

A STUDY ON CUSTOMER'S AWARENESS ON CHANGING HOME LOAN INTEREST RATE BY RBI

Submitted in partial fulfillment of the requirements for the award of

Master of Business Administration

By

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Register No. 39410019



SCHOOL OF BUSINESS ADMINISTRATION

SATHYABAMA

**INSTITUTE OF SCIENCE AND TECHNOLOGY
(DEEMED TO BE UNIVERSITY)**

**Accredited with Grade "A" by NAAC | 12B Status by UGC | Approved by AICTE
JEPPIAAR NAGAR, RAJIV GANDHI SALAI, CHENNAI - 600 119**

April - 2021



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BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of ARAVIND.K 39410019 who have done the project work entitled “**A study on customer’s awareness on changing home loan interest rate by RBI**” under my supervision from December 2020 to February 2021.

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DECLARATION

I, **ARAVIND.K (39410019)**, hereby declare that the Project Report entitled, “ **A study on customer’s awareness on changing home loan interest rate by RBI**” done by me under the guidance of Dr. J.RANI is submitted in partial fulfillment of the requirements for the award of Master of Business Administration degree.

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ABSTRACT

In developing countries like India, the house is a dream of most of the people. For these aspirants of houses, housing loan is a golden opportunity to bring their dreams into reality. Prior to New Economic policy 1991, banks are not entertaining long term finance for housing purpose. After liberalization, RBI has introduced the policy of housing finance up to Rs15 lakhs as priority sector lending, The banks can play a supporting role in this connection by providing housing loan to many people who are eligible for it. This study throws light on how far the customer are aware of current interest rate. To identify the customer awareness, a set of questions were framed. The data were collected by using convenience sampling from 140 customers belong to Chennai city. Using SPSS, some of the relevant tests were carried out like Chi square, ANOVA and Correlation. Based on the analysis made various finding were derived that will be useful, relevant and significant to determine the consumer awareness on interest rate.

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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

Everyone of us need a place of our own, which we called as HOME. The Home signifies comfort, security and peace so we strive for owning a house, but buying an immovable property in India is a lifetime challenge because of a combination of fact.

Home Loan is a contract entered between the lender and the borrower that regulates the terms of a loan. But a 47 page document which requires more than 72 signatures from the customer is not well read by the customer for the reasons known to him. It is viewed by the customer as a mere formality to get loan and he also believes that nobody reads it. In the hurry to acquire that dream home.

We may not always realize it, but interest rates play an important role in our everyday lives and can greatly affect our buying. The interest rate usually means anything suggested by the Reserve bank of India

RBI launched up to 15 lakhs of housing finance regulations as priority sector lending after liberalization. In the nation as India housing loans are an important problem where cores of people are struggling for Shelter, especially middle class people. Banks plays an important part of offering mortgage loans to those individuals

The concept is Awareness. So, It is an initiative to identify the customer are aware of their interest rate or not, because there is a change in home loan interest rate randomly due to the situation.

This will tell whether the banks inform to their customers when there is a change in interest rate.

1.1.1 TYPES OF HOME LOAN:

Home Purchase Loans: This is the basic home loan for the purchase of a new home.

Home Improvement Loans: These loans are given for implementing repair works and renovations in a home that has already been purchased.

Home Construction Loan: This loan is available for the construction of a new home.

Home Extension Loan: This is given for expanding or extending an existing home. For eg: addition of an extra room etc.

Home Conversion Loan: This is available for those who have financed the present home with a home loan and wish to purchase and move to another home for which some extra funds are required. Through home conversion loan, the existing loan is transferred to the new home including the extra amount required, eliminating the need of prepayment of the previous loan.

1.1.2 HOME LOAN PROCEDURE:

Step 1: Application form

Step 2: Personal Discussion

Step 3: Bank's Field Investigation

Step 4: Credit appraisal by the bank and loan sanction

Step 5: Offer Letter

Step 6: Submission of legal documents & legal check

Step 7: Technical / Valuation check

Step 8: Registration of property documents

Step 9: Signing of agreements and submitting post-dated cheques

Step 10: Disbursement

1.2 INDUSTRY PROFILE

1.2.1 Introduction of bank

A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets.

A bank may be defined as an institution that accepts deposits, makes loans, pays checks and provides financial services. A bank is a financial intermediary for the safeguarding, transferring, exchanging, or lending of money. A primary role of banks is connecting those with funds, such as investors and depositors, to those seeking funds, such as individuals or businesses needing loans. A bank is a connection between customers that have capital deficits and customers with capital surpluses.

Banks distribute the medium of exchange. Banking is a business. Banks sell their services to earn money, and they must market and manage those services in a competitive field. Banks are financial intermediaries that safeguard, transfer, exchange, and lend money and like other businesses that must earn a profit to survive. Understanding this fundamental idea helps you to understand how banking systems work and helps you understand many modern trends in banking and finance.

The Reserve Bank of India (RBI) is India's central bank, responsible for the issue and supply of the Indian rupee and the regulation of the Indian banking system. It also manages the country's main payment systems and works to promote its economic development.

Until the Monetary Policy Committee was established in 2016, it also had full control monetary policy in India. It commenced its operations on 1 April 1935 in accordance with the Reserve Bank of India Act, 1934. The original share capital was divided into shares of 100 each fully paid. Following India's independence on 15 August 1947, the RBI was nationalized on 1 January 1949

1.2.2 Commercial Banks

Provide familiar services such as checking and savings accounts, credit cards, investment services, and others. Historically, offered their services only to businesses, including credit and debit cards, bank accounts, deposits and loans, and secured and unsecured loans. Due to deregulation, commercial banks are also competing more with investment banks in money market operations, bond underwriting, and financial advisory work.

Retail Banks

Developed to help individuals not served by commercial banks. Provide basic banking services to individual consumers. These institutions help customers save money, acquire loans, and invest. They also offer a wide range of financial services to a broad customer base. Examples include savings banks, savings and loan associations, and credit unions and examples of products and services include safe deposit boxes, checking and savings accounting, certificates of deposit (CDs), mortgages, and car loans.

1.2.3 Central Banks

Banks formed, owned, and regulated by the government to manage, regulate, and protect both the money supply and the other banking institutions. Guarantee stable monetary and financial policy from country to country. Typical functions include implementing monetary policy, managing foreign exchange and gold reserves, making decisions regarding official interest rates, acting as banker to the government and other banks, and regulating and supervising the banking industry. Central banks

serve as the government's banker. Central banks issue currency and conduct monetary policy.

1.2.4 About home loan

Rapid urbanisation, decreasing household size & easier availability of home loans has been driving demand for housing.

- Personal finance, including housing finance, provide an essential cushion against volatility in corporate loans.
- Housing units worth Rs. 45 lakh (US\$ 63,107) will rise on account of additional Rs. 1.5 lakh (US\$ 2,103) tax deduction.
- The recent improvement in property value have reduced the ratio of loan to collateral value.
- Credit to housing sector increased at a CAGR of 13.4% during FY16- FY20, wherein, value of credit to housing sector increased from to US\$ 114.10 billion in FY16 to US\$ 188.68 billion in FY20.
- Demand in the low & mid-income segment exceeds supply three- to four-fold. This has propelled the demand for housing loan in the last few years.

Almost four decades ago, home loans were not even an option for homebuyers. Infact, homebuyers were cautious to test this ground due to the social structure they belonged to, other finance modes they depended on and the age at which they decided to buy homes. Today, in times when the younger generation is making a choice of buying a home, thanks to the better-paying jobs, equated monthly installments do not scare them anymore. The repayment capacity of those in their late 20s and into their 30s is, on the whole, better than that of the previous generation.

Three renowned banks are often credited with what has today emerged as a robust borrowing-lending market. When it started offering home loans four decades ago, HDFC Bank had almost no competitor as housing was seen as an unproductive sector and did not receive the focus as it does today. Soon after, it was the ICICI

Bank in 1999 that revolutionized the entire system by introducing floating home loan rates. This was an instant hit among prospective homebuyers. The State Bank of India (SBI) took a long time to gain ground in terms of home loan, but, when it did, it became popular in no time. The bank introduced fixed rate of eight per cent in the first year, nine per cent in the next two years and market rates for the rest of the term. The bank termed this as a teaser rate.

Many other banks which did not have the capacity to lend at attractive rates began rolling out other offers such as home improvement rates which meant there was a higher loan-to-value. But, the Reserve Bank of India (RBI) soon capped such limits at 80 per cent and banks were not allowed to fund stamp duty and registration charges.

