

A STUDY ON CUSTOMER SATISFACTION TOWARDS HOUSING LOAN OF PUBLIC AND PRIVATE SECTOR BANKS

Submitted in partial fulfillment of the requirement for the reward of

BACHELOR OF COMMERCE

By

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**BACHELOR OF COMMERCE SCHOOL
OF MANAGEMENT STUDIES**

SATHYABAMA

INSTITUTE OF SCIENCE AND TECHNOLOGY

(DEEMED TO BE UNIVERSITY)

*Accredited with Grade "A" by NAAC I 12B Status by UGC I Approved by AICTE Jeppiaar Nagar, RAJIV
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DEPARTMENT OF BUSINESS ADMINISTRATION

BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of **MALATHI.T (39740138)** who has done the Project work entitled “ **A STUDY ON CUSTOMER SATISFACTION TOWARDS HOME LOAN OF PUBLIC AND PRIVATE SECTOR BANKS**” under my supervision from July 01, 2021 to August 06, 2021

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DECLARATION

I am MALATHI.T (39740138) hereby declare that the Project Report entitled **“CUSTOMER SATISFACTION TOWARDS HOUSE LOAN OF PUBLIC AND PRIVATE SECTOR BANKS”** done by me under the guidance of Mr, Paramasivam is submitted in Partial fulfillment of the requirements for the award of Bachelor of Commerce.

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MALATHI T

ABSTRACT

Today banks are facing tough competition. The customers have a wide choice of banks to select from. In order to survive and develop, banks want to satisfy customer needs. Many Housing Financial Institutions in India are providing easy home loans without much delay. This has made the home loan system quite popular. The home loan is offered by many public sector banks and private sector banks. The present study intends to analyse the factors which influence satisfaction among home loan borrowers from the public sector and private sector. Important among them chosen for the study are SBI and Canara Bank from the public sector and HDFC and ICICI from the private sector. The study will be helpful to the lending agencies to render better services based on the changing needs and behaviour of home loan borrowers and will also facilitate the government in revising the home loan policies periodically. The result of the study revealed that the satisfaction level about the services provided by public sector banks as well as private sector banks is quite satisfactory to the borrowers. The article suggested that the rate of interest and amount of EMI should be competitive and loan processing should be quicker by public and private sector banks to attract more customers in the future.

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CHAPTER-1

Introduction

Housing is one of the basic needs of human beings and it is essential as food and clothing. The problem of housing has been of great importance ever since the evolution of mankind. The house plays a significant role in the socio-psychological development of individuals. Good housing is a prerequisite for human development and welfare. It provides shelter, security, amenities, privacy etc to human beings for a decent living. Housing is also accepted as a key sector of the national economy which measures the standard of living and economic condition of a country. Now housing is a symbol of social prestige and an indicator of social status. It provides aesthetic contentment, emotional and mental satisfaction, comfort and safety.

The home loan is available for the purchase of new/old house, construction of a new house, purchase of a plot of land and for repairs/renovations/extension of an existing house. It is also in the form of repaying a loan already taken from other housing finance companies/banks.

The rate of interest applicable to home loans may be fixed, floating or mixed. The minimum term of home loan is generally 5 years, while the maximum duration is 30 years or before the borrower reaches the age of 70. A home loan can be availed either individually or jointly. The amount of loan sanctioned varies from bank to bank, generally, the maximum loan amount granted for the applicant may be 65% to 90% of the cost of the home.

1.1 Significance of the Study

There arises a quandary in the mind of borrowers before taking a housing loan about which bank is to be preferred, whether a public sector or a private sector. The answer to the question can be found out by analysing the amenities offered by these banks like the speed of sanctioning loan, the amount of the loan sanctioned, amount of EMI, the loan recovery procedure, infrastructure facilities of banks, technological advancement of banks, employee attitude, legal action taken by banks against defaulters etc. By analyzing all these factors the borrowers themselves will decide which bank is ideal for them to avail of a housing loan. The relevance of the present study is to assess and compare the satisfaction of home loan borrowers who had availed housing loan from any of these banks.

