

# A COMPARATIVE STUDY ON CUSTOMER PREFERENCE TOWARDS HOUSING LOAN OFFERED BY BANKS IN UDUMALPET

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## INTRODUCTION

Every human being aspires to have his own house to live in. After food and Clothing, housing is the third most important human requirement. On an average a person spends almost two-thirds of his life in a house which is his sanctuary in his old age. Adequate housing is therefore a fundamental need of human beings and an essential prerequisite for physical, intellectual and mental development. The term "Housing Loan" loan of finance for buying or modifying the house. Blessed are those who live in their own house and fortune are those who have the money to buy one. But all are not privileged to buy a house of their own. For many such privileged, buying a house has become possible in modern times through housing loans. The various types of housing loan such as Home Extension Loan, Home Improvement Loan, Plot plus Construction Loan, Construction Loan and Conversion Loan are offered by Commercial banks and private banks. Hence, the "Housing Loan" may be defined as the financial resources for an individual or a group of persons used especially for the purpose of housing.

## STATEMENT OF THE PROBLEM

In recent times, banks vie with one another in organizing loan melas with prior arrangement with the ultimate aim of reaching new heights in the area of disbursal of loans. In the falling interest rate scenario it is quite understandable that every bank in its pursuit of capturing the market in exploring all avenues to offer a competitive rate to bring more and more customers in its fold. The housing loan segment has received much impetus and is balanced for stupendous growth. Streamlining of housing loans through lead banks have become a source of support to pursue housing facilities and materialize the dream of future. Housing loan is one of the fastest growing retail banking products. Almost all banks are offering housing loan at attractive interest rates for meritorious and needy customers. The recent budget offers welcome initiatives towards infrastructure development. Though both the public and private sector banks are offering housing loan as per the same guidelines of RBI there may be some difference in some of the factors such as insurance coverage, concession for pre-closure cash back offer etc.,

In this context it is important to study the insight about the level of customer preference with respect to housing loan and to identify the problems faced by the customer.

## OBJECTIVES OF THE STUDY

The objectives of the study are as follows:

- To study the demographic profile of the respondents.
- To identify the factors preferred of choice of bank for Housing Loan.
- To identify the problems faced by the customers with obtaining the Housing Loan.

## HYPOTHESES

On the basis of the above objectives, the following hypotheses were formulated:

**H<sub>01</sub>:** There is no significant relationship between educational qualification of the respondents and factors preferred to avail housing loan.

**H<sub>02</sub>:** There is no significant relationship between annual income of the respondents and factors preferred to avail housing loan.

**METHODOLOGY**

A Comparative Study On Customer Preference Towards Housing Loan Offered By Banks In Udumalpet Taluk has been carried out with the following steps

**Area of Study:** Udumalpet Taluk

**Sample Size:** N=100 respondents

**Sampling Process:** Purposive Sampling technique was used for the purpose of the study.

**Data Type:** For the purpose of the study both primary data and secondary data was used.

**Data Collection Tools:** For the purpose of collection of primary data Structured Questionnaire was used for collecting data. Assistance was given to the questionnaire. Before Survey, the prepared questionnaire was discussed with the experts and finalized after conducting a pilot study, questionnaire was revised and restructured.

**Statistical Tools Used:** Percentage Analysis, Chi-Square and Rank Analysis was applied for the purpose of data analysis.

**ANALYSIS AND INTERPRETATION****Table.1.Total No.of.Respondents**

Bank	Public Bank	Private Bank
No.of.Respondents	60	40

The above table shows that total number of respondents in public bank 60 respondents in case private bank 40 respondents are consider total 100 respondents.