Today, borrowing over 80 per cent of the value of a property is quite common, and more and more homebuyers prefer home loans. It also gives the homebuyers an assurance about the property they are planning to invest in as banks perform due diligence of the property before lending. However, it was not the same earlier. The home loan segment has come a long way since its inception decades ago. Prop Guide traces this eventful journey.

1.3 NEED FOR THE STUDY

The aim of the study is to find the Awareness level of the customers on Home loan interest rate. Awareness on interest rate is very essential for the Home loan customers. Awareness on interest rate and other guidelines about loan helps to prevent them in both mental and economical problems. So, to suggest suitable measures to develop awareness on interest rate and reduce the problem arising due to unaware of current interest rate.

1.4 SCOPE AND SIGNIFICANCE OF STUDY

The study has been conducted on behalf of Home loan customers. The study was conducted in Chennai. The study covers the awareness level of customers in respect of home loan interest rate. Hope it has developed the awareness on interest rate and RBI guidelines. The scope of the study is to find out the Customers awareness on home loan interest rate.

1.5 OBJECTIVES OF STUDY

1.5.1 Primary objective

- To study the awareness level on customers with respect to home loan at different customers from different banks in Chennai

1.5.2 Secondary objective

- To identify customer's awareness on home loan interest rate.
- Problems faced by customers with respect to home loan
- To study the customer's satisfaction level towards home loan.

1.6 LIMITATIONS OF THE STUDY

- Some of the respondents can hide the real information.
- Some of the respondents avoid to fill the form.
- Sometime people did not have time to fill questionnaire, so they mark option without even reading the question.
- A sample size cannot always represent the whole population.

CHAPTER 2

REVIEW OF LITERATURE

Aarti Varma (2015) studied the customer perception towards home loan and their satisfaction level towards the home loan services offered by banks. The study revealed the fact that customers felt home loan procedure is difficult and time consuming and they look at interest rate and service quality as major factors in opting for home loan. More home loan schemes, less procedural delays, better distribution setup, lesser documentation formalities, loan transparency would enable the consumers to enjoy the complete benefits of home loans without any hazards.

Arunodayam and Thangavel (2007) reviewed the problems of Housing policies, performance of selected housing finance institutions and banks, identified the interest rate problems on home loan. The study was conducted in the city of Chennai on a sample of 300 home loan borrowers of HDFC, LIC housing finance ltd, ICICI bank ltd. It was observed that average number of family members opting for home loan is 4. Higher educated people, respondents with middle and higher income avail more loans. The average loan amount availed by respondents is Rs. 4.6 lakhs and it is seen that spouse income also supports the household. Further, it is observed that selected institutions account for 67 percent of the home finance loans. It is also observed that majority of the respondents are not happy with the interest rate charged by housing finance institutions in spite of the tax benefits offered by the government. Majority of respondents support fixed rate of interest and feel steady repayment is not a burden.

Bandyopadhyay (2011) has demonstrated the importance of borrower specific characteristics as well as local situation factors in determining the demand prospects as well as the risk of credit, loss on residential housing loan repayment behavior in India. This paper attempts to find out the critical factors that drive demand for housing and its correlation with borrower characteristics.

Devlin (2002) studied the choice criteria followed by consumers in choosing the financial institution and the importance of demographic factors and customers

maturity in affecting choice decision. Using judgemental survey, questionnaire was administered to respondents that generated 4200 responses from individuals who had chosen a home loan institution. From all the criteria that were selected in the study from previous literature, it was found that professional advice is the most cited choice criteria. It was also found that females choose a mortgage primarily from an institution where they already have an account. Individuals from lower social class and low household income, asian ethnicity, location whereas those from higher social class and high household income choose on the basis of previous mortgage. Individuals from non-white ethnicity choose mortgage institution on the basis of image and reputation of the provider. They also consider service quality while choosing. Individuals with low education choose on the basis of cash back being a part of the product features, attractive interest rate and availability of discounts. It was seen that individuals with high financial maturity choose on the basis of previous mortgage, interest rates and those with low financial maturity choose on the basis of professional advice.

Faik Koray and Eric T. Hillebrand had studied about the Interest Rate Volatility and Home Mortgage Loans . they studied that The U.S. economy has experienced substantial fluctuations in real and nominal interest rates since the 1970s. This paper investigates empirically the relationship between home mortgage loans and volatility in mortgage rates for the period 1971:02 through 2003:03. Contrary to common wisdom, we find a positive relationship between mortgage rate volatility and home mortgage loans. Further investigation indicates that this is due to volatility in the bond market. In times of high interest volatility, households disinvest in government securities and invest in real assets, which yield a positive relationship between mortgage rate volatility and home mortgage loans

2006 Fulbag Singh and Reema Sharma In December had studied about the housing Finance in India. Housing, as one of the three basic needs of life, always remains on the top priority of any person, economy, government and society at large. In India, majority of the population lives in slums and shabby shelters in rural areas. From the last decade, the Government of India has been continuously trying to

strengthen the housing sector by introducing various housing loan schemes for rural and urban population. The first attempt in this regard was the National Housing Policy (NHP), which was introduced in 1988. The National Housing Bank (NHB) was set up in 1988 as an apex institution for housing finance and a wholly-owned subsidiary of Reserve Bank of India (RBI). The main objective of the bank is to promote and establish the housing financial institutions in the country as well as to provide refinance facilities to housing finance corporations and scheduled commercial banks. Moreover, for the salaried section, the tax rebates on housing loans have been introduced. The paper is based on the case study of LIC Housing Finance Ltd., which analyzes region-wise disbursements of individual house loans, their portfolio amounts and the defaults for the last ten years, i.e., from 1995-96 to 2004-05 by working out relevant ratios in terms of percentages and the compound annual growth rates. A relevant chart has also been prepared to highlight the results

Gaur (2009) has articulated that Retail banking in India operates in a highly saturated and competitive market... The main objective of the research is to make a comparative study of satisfaction of the borrowers from the selected banks. It is concluded from the study that ICICI bank has an excellent staff members in terms of behavior in comparison to the staff members of SBI. Further the services of ICICI bank are much better than the services of SBI.

Gupta and Agarwal (2013) this is a comparative study in Meerut city, India, to evaluate service quality and resultant customer satisfaction in private banks as compare to public sector ones

George and Shay (1974) in his research on “Some Factors affecting awareness of the consumer regarding home loan” concluded that a majority of borrowers still remained unaware and continued to underestimate annual percentage rates of charge on closed-end installment credit contracts.

(Holsapple et al. 1988).The primary job of a loan officer is to decide on the conditions and amount of a loan. As a result, the loan officer has to track the applicant's credit history as well as check previous and current financial status. The

nature of the task is repetitive and unstructured. The throughput and accuracy of loans granted can be improved using several credit analysis expert systems

J.D. Power (2008)- in this study made an attempt to measure customer's satisfaction with home equity lenders. The study finds there are five key performance indicators including, approving application and providing customer with a access to their find quickly, setting and meeting expectation during the applications approval process, avoiding surprising the customer during the organization process, being versatile and flexible in the location of the closing

Jean Mann Due (1955) in his study has found that consumers are having less knowledge in Banking guidelines. Sources of uncertainty, including future interest rates, housing prices, and general economic conditions, are other factors in the mortgage decision

Kasthuri (2016) studied the customer perceptions and satisfaction towards the home loans offered by public sector banks. The research has found that the customers of the bank were highly satisfied with the home loan services in relation to its services, transparency, time taken for loan approval, employee co-operation and query handling, prima facie of some problems like procedural delays, lack of knowledge and red-tapism. The results further revealed that the main reason for people to prefer this bank is the trust of the customers in the bank, lower interest rates and easy repayable instalments.

Komaraiah and Harshit (2015) aimed at to investigate attempt has been made to study the Loans for Affordable Housing, various problems involved in Affordable Housing Loans and the Affordable Housing Loan Burden on its repayments by the respondents in the study areas of Bangalore, Chennai, Hyderabad, Noida and Pune Cities in India.

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.