1.2 Scope of the Study

The growing demand for the housing sector has necessitated the private and public sector banks to footsteps in the housing finance market. Today, almost

all financial institutions have entered into this arena and competing with each other in providing housing loans at competitive interest rates, speed and accuracy, sufficient amount etc. There are various factors which may affect consumer behavior towards home loan of different banks in these matters. The study will be helpful to the lending agencies to render better services based on assessing the attitude of borrowers towards the home loan policies of these banks.

1.3 Objectives of the study

- To analyze the factors influencing customer satisfaction
- To compare the satisfaction of home loan borrowers of public and private sector banks

1.4 Need for the study

In the present scenario there are number of banks and housing finance companies offering cheap home loans at a low interest rate. The home loans schemes offered by both public and private sector banks are very competitive. Mostly people prefer public sector banks for home loans, especially because they believe that is more secure bank and interest rate is lower. On the other hand the private sector banks are coming daily in our country and the preference of younger population is changing because of service facility provided by them. So this study tries to provide and insight on the aspects related to housing loans and the customer expectations towards the services offered by the banks.

CHAPTER – 2

REVIEW OF LITERATURE

Several studies have been done by various researchers in the context of home loans.

The details of some of the reviews are pointed out below:

Meenakshi Malhotra & Sangeetha Aurora (1999) in their article “Customer satisfaction: A Comparative Analysis of Public and Private Sector Banks” exhibited the level of customer satisfaction that has become one of the major targets of banks to increase their market share. Continuous up-gradation of technology, innovative services, beautiful bank decors are the privileges enjoyed by the private sector banks now-a-days over the public sector banks to attract new customers. The authors suggested certain measures to modernise the Public Sector Banks such as, proper training and development of bank staff, conduct market surveys to monitor the strength and weakness of the rendered services and avoid long queues in the bank.

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 variables in the marketing of housing loan schemes by banks.

Nirmaljeet Virk & Prabhjot Kaur Mahal (2012) in their article “A Comparative Analysis of Public and Private Sector Banks in India” studied the expectations and level of satisfaction of customers towards the services rendered by public and private sector banks. Under public sector banks SBI, Punjab National Bank and Oriental Bank of Commerce were selected and ICICI, HDFC and AXIS banks were selected among private sector banks. The study revealed that customers’ demand for housing finance institutions differs based on demand for top quality services and products served with minimum wait of time. Private bank managers are ahead of public sector banks in making the relationship with their customers and winning their acceptance. Today larger client base in India is banking with private sector banks than the public sector. Public sector banks are lagging behind in the use of modern technology and techno-savvy staff.

Natika. P. Jain (2013) in her unpublished Ph.D. thesis titled “A Comparative Analysis of Marketing of Banking Services in India with Special Reference to Private Vs Public sector Banks” made a comparative study based on the opinion of customers and bank employees (marketing staff) among the public sector banks and private sector banks. The banks selected for the study were

SBI from public sector banks and ICICI from private new generation banks. The findings of the study revealed that the housing loan, which is SBI's domain, will no longer remain the same because; ICICI bank is slowly capturing the housing loan market. This research was also useful for other private sector and public sector banks in formulating their policies regarding the launch of new housing loans.

Saurabh Gupta & Shweta Awasthi (2017) in their article "Assessment of Customer Satisfaction Regarding Housing Loans: With Special Reference to Punjab National Bank" described the step by step procedure followed by PNB in the sanctioning of home loans. The bank before giving loans looks into the borrower's character, capacity and capital (3c's). It also checks the previous reports history and internal and external credit rating etc of borrowers. Banks" made a comparative study based on the opinion of customers and bank employees (marketing staff) among the public sector banks and private sector banks. The banks selected for the study were SBI from public sector banks and ICICI from private new generation banks. The findings of the study revealed that the housing loan, which is SBI's domain, will no longer remain the same because; ICICI bank is slowly capturing the housing loan market. This research was also useful for other private sector and public sector banks in formulating their policies regarding the launch of new housing loans.

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CHAPTER – 3

RESEARCH METHODOLOGY

3.1 RESEARCH METHODOLOGY

Research methods are the techniques and tools by which you research a subject or a topic. Research methodology involves the learning of various techniques to conduct research and acquiring knowledge to perform tests, experiments, surveys, and critical analysis.