**Table.2.Characterstics of the respondents**

Factors	Classification	Public Sector Bank	Private Sector Bank
Gender	Male	31 (51.67%)	23 (57.50%)
	Female	29 (48.33%)	17 (42.50%)
Age	Below 30	32 (53.44%)	30 (75%)
	31-40	18 (30.06%)	9 (22.50%)
	41-50	8 (13.36%)	1 (2.50%)
	Above 50	2 (3.34%)	0 (0%)
Marital Status	Married	41 (68.33%)	27 (67.50%)
	Unmarried	19 (31.67%)	13 (32.50%)
Educational Qualification	School Level	9 (14.94%)	1 (2.50%)
	Graduation	24 (40.00%)	20 (50.00%)
	Post Graduation	22 (36.66%)	16 (40.00%)
	Profession	3 (5.00%)	3 (7.50%)
	Others	2 (3.00%)	0 (0%)
Occupation	Business	13 (21.67%)	4 (10.00%)
	Profession	2 (3.33%)	2 (5.00%)
	Government Employee	13 (21.67%)	2 (5.00%)

	Private Employee	29 (48.33%)	29 (72.50%)
	Agriculture	3 (5.00%)	1 (2.50%)
	Others	0 (0%)	2 (5.00%)
Annual Income	Rs.2,00,000-Rs.4,00,000	40 (66.67%)	36 (90.00%)
	Rs.4,00,001-Rs.6,00,000	14 (23.33%)	2 (5.00%)
	Rs.6,00,001-Rs.8,00,000	3 (5.00%)	1 (2.50%)
	Above Rs.8,00,000	3 (5.00%)	1 (2.50%)

**Source: Primary Data**

The above analysis states that Majority of respondents (51.67% and 57.50%) were male in both the banks, (53.44% and 75%) in both the banks were in the age group of below 30 Years, majority of the respondents (68.33% and 67.50%) were married in both banks respectively, (40% and 50%) were graduates, majority (48.33% and 72.50%) of the respondents belong to the occupation of Private employee, Annual income of the respondents in both banks were belong to Rs.2,00,000 – Rs.4,00,000 (66.67% and 90%) respectively.

**Table.3.Factors Preferred for avail housing loan**

Factors Preferred	1) Procedure	2) Rate of Interest	3) Repayment period	4) Flexibility in Interest payment	5) Processing Period	6) Document & Processing Fees	7) Insurance Coverage	8) Amount Sanctioned	9) EMI Option	10) Flexibility in Repayment	11) Penalty Procedure	12) Concession for preclosure	13) Periodical Information	14) Correctness of Status of A/C
Public Bank	628 (I)	519 (V)	458 (VII)	447 (IX)	529 (IV)	515 (VI)	432 (X)	607 (II)	571 (III)	448 (VIII)	354 (XI)	331 (XII)	249 (XIII)	212 (XIV)
Private Bank	452 (I)	397 (II)	313 (VIII)	307 (IX)	333 (V)	327 (VI)	321 (VII)	373 (III)	364 (IV)	211 (XII)	247 (X)	215 (XI)	187 (XIII)	153 (XIV)

The above table presents the rank for factors preferred by the respondents for availing housing loan. In case of public sector bank it is studied that procedure to get loan was the first factor preferred by borrowers with the score of (628), followed by amount sanctioned got second rank with the score of (607), the third rank was given to the EMI option with the score of (571), followed by the factor processing period with the score of (529) in the fourth place, the fifth rank was given to rate of interest with the score of (519), followed by the factor document charges and processing period with the score of (515) in the sixth place, factor called repayment period ranked as seventh with the score of (458), followed by the factor flexibility in repayment ranked as eighth with the score of (448), ninth rank was given by flexibility in interest option with the score of (447), followed by insurance coverage got tenth rank with the score of (432), the eleventh rank was given to penalty procedure with the score of (354),

concession for pre closure was ranked as twelfth with the score of (331), followed by periodical information about statement of accounts ranked as thirteenth rank with the score of (249) and last rank was given to correctness of status of accounts with the score of (212).