Kaur R (2013) conducted the study to analyze the level of customer satisfaction in regard to services provided by HDFC (private sector) and GIC housing finance (public sector) institutions. The data was collected through questionnaire administered to 100 respondents selected conveniently, 50 from each institution. It was observed maximum amount of loan was disbursed by HDFC and maximum loan taken by businessmen followed by government employees. It was then analyzed that the respondents from GIC HF had borne high cost for availing loan. Most of the agriculturists followed by private employees have borne high cost for availing loan. Most of the respondents from GIC HF, agriculturists feel that high rate of interest is charged. Most of HDFC respondents, government employees are satisfied with the loan provided. Respondents from GIC HF, most agriculturists and individuals having income from 2 to 3.5 lakh were of the opinion that they have to fulfil more formalities. Respondents from HDFC, most business

Lewis Mandel (1971) One of the first articles dealing with consumer knowledge of Awareness on interest rates was published, who used data collected by the Survey Research Center at the University of Michigan. He concluded that although awareness of true annual percentage rates charged increased but, borrowers were still largely unaware of the rate they were paying. Furthermore, he concluded that personal characteristics of borrowers made little difference in their awareness of loan rates.

V. Mahalingam (1995) This research attempted to determine consumer knowledge of interest rates. The most significant result was that the majority of people are unaware

of the current interest rate and have little knowledge of the Rbi. Primary data was obtained from 280 samples using the convenient sampling method to study the objectives.

The Kelkar (2016) Committee report recommended two alternatives on housing loans for reducing the tax exemptions. The first option to provide 2% interest subsidy for all loans below Rs 5 Manjeera Journal for Research in Social Science (MJRSS) Vol. III (II) July-Dec, 2016, ISSN 2394-5605 50 lakh through the National Housing Bank or second option to reduce deductible interest amount from Rs 1.5 lakh pa to Rs 50,000 pa.

Manoj (2010) analysed the Problems that consumers face when it comes to interest rates. Changes in interest rates are influenced by the country's economic situation, and many people are unaware of this, and banks are also not providing information to the public. Every bank's benchmark rate will calculate the percentage point of interest rate based on its credibility and size.

McQuinn and O'Reilly (2008) suggested that two of the key drivers frequently cited in the recent run up in house prices have been rising income levels and the benign interest rate environment faced by many countries. Financial variables such as interest rate, money and mortgage supply have been found related to housing prices developments by many authors (see e.g. Tse et al. [17], Su et al. [18], Ngo [19])

Yoko Moriizumi 1999 had studied about the Current Wealth, Housing Purchase and Private Housing Loan Demand in Japan. Japanese households accumulate wealth for downpayments at a high rate. Therefore, current wealth plays an important role in home acquisition as public loans whose direct mortgage lending is a strong support for home purchasers. We estimate the wealth effect on private mortgage debt as well as housing consumption by applying a model where mortgage debt demand is derived from house purchase decisions and is determined jointly with housing consumption. We use a simultaneous equation Tobit estimation method. Wealth effects on private mortgage debt, likelihood of borrowing, and housing consumption

are not elastic. On the other hand, a change in housing consumption affects the likelihood of borrowing elastically much more than the private mortgage amount of borrowers. Housing and private mortgage markets fluctuate very closely with the number of participants in the mortgage market. Therefore, the number of housing starts is linked strongly to the private mortgage market.

Murugan and Jansirani (2017) a study carried out in Chennai to Customer awareness towards home loan by selecting the customer on randomly basis. This study made an attempt to evaluate in depth the performance and operational problems faced by the customer on to the housing sector and based on findings; identify the areas of concerns is required

Narwat et al. (2015) found that housing loan customer preferences are affected by, the processing and, disbursing, conditions and payment terms, customer friendly environment, interest rate , and services offered by the banks

Mark Carey and Greg Nini 2004 had studied about the Is the Corporate Loan Market Globally Integrated? A Pricing Puzzle. We offer evidence that interest rate spreads on syndicated loans to corporate borrowers are economically significantly smaller in Europe than in the U.S., other things equal. Differences in borrower, loan and lender characteristics associated with equilibrium mechanisms suggested in the literature do not appear to explain the phenomenon. Borrowers overwhelmingly issue in their natural home market and bank portfolios display significant home "bias." This may explain why pricing discrepancies are not competed away, but the fundamental causes of the discrepancies remain a puzzle. Thus, important determinants of loan origination market outcomes remain to be identified, home "bias" appears to be material for pricing, and corporate financing costs differ in Europe and the U.S.

Patel (1996) had explained that housing finance has been an integral part of bank's priority sector lending. Every nationalised banks is expected to allocate a specific percentage of deposits for housing finance every year, i.e., to provide housing finance to weaker sections of society who are eligible for it and create awareness whenever there is a change in guidelines

Prabha and Ramphool (2014) stated in their research that public sector banks are very popular due to low interest rate and the trust people have on it. However, the younger generations prefer private sector banks for the services and facilities provided by them and also attracted by the infrastructure of the private banks. Nowadays, public sector banks also provide better services and also provide up to date information to its clients through SMS and internet banking. The study revealed that public sector banks are the most preferred bank by the majority of the people.

Pushpa and Kanwar (2012) evaluated the housing loan schemes offered by various financial institutions and also studied the customer's response regarding housing loans and their level of satisfaction and problems faced by them while dealing with the bank. The study revealed the fact that the customers are attracted towards the lower interest rate and processing fee of private sector banks and they are not satisfied with the service quality of the public sector banks. Hence the customers preferred private sector banks when compared to

Rani (2012) has articulated that a home loan is a long term commitment of 15-20 years, several factors like expertise, quality of service commitment and transparency right through the loan procedure the line print etc. The main objective of the bank is to promote the good guidelines and update the customers frequently in all terms of housing financial institutions in the country as well as to provide refinance facilities to housing finance corporation and scheduled commercial banks. After review of earlier studies on housing finance it is found that very few studies considered the this aspect of finance and other studies are mostly on problems of borrowers and macro level analysis of performance of financial institutions and banks. It reveals the need of research on housing loan policy of a bank and its comparative analysis with that of other banks. So the same issue has been analyzed in this paper.

Rajiv Kumar and Pankaj Vashisht (2009) Indian banks were not exposed to subprime lending due to RBI imposing higher stipulating requirement on real estate lending and very less exposure to external lending. ICICI was the only private bank that was partly effected but it overcame due its strong financial position and

government promptly guaranteed its deposits and so in 2008 the Indian banks showed promising results and 43% rise in profits

Rashmi and Yasmin (2011), analysed the perception of customers towards home loans and the research reveals the fact that customers of the bank were highly satisfied with the home loan services in relation to its services, transparency, time taken for loan approval, lesser interest rates, easy repayable instalments, employee co-operation and query handling etc. except for some problems like procedural delays, lack of knowledge and red-tapism. The high level of customer trust and differentiated services are the success factors for the bank.

Ravi C.S &Kundan Basavaraj (2013) investigated the satisfaction level on customers towards loans, interest rates, services provided in public, private banks in Chennai. Overall satisfaction on bank is positively and still need to be given attention by focusing on customer issues

Rewathy and kumara balan (2009) This research look at the problems that consumers have with interest rates. Customers require a lower interest rate, but interest rates vary due to the country's financial situation, and when the interest rate is lower, customers are happy; when the interest rate rises, customers face financial difficulties, according to the report.

Siva kumar (2016) Housing loan satisfied the customer's needs only the customer satisfied with the bank's services. Any changes in loan terms should be conveyed to consumers in a timely manner. According to the findings of this report, the majority of respondents are happy if their respective banks meet their needs.

Dr.Sheha kumar H mistry (2013) focused on the factors affecting customer satisfaction in banks and analyzing their effects. It is reavealed that customer satisfaction is the key for many banks to survive competition. Customer gives third preference to assurance factor, it include criteria like safety of transaction, consistency in service etc.

Sivesan (2012) found the impact of service quality on customer's satisfaction in banking sector. Service quality are inter related with customer satisfaction. Manager of the bank or administrative body needs to identify the primary quality determinants, clearly managing the customer expectation, educating the knowledge of customer regarding the services for improving the service quality in the banking sector

Thirumann. R.M. (1981) attempted to study the role of Cooperative societies in lending housing finance in Chennai city. The study has covered the problems faced by the customers regarding no cooperation on bank, not updating the customers, not satisfied by the services provided

Tullio Jappelli and Maria Concetta Chiuri (2001) had studied about the Financial Market Imperfections and Home Ownership: A Comparative Study. They explore the determinants of the international pattern of home ownership using the Luxembourg Income Study (LIS), a collection of microeconomic data on fourteen OECD countries. In most, the cross-section is repeated over time and includes several demographic variables carefully matched between the different surveys. This allows us to construct a truly unique international dataset, merging data on more than 400,000 households with aggregate panel data on mortgage loans and down payment ratios. After controlling for demographic characteristics, country effects, cohort effects and calendar time effects, we find strong evidence that the availability of mortgage finance - as measured by outstanding mortgage loans and down payment ratios - affects the age-profile of home ownership, especially at the young end. The results have important implications for the debate on the relationship between saving and growth.