Research methodology simply refers to the practical “how” of any given piece of research. It’s about how a researcher systematically designs a study to ensure valid and reliable results that address the research aims and objectives.

3.2 RESEARCH DESIGN

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. This Research design applied for the study is ‘Descriptive Research.

3.2.1 DESCRIPTIVE RESEARCH DESIGN

Descriptive research aims to accurately and systematically describe a population, situation or phenomenon. It can answer what, where, when and how questions, but not why questions. A descriptive research design can use a wide variety of research methods to investigate one or more variables.

3.3 SAMPLING TECHNIQUE

Sample design is the theoretical basis and the practice mean by generalizing from characteristics of relatively few of the comprising population. It is the method by which the sample is chosen.

3.3.1 NON PROFITABILITY SAMPLING

Non-probability sampling is defined as a sampling technique in which the researcher selects samples based on the subjective judgment of the researcher rather than random selection

3.3.2 CONVENIENCE SAMPLING

A convenience sample is a type of non-probability sampling method where the sample is taken from a group of people easy to contact or to reach.

SAMPLING TECHNIQUE ADOPTED

Convenience Sampling.

3.4 SAMPLE SIZE

A sample of 150 respondents was taken as sample respondents for the purpose of study. The respondents were selected at random. 45 man in private banks and 51 responders from public or state-owned bank. Remaining responders from 150 they were women private bank responders 30 and public 24 total 54 woman responders.

Tools used

We collect data from responders of public and private sectors banks by using Random sampling methods. In the questionnaire most of the questions are in Likert style, which is a five-point rating scale. This scale has specific category and each specific category has its own description.

3.5 SOURCES OF DATA

Sources of Data begins with figuring out what sort of data is needed, followed by the collection of a sample from a certain section of the population. Next, you have to utilize a certain tool to gather the data from the chosen sample. The two types of sources of data are

3.5.1 Primary data

The Primary data for this study was collected through questionnaire.

3.5.2 Secondary data

Secondary data was collected from external sources like Websites, Journals etc.

3.6 STRUCTURE OF THE QUESTIONNAIRE

The questionnaire follows a simple and basic layout. It is made easy for the participants to respond to the questionnaire without any delay or confusion. The set of question and the answer options present in the questionnaire are predetermined and are constructed by myself based on general questions regarding the main topic. The structure of questionnaire used in this project is as follows.

3.6.1 Basic introduction

The questionnaire begins with small and simplifies description regarding the questionnaire – Title and description of the topic

3.6.2 Personal details

The actual questionnaire begins here where the participants are asked about their personal details such as their name, age, gender and occupation.

3.6.3 Research related questions

The next set of questions in the questionnaire consists of the questions related to public where the participants are asked on their general opinion on their satisfaction level of lifestyle clothing.

3.6.4 Perception questions

The next set of questions in the questionnaire focus on increase in clothing related question on whether the participants are affecting due to increase in clothing.

3.6.5 Suggestion questions

The last and final questions in the questionnaire focus on the suggestion questions of the participants regarding the questionnaire.

3.7 Hypotheses

- There is no significant difference in customer satisfaction between public and privatesector banks with regards to home loan policy.
- There is no significant difference in customer satisfaction between public and privatesector banks in the facilities provided to their customers.
- There is no significant difference in customer satisfaction between public and privatesectors bank about the behavioral attitude of employees.
- There is no significant difference between public and private sector banks concerningthe overall satisfaction of home loan borrowers.

CHAPTER – 4

DATA ANALYSIS AND INTERPRETATION

The following consist of the data analysis and interpretation of my questionnaire:

