and the institutions providing housing finance. A detailed discussion of the marketing strategies adopted by financing institutions have been discussed by taking into account 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 findings and suggestions to improve the effective marketing of housing finance for both public and private sector banks.

**Gupta and Sinha (2015)** examining on the respondent regarding the purchase of home loan and low rate of interest, easy accessibility, status/ reputation of the institution and scheme offered by the company are the major factor for selection of the housing finance institution. Comparative study on Factor Affecting consumer’s Buying Behavior towards Home Loan (with

special reference to S.B.I. and L.I.C.H.F.L.)” and found that fixed rate of interest is most preferred option by the customers.

**Murugan and Jansirani (2017)** a study carried out in Chennai to know Customer perception towards home loan by selecting the 500 customer on randomly basis. 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.

### Need for the Study

The above review of literature reveals that many studies have been conducted based on the primary and secondary data to understand the Customers’ perception about home loan. But in this study the author has taken into consideration customers’ perception about home loan and their awareness about the benefits of Pradhan Mantri Awas Yojana.

### Objectives of the Study

1. To know the customers’ perception about home loan.
2. To understand the customers’ awareness about the benefits of Pradhan Mantri Awas Yojana.
3. To elicit the problems and challenges faced by the buyers of home loan.

### Research Methodology

<b>Universe</b>	Mumbai
<b>Method of data collection</b>	Primary and Secondary
<b>Method of Primary Data Collection</b>	Questionnaire (Open and close ended)
<b>Method of sampling</b>	Random Sampling / Convenience Sampling
<b>No. Of Sample Respondents</b>	31

### Analysis and Interpretation of Data

**Table 1: Demographic Profile of the Respondents**

<b>-Gender</b>	<b>No. of respondents</b>	<b>Percentage</b>
Male	22	71.00
Female	09	29.00
Total	31	100
<b>Age (in years)</b>	<b>No. of respondents</b>	<b>Percentage</b>
21 – 30	06	19.40
31 - 40	11	35.50

41 – 50	09	29.00
Above 50	05	16.10
Total	31	100
<b>Occupation</b>	<b>No. of respondents</b>	<b>Percentage</b>
Government Service	00	00
Private Service	21	67.74
Business	09	29.03
Other	01	3.23
Total	31	100
<b>Monthly income</b>	<b>No. of respondents</b>	<b>Percentage</b>
Less than Rs. 30,000	05	16.13
Rs.30,001 to Rs.40,000	09	29.03
Rs.40,001 to Rs.50,000	13	41.94
Above Rs.50,000	04	12.90
Total	31	100

- Out of 31 respondents, 71% are male and 29% are female.
- Out of 31 respondents of 19.40 % were between the ages of 21-30, 35.50% were between the ages of 31-40, 29% were between the ages of 41-50 and 16.10% of respondents above 50.
- Representation of private service, business and other respondents is 67.74%, 29.03%, and 3.23% respectively.
- Out of 31 respondents, 54.84% respondents are having monthly income of Rs.40,000 and above.

**Table No-2: Loan Amount and consumers' preference towards Bank**

Loan Amount	Name of the Banks who have given home loan				
	HDFC Bank	ICICI Bank	Punjab National Bank	Other Banks	Total
Less than 10 Lakhs	01	01	-	03	<b>05</b>
10 Lakhs-20 Lakhs	04	01	01	02	<b>08</b>
20 Lakhs-30 Lakhs	01	03	01	04	<b>09</b>
30 Lakhs -40 Lakhs	01	01	-	03	<b>05</b>
40 Lakhs-50 Lakhs	-	01	-	01	<b>02</b>
Above 50 Lakhs	01	-	01	-	<b>02</b>
<b>Total</b>	<b>08</b>	<b>07</b>	<b>03</b>	<b>13</b>	<b>31</b>

According to the above data, HDFC Bank is preferred by the maximum consumer for home loan followed by ICICI Bank.

**Table No-03: customers' awareness about the benefits of PMAY**

	<b>Frequency</b>	<b>Percentage</b>
Yes	22	70.97
No	9	29.03
<b>Total</b>	<b>31</b>	<b>100</b>

From the above table it is clear that 70.97% respondents are aware of the benefits of Pradhan Mantri Awas Yojana. 29.03% respondents are not aware of the Pradhan Mantri Awas Yojana scheme.

### **Findings**

- 31 to 50 years of age group people take more home loan compared to other age group.
- Male members take more loan compare to female.
- Banks are preferred for home loan based on their services.
- 74.19% of respondents were satisfied with the rate of interest and 25.81% respondents were not satisfied with the rate of the interest.
- Majority of the banks have taken one month time to sanction home loan.
- Around 74.19% of respondents' haven taken below 30 lakhs as loan amount.
- 12.90% of respondents have availed the benefit under Pradhan Mantri Awas Yojana scheme.

### **Suggestions**

- Bank should follow simple procedure for the sanctioning home loan to customers.
- More awareness is required about Pradhan Mantri Awas Yojana (PMAY) scheme.
- Flexible repayment system and competitive interest rate must be available to the customers.
- Customer care should be approachable and user friendly.

### **Conclusions**

On a majority, the customers agree that the products and processes provided by the Banks are effective. Customers' felt that there is no proper time to time update about interest and principal amount due from each customer. Financial institutions can improve the service by enabling automatic generated SMS or e-mails to be sent as soon as the entries are made in the loan accounts of the customers in the system. Most of the time, lack of knowledge of housing loan products the customers could not take the benefit of the same. Therefore Banks should

educate the customers about the new schemes released from the Government.

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