Uma Shankar Mishra (1995) in her article entitled "Housing Loan Quality Attributes Affection Borrowers Satisfaction in Banking Sector of India", explored structural equation model is formulated to indicate the impact of the relationship between borrowers' satisfaction and loan attributes

G. Visalatchi (2003) in her article entitled "A comparative study on the housing loan borrowers of public and private sector banks in Thoothukudi area". Explored that three component service quality model and concluded that the survival and growth of

a bank does not depend on the size of funds, rather it depends on its ability to provide qualitative to its borrowers on sustained basics.

Susan M. Wachter and Paul S. Calemhad 1991 studied about the Community Reinvestment and Credit Risk: Evidence from an Affordable Home Loan Program. This study examines the performance of home purchase loans originated by a major depository institution in Philadelphia under a flexible lending program between 1988 and 1994. We examine long-term delinquency in relation to neighborhood housing market conditions, borrower credit history scores, and other factors. We find that likelihood of delinquency declines with the level of neighborhood housing market activity. Also, likelihood of delinquency is greater for borrowers with low credit history scores and those with high ratios of housing expense to income, and when the property is unusually expensive for the neighborhood where it is located.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

Descriptive Research Design, has been used in this study. This study is pertaining to the home loan buyers from the banks in Chennai. This study was conducted among the 140 respondents

3.2 SAMPLING TECHNIQUE

The method adopted here is convenient sampling method because convenient is a complete survey method. The data has been collected only from Home loan customers. The area from which sampling were conducted is around Chennai.

3.3 SOURCES OF DATA

For the purpose of the study two sources of data have been collected.

3.3.1 PRIMARY DATA

In order to gather Primary data, a survey will be carried out. It is the evidence that is obtained directly by persons who have taken home loans and the data collected through

- Personal questions
- Questionnaire

3.3.2 SECONDARY DATA

Secondary data were gathered from previous home loan reports collected, interest rate, knowledge of the customer because of its connection to my study, I used the data.

3.4 STRUCTURE OF QUESTIONNAIRE

Multiple choice questions and Likert's scale questions

3.5 SAMPLE SIZE

The response is 140 borrowers from different banks in Chennai, having different age group, employment status, educational criteria and convenience sampling method is used.

3.6 PERIOD OF STUDY

The period of study was from December 2020 to March 2021.

3.7 ANALYTICAL TOOLS

3.7.1 Percentage Analysis

Percentage Analysis Percentage analysis is the method to represent raw streams of data as a percentage (a part in 100-percent) for better understanding of collected data. Percentage Analysis is applied to create a contingency table from the frequency distribution and represent the collected data for better understanding

3.7.2 Chi square

A statistical test of significance which is used to compare observed frequencies with expected frequencies with expected frequencies. Distinctive features. The chi-square χ^2 test is used for analyzing data where one has counted the frequency (number of cases or respondents) in different categories

3.7.3 Correlation coefficient

The correlation coefficient is a statistical measure of the strength of the relationship between the relative movements of two variables. The value range between -1.0 and 1.0. A correlation of -1.0 shows a perfect negative correlation, while a correlation of 1.0 show a perfect positive correlation.

3.7.4 ANOVA

It is a collection of statistical models and their associated estimation procedures (such as the variationll among and between groups) used to analyze the differences among group means in a sample. ANOVA was developed by statistician and evolutionary biologist Ronald Fisher.

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION

4.1 PERCENTAGE ANALYSIS

Table 4.1.1 Showing respondents in age

AGE	NO OF RESPONDENTS	PERCENTAGE %
20-30 years	53	37.86%
30-40 years	45	32.14%
Above 40 years	42	30%
TOTAL	140	100

Source: Primary Data

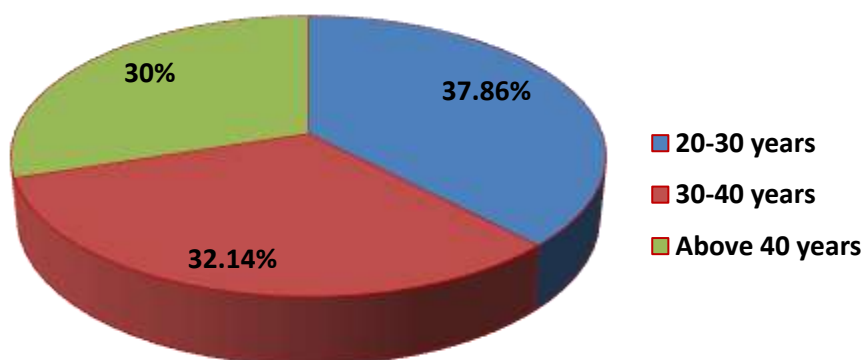


Chart 4.1.1 Showing respondents in age

Interpretation

From the above table it is interpreted that 37.86% of respondents are between 20-30 years, 32.14% of respondents are 30-40 years and 30% of respondents are above 40 years.

Table 4.1.2 Showing respondents in gender

GENDER	NO OF RESPONDENTS	PERCENTAGE %
Male	84	60%
Female	56	40%
TOTAL	140	100

Source: Primary Data

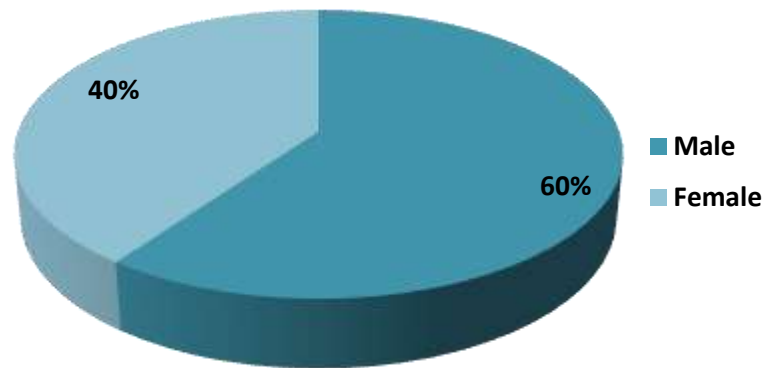


Chart showing 4.1.2 Showing respondents in gender

Interpretation

From the above table it is interpreted that 60% of respondents are male and 40% of respondents are female.

Table 4.1.3 showing respondents in qualification

QUALIFICATION	NO OF RESPONDENTS	PERCENTAGE %
12th	7	5%
diploma	18	13%
UG	65	46%
PG	42	30%
PhD	8	6%
TOTAL	140	100

Source: Primary Data

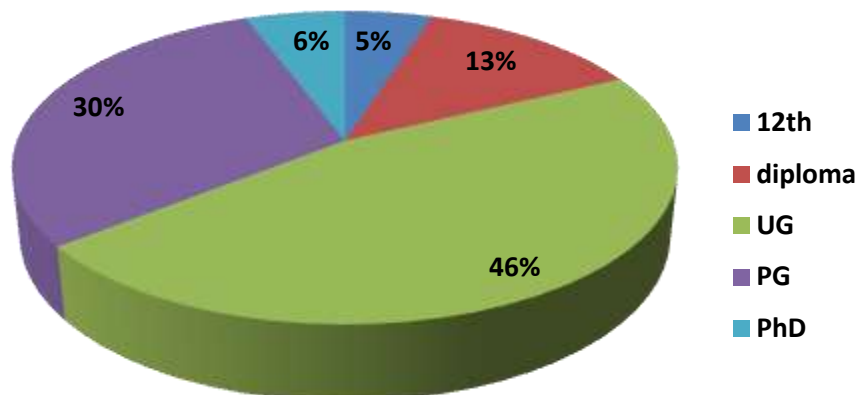


Chart 4.1.3 showing respondents in qualification

Interpretation

From the above table it is interpreted that 5% of respondents are 12th, 13% of respondents are diploma, 46% of respondents are ug, 30% of respondents are pg and 6% of respondents are phd.