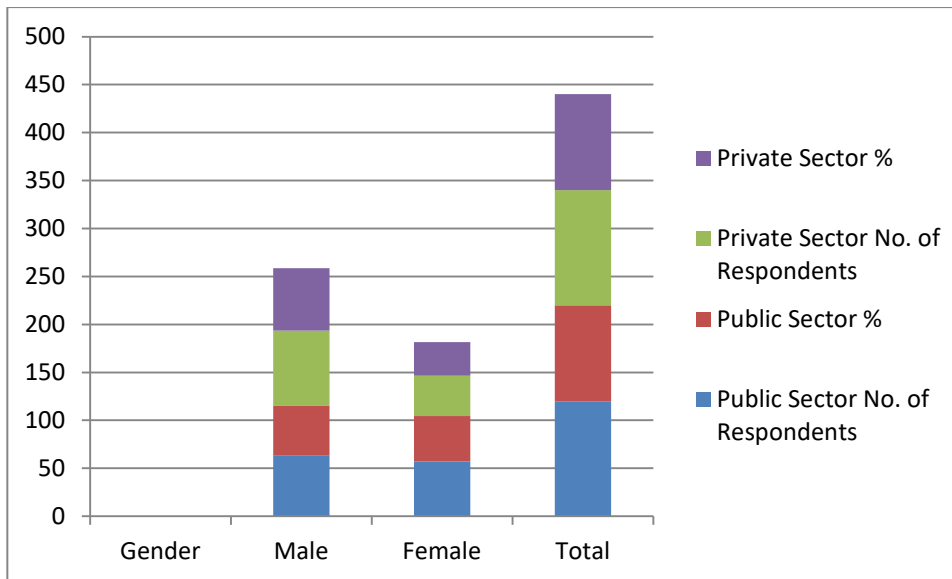
4.1 PERCENTAGE ANALYSIS

[1] Gender wise classification of the respondents

TABLE 4.1

	Public Sector		Private Sector	
	No. of Respondents	%	No. of Respondents	%
Gender				
Male	63	52.5	78	65.0
Female	57	47.5	42	35.0
Total	120	100.0	120	100.0

Chart 4.1



Inference

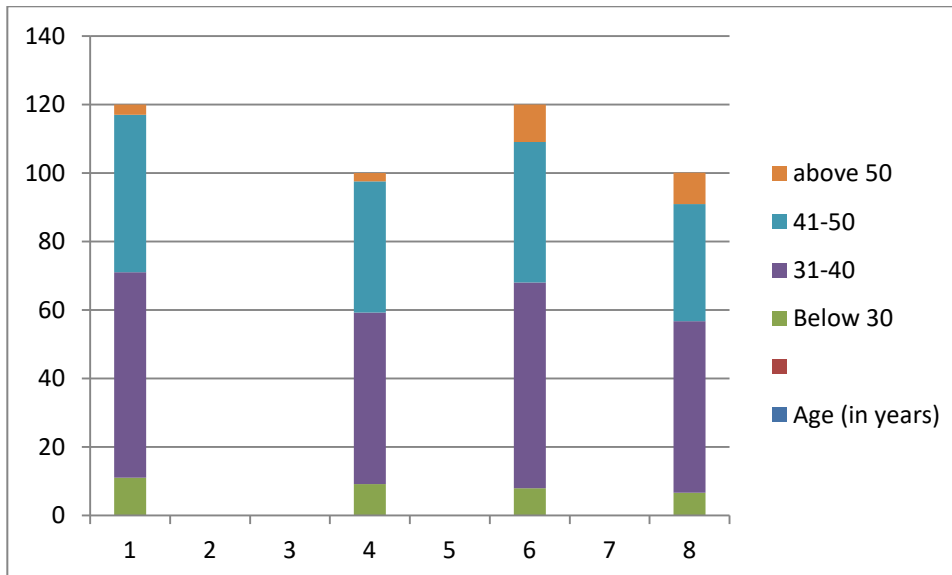
Majority of home loan borrowers are male both in the public and in the private sector.

[2] AGE WISE CLASSIFICATION

TABLE NO 4.2

Age (in years)	Public Sector		Private Sector	
	No. of Respondents	%	No. of Respondents	%
Below 30	11	9.2	8	6.7
31-40	60	50.0	60	50.0
41-50	46	38.3	41	34.2
above 50	3	2.5	11	9.2