Similarly in case of private sector bank it is studied that procedure to get loan was the first factor preferred by borrowers with the score of (452), followed by rate of interest got second rank with the score of (397), the third rank was given to factor was amount sanctioned with the score of (373), followed by fourth rank was given to the EMI Option with the score of (364), the fifth rank was given to factor called processing period with the score of (333), followed by document charges and processing period got sixth rank with the score of (327), insurance coverage ranked as seventh factor with the score of (321), followed by repayment period ranked as eighth with the score of (313), ninth rank was given by concession for pre closure with the score of (215), followed by penalty procedure got tenth rank with the score of (247), the eleventh rank was given to concession for pre closure with the score of (215), flexibility in repayment was ranked as twelfth with the score of (211), followed by factor called periodical information about statement of accounts ranked as thirteenth rank with the score of (187) and last rank was given to correctness of status of accounts with the score of (153).

Hence it is cleared that the respondents of both the bank applied procedure to get loan was the respondents factor preferred for availing housing loan.

**Table.4.Ranking the problems faced by respondents**

Problems	1) Procedure difficulty	2) High rate of interest	3) Shorter repayment period	4) Non-flexibility in interest option	5) Long processing period	6) Higher processing & documentation	7) Higher Insurance Coverage	8) Delay in Amount Sanctioned	9) Non Flexibility in Repayment	10) Difficulties in penalty procedure	11) No Concession for preclosure	12) Non Availability of periodical information
Public Bank	415 (VI)	456 (IV)	463 (III)	434 (V)	548 (I)	353 (IX)	233 (XI)	519 (II)	182 (XII)	413 (VII)	282 (X)	382 (VIII)
Private Bank	180 (XI)	325 (II)	281 (VI)	274 (VII)	188 (X)	293 (V)	363 (I)	254 (VIII)	119 (XII)	323 (III)	219 (IX)	301 (IV)

The above table presents the ranks for the problems faced by the respondents in availing housing loan. In case of public sector bank it is studied that long processing period was the first problem faced by borrowers with the score of (548) followed by delay in amount sanctioned the score of (519), the third rank was given to the shorter repayment period with the score of (463) followed by higher rate of interest with the score of (456). The fifth rank was given to non-flexibility in interest option with the score of (434), followed by procedure difficulty to get loan with the score of (415). Difficulties in penalty procedure ranked as seventh problem with the score of (413), next comes non availability of periodical information with the score of (382), ninth rank was given to higher processing fees and documentation charges with the score of (353), followed by no concession for pre-closure with the score of (282). the eleventh rank was given to higher insurance charges with the score of (233) and last ranked problem was non-flexibility in repayment with the score of (182).

In the case of private sector bank high insurance coverage was the first problem faced by borrowers with the score of (363) followed by higher interest rate with the score of (325), the third rank was given to the difficulties in penalty procedure with the score of (323) followed by non-availability of periodical information with the score of (301). The fifth rank was given to higher processing and documentation charges with the score of (293) followed by shorter repayment period sixth rank with the score of (281). Non-flexibility in interest option ranked as seventh problem with the score of (413), next comes delayed in amount sanctioned with the score of (254), ninth rank was given to no concession for pre-closure with the score of (219), followed by long processing period with the score of (188), the eleventh rank was given to procedure difficulty with the score of (180) and last ranked problem was non-flexibility in repayment was ranked with the score of (119).

The analysis shows that in case of public sector bank majority of the respondents expressed that long processing period was a major problem faced by the respondents whereas in case of private sector bank higher insurance coverage was a major problem faced by respondents.

**Table.5.Education qualification and Factors Preferred for avail housing loan**

Educational Qualification	Factors Preferred														Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
School Level	112	86	77	73	63	84	53	90	106	75	71	55	56	55	1056
Graduation	475	438	348	396	390	387	304	427	387	293	227	249	185	141	4620
Post Graduation	403	324	294	250	345	304	335	372	362	240	259	197	163	142	3990
Profession	71	56	44	43	55	41	45	66	54	39	30	35	31	20	630
Others	19	12	8	19	9	26	16	25	26	12	14	10	7	7	210
<b>Total</b>	<b>1080</b>	<b>916</b>	<b>771</b>	<b>754</b>	<b>862</b>	<b>842</b>	<b>753</b>	<b>980</b>	<b>935</b>	<b>659</b>	<b>601</b>	<b>546</b>	<b>442</b>	<b>365</b>	<b>10500</b>

H<sub>01</sub>: There is no significant relationship between educational qualification and factors preferred for availing housing loan

Calculated value: 101.2246

Table value: 69.83

Degree of freedom= 52

Level of Significance: 5%

The calculated chi-square value (101.2246) is greater than table value (69.83) at 5% level of Significance. Hence hypothesis is rejected. Therefore there is significant relationship between educational qualification and factors preferred for availing housing loan.