Table 4.1.4 showing respondents in occupation

OCCUPATION	NO OF RESPONDENTS	PERCENTAGE %
Private employee	83	59.29%
Government employee	25	17.86%
Professional	17	12.14%
Business	15	10.71%
TOTAL	140	100

Source: Primary Data

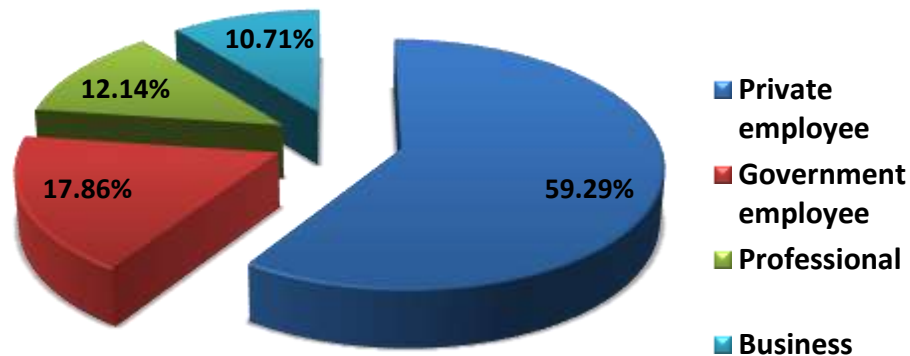


Chart 4.1.4 showing respondents in occupation

Interpretation

From the above table it is interpreted that 59.29% of respondents are private employees, 17.86% of respondents are government employees, 12.14% of respondents are professional and 10.71% of respondents are business people.

Table 4.1.5 showing respondents in annual income

INCOME	NO OF RESPONDENTS	PERCENTAGE %
3-5 lakhs	76	54.29%
5-8 lakhs	39	27.86%
8-12 lakhs	14	10%
12-15 lakhs	11	7.86%
TOTAL	140	100

Source: Primary Data

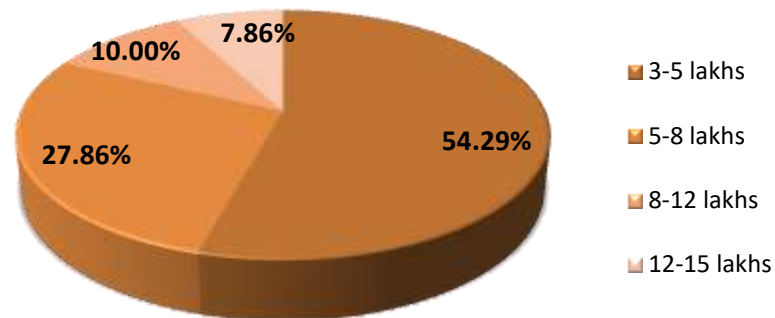


Chart 4.1.5 showing respondents in annual income

Interpretation

From the above table it is interpreted that 54% of respondents are 3-5 lakhs, 27.86% of respondents are 5-8 lakhs, 10% of respondents are 8-12 lakhs and 7.86% of respondents are 12-15 lakhs.

Table 4.1.6 showing respondents in whose name the loan was taken

NAME THE LOAN WAS TAKEN	NO OF RESPONDENTS	PERCENTAGE %
Myself	114	81.43%
Spouse	10	7.14%
Parents	16	11.43%
TOTAL	140	100

Source: Primary Data

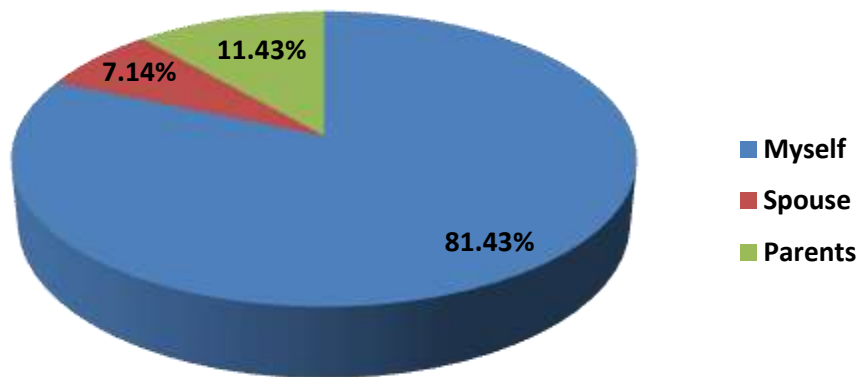


Chart 4.1.6 showing respondents in name the loan was taken

Interpretation

From the above table it is interpreted that 81.43% of respondents were taken loan on themselves, 7.12% of respondents were taken loan on their spouse and 11.43% of respondents were taken loan on their parents.

Table 4.1.7 showing respondents in loan amount

LOAN AMOUNT	NO OF RESPONDENTS	PERCENTAGE %
10-20 lakhs	74	52.86%
20-40 lakhs	48	34.29%
40-60 lakhs	17	12.14%
Above 60 lakhs	1	0.71%
TOTAL	140	100

Source: Primary Data

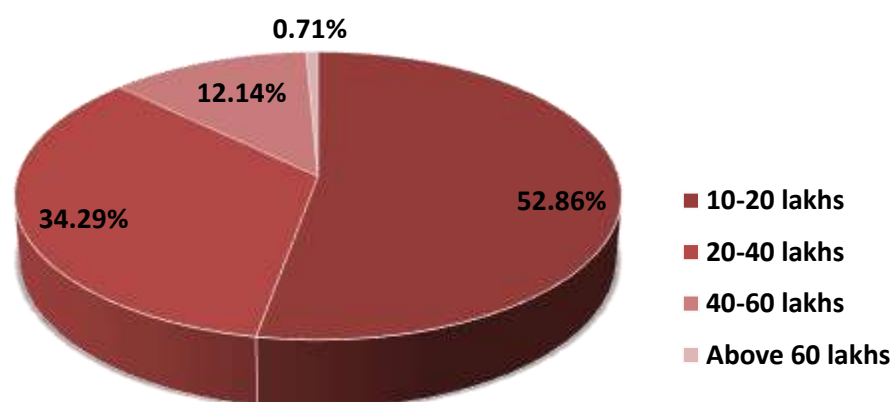


Chart 4.1.7 showing respondents in loan amount

Interpretation

From the above table it is interpreted that 52.86% of respondents were taken 10-20 lakhs, 34.29% of respondents were taken 20-40 lakhs, 12.14% of respondents were taken 40-60 lakhs and 0.71% of respondents were taken above 60 lakhs.

Table 4.1.8 showing respondents in which financial institution the loan was taken

FINANCIAL INSTITUTION	NO OF RESPONDENTS	PERCENTAGE %
Government bank	59	42.14%
Private bank	78	55.71%
NBFC	3	2.14%
TOTAL	140	100

Source: Primary Data

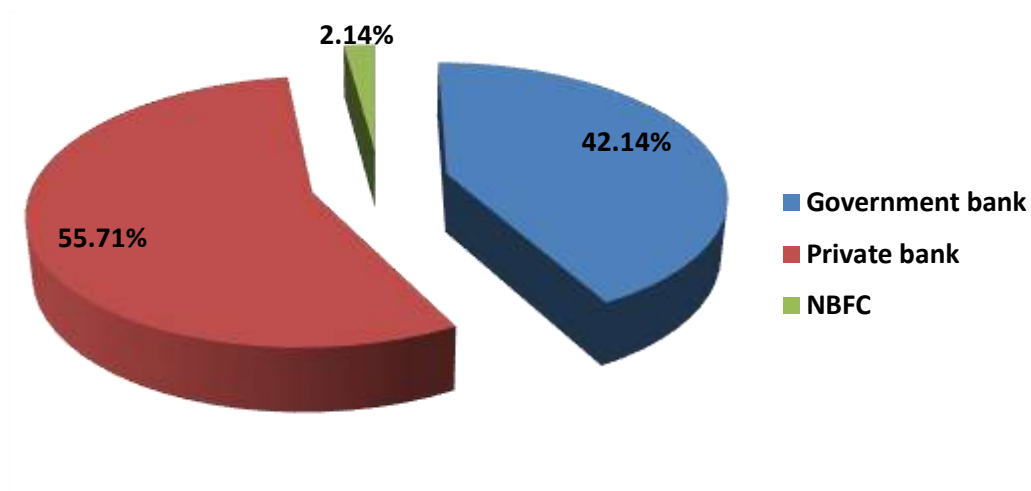


Chart 4.1.8 showing respondents in which financial institution the loan was taken

Interpretation

From the above table it is interpreted that 42% of respondents were taken loan in government bank, 55.71% of respondents were taken loan in private bank and 2.14% of respondents were taken loan in NBFC.