CHART NO 4.2



INFERENCE

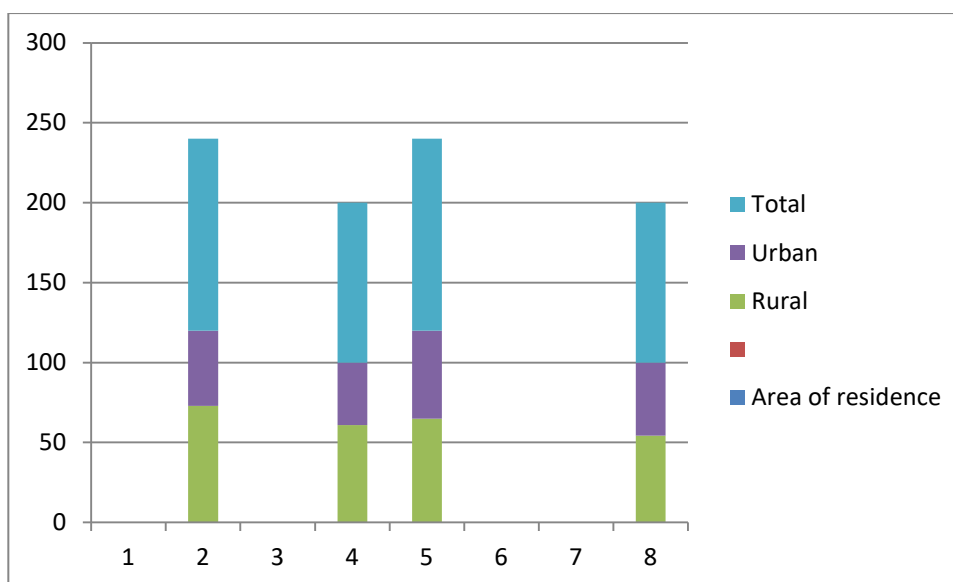
Age of 50% of home loan borrowers of public and private sector banks are between 31 – 40 age groups. With high disposable income and better employment scenario in our country, homebuyers can invest in their dream home at a younger age.

[3] Rural and Urban sector

TABLE NO 4.3

Area of residence	Public Sector		Private Sector	
	No. of Respondents	%	No. of Respondents	%
Rural	73	60.8	65	54.2
Urban	47	39.2	55	45.8
Total	120	100.0	120	100.0

CHART NO 4.3



INFERENCE

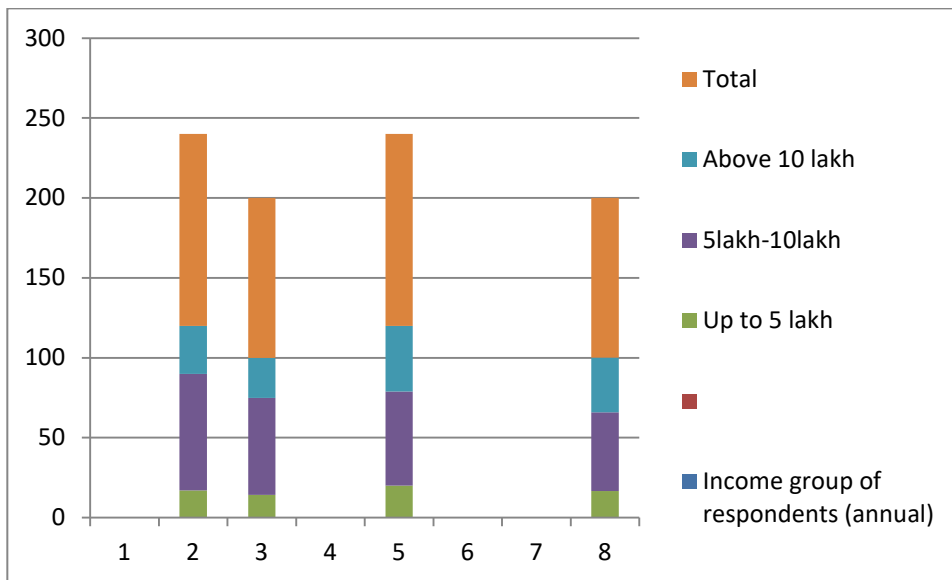
More than 60% of the total number of home loan borrowers is rural inhabitants.