**Table.6.Annual Income and Factors Preferred for avail housing loan**

Annual Income	Factors Preferred														Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Rs.2,00,000- Rs.4,00,000	800	645	556	598	610	621	535	700	636	482	406	398	296	268	7560
Rs.4,00,001- Rs.6,00,000	186	184	149	102	199	159	158	204	211	134	149	100	97	68	2100
Rs.6,00,001- Rs.8,00,000	46	37	35	34	23	35	28	42	42	18	17	24	23	16	420
Above Rs.8,00,000	48	41	31	20	30	27	32	34	46	25	29	24	20	13	420
<b>Total</b>	<b>1080</b>	<b>916</b>	<b>771</b>	<b>754</b>	<b>862</b>	<b>842</b>	<b>753</b>	<b>980</b>	<b>935</b>	<b>659</b>	<b>601</b>	<b>546</b>	<b>442</b>	<b>365</b>	<b>10500</b>

H<sub>02</sub>: There is no significant relationship between annual Income of respondents and factors preferred for availing housing loan.

Calculated value: 73.55718

Table value: 54.57

Degree of freedom= 39

Level of Significance: 5%

The calculated chi-square value (73.55718) is greater than table value (54.57) at 5% level of Significance. Hence hypothesis is rejected. Therefore there is significant relationship between annual income of the respondents and factors preferred for availing housing loan.

#### **FINDINGS**

- Majority of the respondents (51.67% and 57.50%) were male in both public sector bank and private sector bank.
- Majority of the respondents (53.44% and 75%) were below 30 years of age in both public sector and private sector bank.
- Majority of the respondents (68.33% and 67.50%) were married in both public sector bank and private sector bank.



- The analysis shows that majority of the respondents (40% and 50%) were graduates in both the banks.
- Majority of the respondents (48.33% and 72.50%) were working as private employees in both type of banks.
- It is clear from the analysis that majority of the respondents (66.67% and 90%) belonged to annual income category of Rs.2,00,000-Rs.4,00,000 per annum in both the banks.
- Procedure to get loan is important factor preferred by respondents of both the banks.
- In case of public sector bank majority of the respondents expressed that long processing period was a major problem faced by the respondents whereas in case of private sector bank higher insurance coverage was a major problem faced by respondents.

#### **HYPOTHESES TESTING RESULT**

- **H0<sub>1</sub>:** There is significant relationship between educational qualification and factors preferred for availing housing loan.
- **H0<sub>2</sub>:** There is significant relationship between annual income of the respondents and factors preferred for housing loan.

#### **SUGGESTIONS**

- It is suggested that banker has to make it very easy procedure to get loan.
- It also suggested that they have to provide housing loan facilities for all categories of occupation people such as agriculture etc.,
- It is suggested that bank has to reduce the interest rate incurred for housing loan so that people does not get hesitate to avail housing loan.

#### **CONCLUSION**

A Comparative Study On Customer Preference Towards Housing Loan Offered By Banks In Udumalpet Taluk concluded that major factor which is motivated the customer for availing a housing loan was easy procedure to get loan and amount sanctioned which plays a vital role in public sector bank whereas in case of private sector bank it had easy procedure to get loan and rate of interest plays a vital role in it. But, the major problem faced by respondents in public sector bank was long processing period, where as in case of private sector bank it was higher insurance coverage. In this context the researcher suggested that it would be beneficial for the interest of the borrowers if RBI would take proper measure to avail housing loan easily.

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