Table 4.1.9 showing respondents in which interest rate option they have taken the loan

INTEREST RATES	NO OF RESPONDENTS	PERCENTAGE %
FIXED	59	42.14%
FLOATING	81	57.86%
TOTAL	140	100

Source: Primary Data

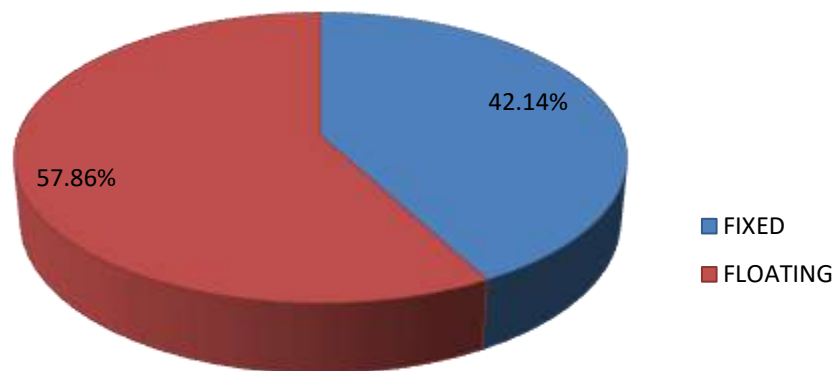


Chart 4.1.9 showing respondents in which interest rate option they have taken the loan

INTERPRETATION

From the above table it is interpreted that 57.86% of respondents were taken loan in floating rate and 42.14% of respondents were taken loan in fixed rate.

Table 4.1.10 showing respondents in tenure of home loan

TENURE	NO OF RESPONDENTS	PERCENTAGE %
5-10 years	34	24.29%
Above 10 years	44	31.43%
Above 20 years	62	44.29%
TOTAL	140	100

Source: Primary Data

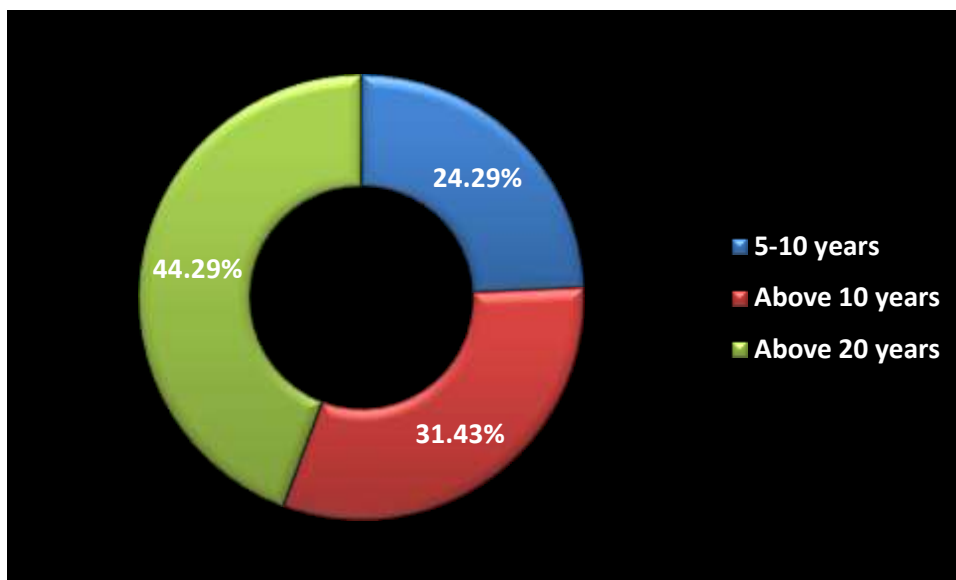


Chart 4.1.10 showing respondents in tenure of home loan

Interpretation

From the above table it is interpreted that 24.29% of respondents taken for 5-10 years, 31.43% of respondents taken for above 10 years and 44.29% of respondents taken for above 20 years.

Table 4.1.11 showing respondents that RBI has involved in determining home loan interest rate.

RBI INVOLVED IN DETERMINING HOME LOAN INTEREST RATES	NO OF RESPONDENTS	PERCENTAGE %
Agree	74	52.86%
Strongly agree	45	32.14%
Neutral	16	11.43%
Disagree	5	3.57%
Strongly disagree	-	-
TOTAL	140	100

Source: Primary Data

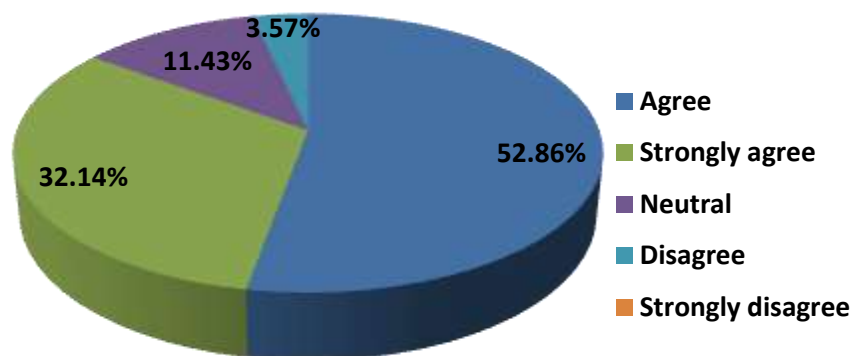


Chart 4.1.11 showing respondents that RBI has involved in determining home loan interest rate.

Interpretation

From the above table it is interpreted that 52.86% of respondents are agree, 32.14% of respondents are strongly agree, 11.43% of respondents are neutral, 3.57% of respondents are disagree and there is no responses for strongly disagree.

Table 4.1.12 showing the respondents that RBI guidelines, banks are not allowed to charge prepayment charges on floating rate

DO NOT CHARGE FOR PREPAYMENT PROCESS	NO OF RESPONDENTS	PERCENTAGE %
Yes	80	57.1%
No	60	42.9%
TOTAL	140	100

Source: Primary Data

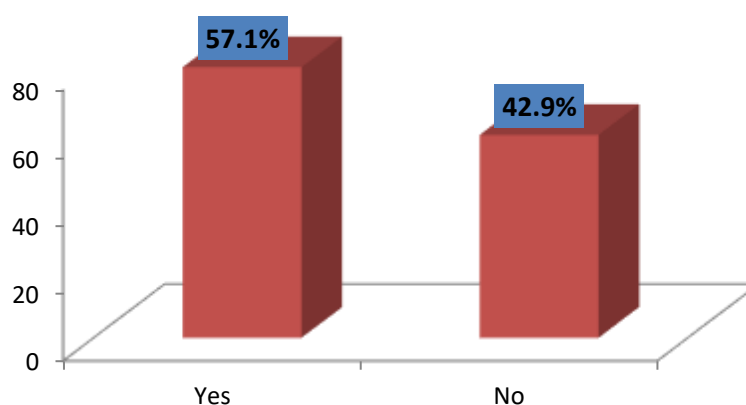


Chart 4.1.12 showing that RBI guidelines, banks are not allowed to charge prepayment charges on floating rate

Interpretation

From the above table it is interpreted that 57.1% of respondents are yes and 42.9% of respondents are no.

Table 4.1.13 showing the respondents through which medium customer aware of interest rate

MEDIUM OF INFORMATION	NO OF RESPONDENTS	PERCENTAGE%
Banker	32	22.86%
Friends and Family	62	44.29%
Social media	38	27.14%
Newspaper	8	5.71%
TOTAL	140	100

Source: Primary Data

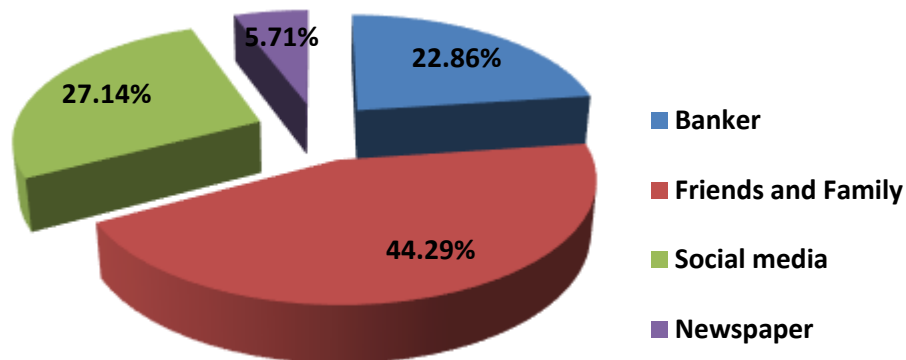


Chart 4.1.13 showing the respondents through which medium customer aware of interest rate

Interpretation

From the above table it is interpreted that 22.86% of respondents are aware of banker, 44.29% of respondents are aware of friends and family, 27.14% of respondents are aware of social media and 5.71% of respondents are aware of newspaper.