[4] Income group of respondents (annual)

TABLE NO 4.4

Income group of respondents (annual)	Public Sector		Private Sector	
	No. of Respondents	%	No. of Respondents	%
Up to 5 lakh	17	14.2	20	16.7
5lakh-10lakh	73	60.8	59	49.2
Above 10 lakh	30	25.0	41	34.2
Total	120	100.0	120	100.0

CHART NO 4.4



INFERENCE

The income of borrowers is an important decisive factor in availing an adequate amount of loans. The annual income of more than 60% of the respondents is between 5 lakhs and 10 lakhs.

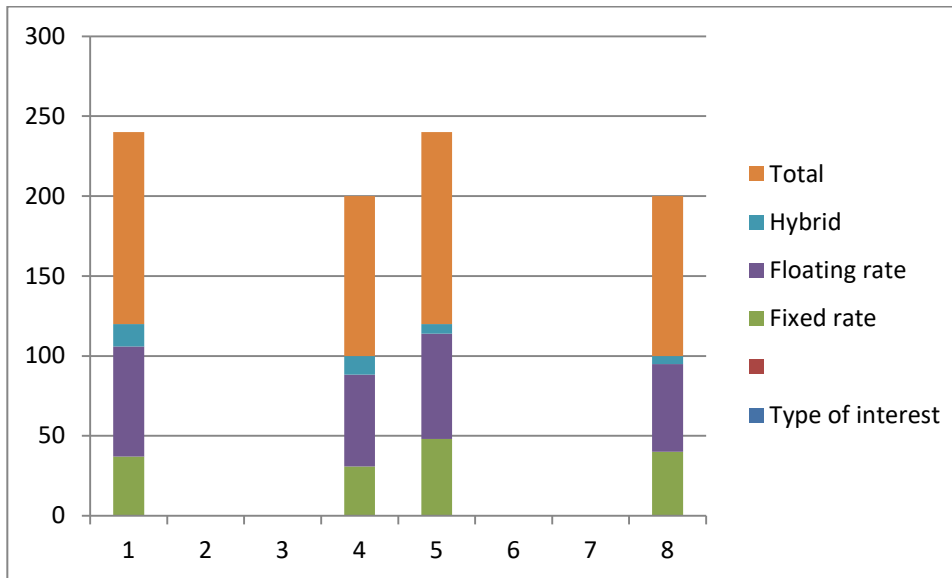
[5] Type of interest

TABLE NO 4.5

Type of interest	Public Sector		Private Sector	
	No. of	%	No. of	%

	Respondents		Respondents	
Fixed rate	37	30.8	48	40.0
Floating rate	69	57.5	66	55.0
Hybrid	14	11.7	6	5.0
Total	120	100.0	120	100.0

CHART NO 4.5



INFERENCE

Among three types of interests available to the borrowers to opt, the majority of respondents had chosen a floating rate of interest.

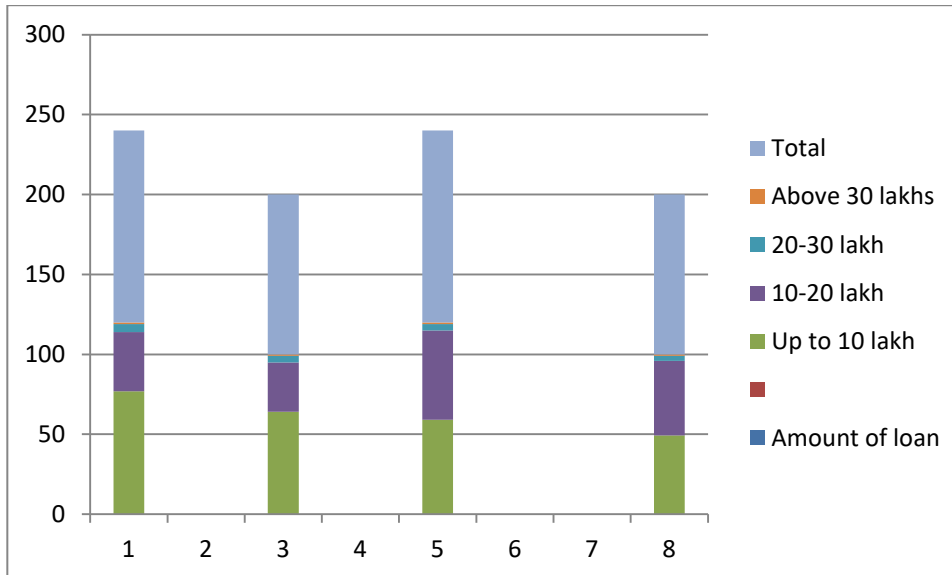
[6] Amount of loan

TABLE NO 4.6

Amount of loan	Public Sector		Private Sector	
	No. of Respondents	%	No. of Respondents	%