Table 4.1.14 showing respondents in changes in benchmark rate, change in interest rates

CHANGES IN BENCHMARK RATE, CHANGE IN INTEREST RATES	NO OF RESPONDENTS	PERCENTAGE %
Agree	65	46.43%
Strongly agree	25	17.86%
Neutral	38	27.14%
Disagree	11	7.86%
Strongly disagree	1	0.71%
TOTAL	140	100

Source: Primary Data

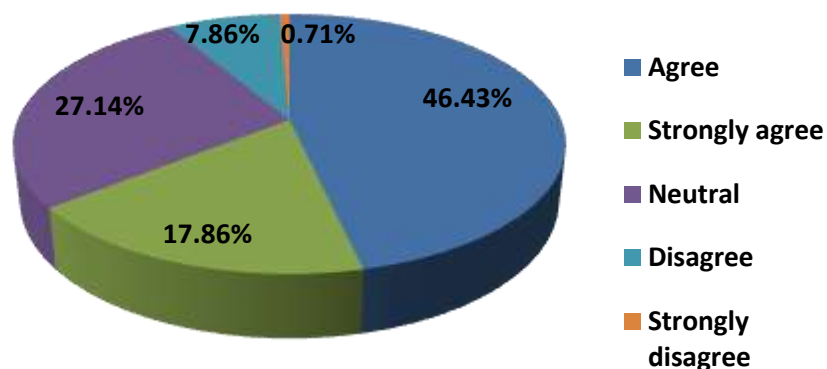


Chart 4.1.14 showing changes in benchmark rate, change in interest rates

Interpretation

From the above table it is interpreted that 46.43% of respondents are agree, 17.86% of respondents are strongly agree, 27.14% of respondents are neutral, 7.86% of respondents are disagree and 0.71% of respondents are strongly disagree.

Table 4.1.15 showing respondents that interest rate increases then number of emi decreases

INTEREST RATE INCREASES THEN NUMBER OF EMI DECREASES-	NO OF RESPONDENTS	PERCENTAGE %
Yes	112	80%
No	28	20%
TOTAL	140	100

Source: Primary Data

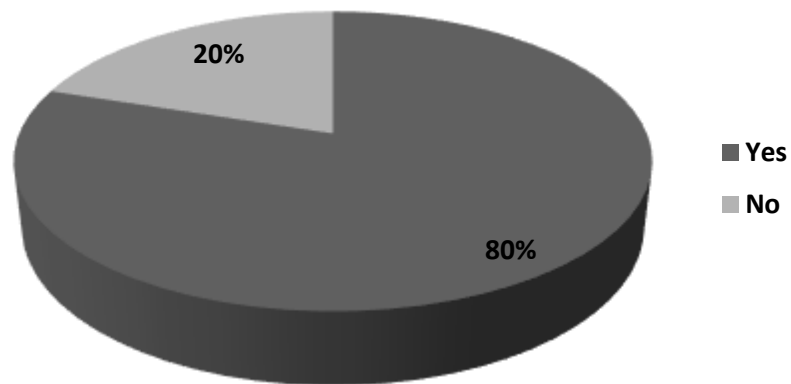


Chart 4.1.15 showing respondents that interest rate increases then number of Emi decreases

Interpretation

From the above table it is interpreted that 80% of respondents are yes and 20% of respondents are no.

Table 4.1.16 showing respondents that conversion form is the only way to change the interest rates

CONVERSION FORM IS THE ONLY WAY TO CHANGE THE INTEREST RATES	NO OF RESPONDENTS	PERCENTAGE
Agree	81	57.86%
Strongly agree	27	19.29%
Neutral	25	17.86%
Disagree	6	4.29%
Strongly disagree	1	0.71%
TOTAL	140	100

Source: Primary Data

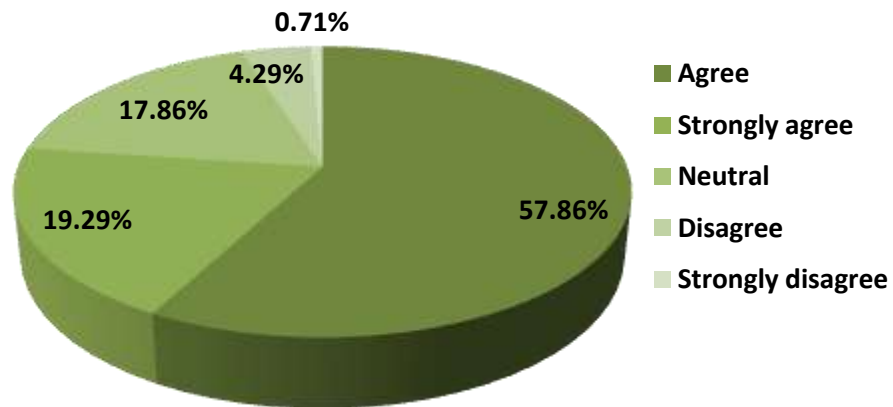


Chart 4.1.16 showing respondents that conversion form is the only way to change the interest rates

Interpretation

From the above table it is interpreted that 57.86% of respondents are agree, 19.29% of respondents are strongly agree, 17.86% of respondents are neutral, 4.29% of respondents are disagree and 0.71% of respondents are strongly disagree.

Table 4.1.17 showing respondents that fixed rate are not constant for entire tenure

FIXED RATE ARE NOT CONSTANT FOR ENTIRE TENURE	NO OF RESPONDENTS	PERCENTAGE
Agree	75	53.57%
Strongly agree	25	17.86%
Neutral	29	20.71%
Disagree	10	7.14%
Strongly disagree	1	0.71%
TOTAL	140	100

Source: Primary Data

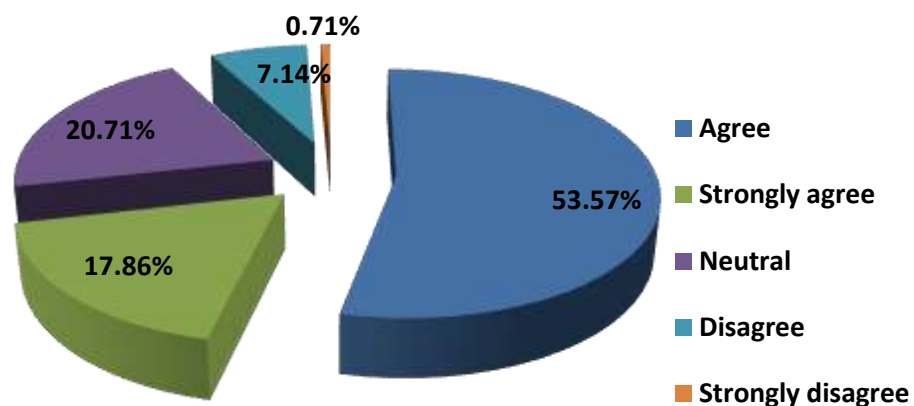


Chart 4.1.17 showing respondents that fixed rate are not constant for entire tenure

Interpretation

From the above table it is interpreted that 53.57% of respondents are agree, 17.86% of respondents are strongly agree, 20.71% of respondents are neutral, 7.14% of respondents are disagree and 0.71% of respondents are strongly disagree

Table 4.1.18 showing respondents that major issue faced by existing and new borrowers is discrepancy in interest rates

EXISTING AND NEW BORROWERS FACING DISCREPANCY IN INTEREST RATES	NO OF RESPONDENTS	PERCENTAGE %
Agree	49	35%
Strongly agree	73	52.14%
Neutral	15	10.71%
Disagree	3	2.14%
Strongly disagree	-	-
TOTAL	140	100

Source: Primary Data

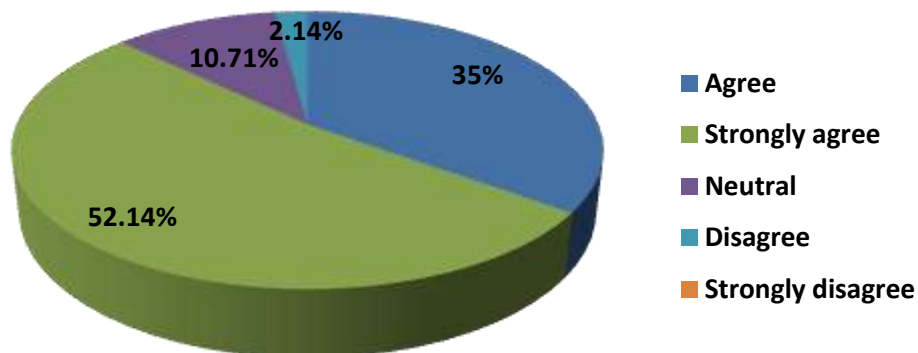


Chart 4.1.18 showing respondents that major issue faced by existing and new borrowers is discrepancy in interest rates

Interpretation

From the above table it is interpreted that 35% of respondents are agree, 52.14% of respondents are strongly agree, 10.71% of respondents are neutral, 2.14% of respondents are disagree and there is no respondents in strongly disagree.