Up to 10 lakh	77	64.2	59	49.2
10-20 lakh	37	30.8	56	46.7
20-30 lakh	5	4.2	4	3.3
Above 30 lakhs	1	.8	1	.8
Total	120	100.0	120	100.0

CHART NO 4.6



INFERENCE

Respondents of both the sectors of banks availed loan amount up to 10 lakhs only, even though banks are offering more amounts.

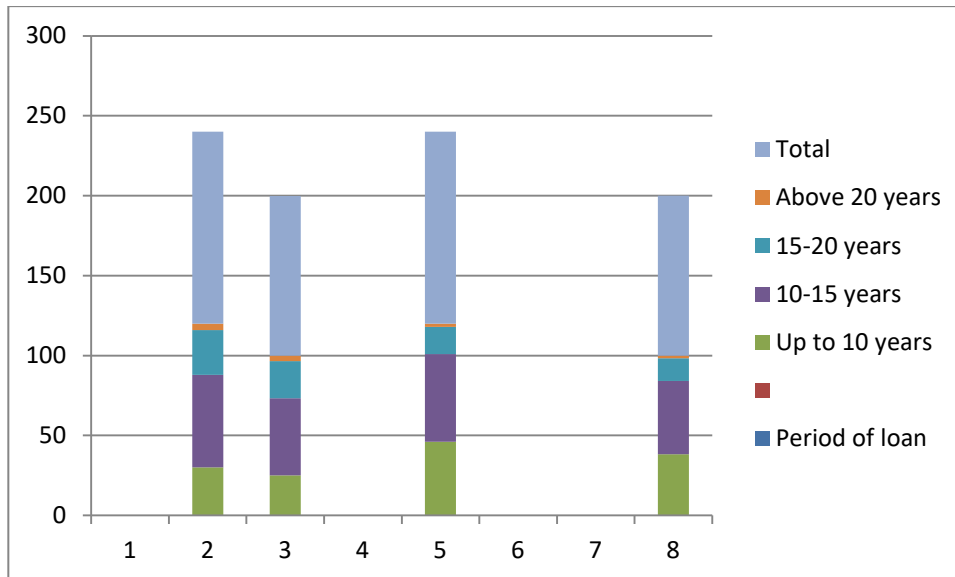
[7] Period of loan

TABLE NO 4.7

Period of loan	Public Sector		Private Sector	
	No. of Respondents	%	No. of Respondents	%
Up to 10 years	30	25.0	46	38.3

10-15 years	58	48.3	55	45.8
15-20 years	28	23.3	17	14.2
Above 20 years	4	3.3	2	1.7
Total	120	100.0	120	100.0

CHART NO 4.7



INFERENCE

The majority of home loan borrowers of both sectors of banks have opted for a period of loan a maximum of 15 years.

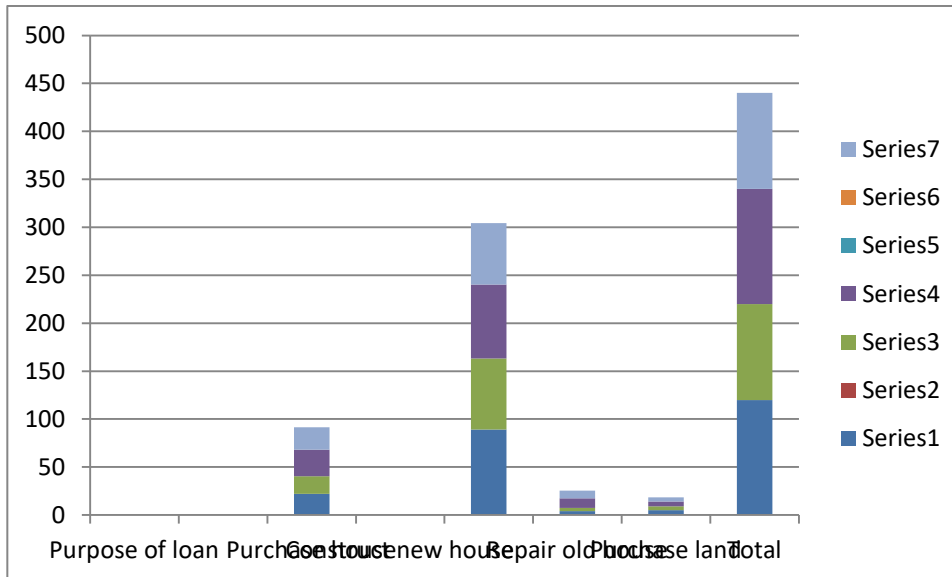
[8] Purpose of loan

TABLE NO 4.8

Purpose of loan	Public Sector		Private Sector	
	No. of Respondents	%	No. of Respondents	%
Purchase house	22	18.3	28	23.3
Construct newhouse	89	74.2	77	64.2

Repair old house	4	3.3	10	8.3
Purchase land	5	4.2	5	4.2
Total	120	100.0	120	100.0

CHART NO 4.8



INFERENCE

The purpose of the majority of home loan borrowers is to construct a new house.

CHAPTER – 5

FINDINGS SUGGESTIONS AND FINDINGS

5.1 FINDINGS

- Majority of home loan borrowers are male in both the public and private sector banks. Age of 50% of home loan borrowers of public and private sector banks are between 31– 40 age groups. More than 60% of the total number of home loan borrowers is rural inhabitants. The annual income of more than 60% of the respondents is between 5 lakhs and 10 lakhs.

Majority of the respondents had chosen a floating rate of interest. Respondents of both the sectors of banks are interested in avail of a loan amount up to 10 lakhs. Majority of home loan borrowers of both sectors of banks have opted a period of loan for a maximum of 15 years. Majority of home loan borrowers of both sectors of banks availed loans to construct a new house.

- The government and RBI insisting the Housing Financial Institutions to follow some rules and regulations while dealing with home loans. The home loan policy of banks helps to decide matters relating to the rate of interest, amount of EMI, grievance settlement, tax benefit on the loan etc. According to the opinion of borrowers from the public and private sectors, they are satisfied with matters relating to these things.
- To attract the public towards banks, there arise competitions to provide many facilities like parking area, drinking water, toilet facility, convenient location of branches etc. By analysing the result of the study it was understood that the borrowers of both sectors of banks are fully satisfied with the amenities provided to them.
- It is assumed that the behavioural attitude of employees working in financial institutions is an influencing factor that attracts the public. The present study revealed that the home loan borrowers are satisfied with the employees working in the public and private sectors in their helping mentality, skill and professional expertise, experience and efficiency, approachable and friendly attitude of employees etc.
- By taking into consideration all the variables together the overall satisfaction of the home loan borrowers is assessed and evaluated. The result exhibited that the home loan borrowers of both sectors are satisfied with the home loan policy, amenities provided by banks and the behavioural attitude of employees.

5.2 SUGGESTIONS

- Banks should use an easy and simple procedure for the sanctioning of home loans to customers.
- The banks need to improve the level of customer satisfaction due to stiff competition among the banks.
- Banks employees who deal with customers should improve their good conduct and friendly attitude to the customers. More personal attention should be given to the customers and working efficiency should be increased.
- The rate of interest should be competitive and loan processing should be quicker by public sector banks and private sector banks.
- The attractive advertisements should be provided to the customer for awareness about different housing loan schemes of the public sector and private sector banks.

5.3 CONCLUSIONS

The study has identified various factors that lead to satisfaction of home loan borrowers of public and private sector banks. From among a large number of factors that contribute to the satisfaction of borrowers, a few of them were taken into account. The study also confined to the area of home loan policy, amenities provided by banks to its customers, the behavioral attitude of bank staff and the satisfaction of customers as a whole to these sectors of financial institutions. In precise it is to conclude that both public sector and private sector banks truly deserve to be the leading banks in the home loan sector.