Table 4.1.19 showing respondents in bank fails to alert
When interest rate decreases

BANKS FAILS TO ALERT WHEN INTEREST RATE DECREASES	NO OF RESPONDENTS	PERCENTAGE %
Agree	35	25%
Strongly agree	76	54.29%
Neutral	18	12.86%
Disagree	9	6.43%
Strongly disagree	2	1.43%
TOTAL	140	100

Source: Primary Data

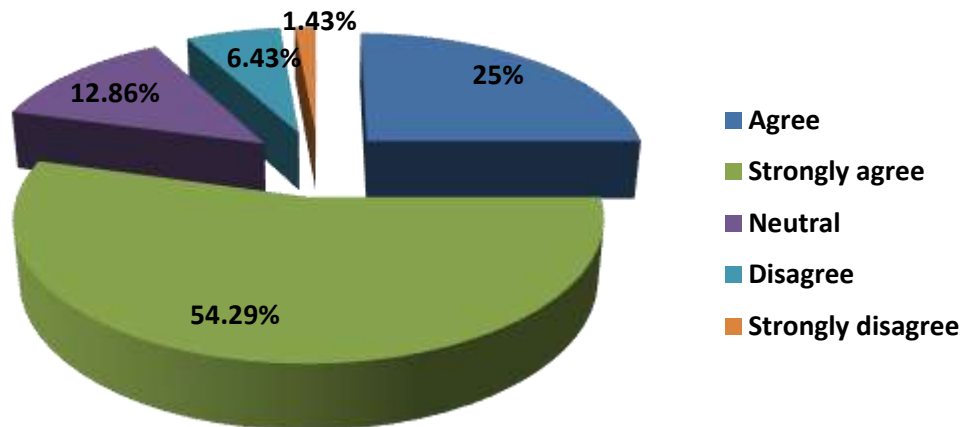


Chart showing 4.1.19 respondents in bank fails to alert
When interest rate decreases

Interpretation

From the above table it is interpreted that 25% of respondents are agree, 54.29% of respondents are strongly agree, 12.86% of respondents are neutral, 6.43% of respondents are disagree and 1.43% respondents are strongly disagree.

Table 4.1.20 showing respondents that processing charges are feasible

PROCESSING CHARGES ARE FEASIBLE FOR YOU	NO OF RESPONDENTS	PERCENTAGE %
Agree	42	30%
Strongly agree	4	3%
Neutral	43	31%
Disagree	29	21%
Strongly disagree	22	15%
TOTAL	140	100

Source: primary data

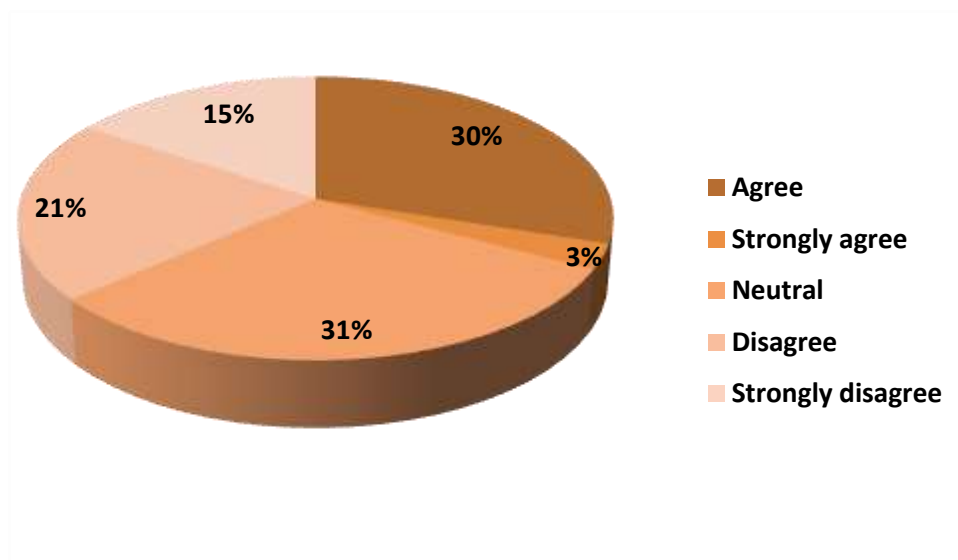


Chart 4.1.20 showing respondents that processing charges are feasible

Interpretation

From the above table it is interpreted that 30% of respondents are agree, 3% of respondents are strongly agree, 31% of respondents are neutral, 21% of respondents are disagree and 15% respondents are strongly disagree.

Table 4.1.21 showing respondents in RBI should take more attempts to spread awareness

RBI SHOULD TAKE MORE ATTEMPTS TO SPREAD AWARENESS	NO OF RESPONDENTS	PERCENTAGE %
Yes	113	80.71%
No	27	19.29%
TOTAL	140	100

Source: primary data

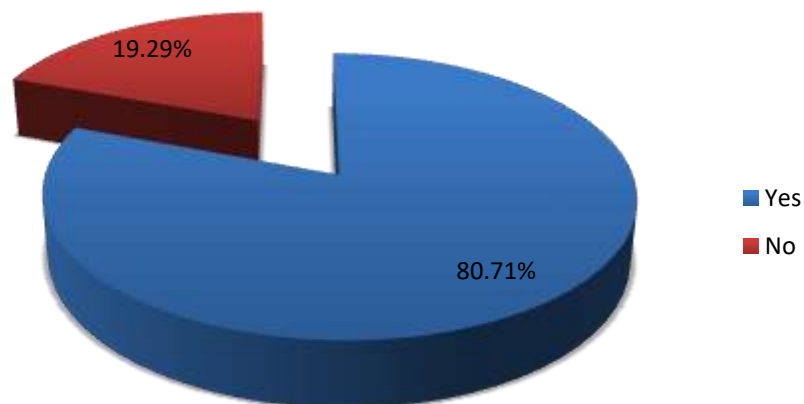


Chart 4.1.21 showing respondents in RBI should take more attempts to spread awareness

Interpretation

From the above table it is interpreted that 80.71% of respondents are yes and 19.29% of respondents are no.

Table 4.1.22 showing respondents that uninformed interest rates causing psychological pressure

UNINFORMED INTEREST RATES CAUSING PSYCHOLOGICAL PRESSURE	NO OF RESPONDENTS	PERCENTAGE %
Agree	37	26.43%
Strongly agree	75	53.57%
Neutral	19	13.57%
Disagree	8	5.71%
Strongly disagree	1	0.71%
TOTAL	140	100

Source: primary data

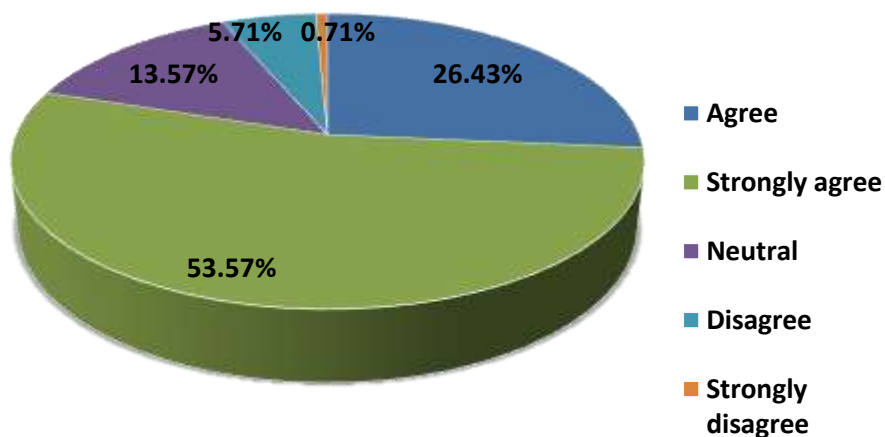


Chart 4.1.22 showing respondents that uninformed interest rates causing psychological pressure

Interpretation

From the above table it is interpreted that 26.43% of respondents are agree, 53.57% of respondents are strongly agree, 13.57% of respondents are neutral, 5.71% of respondents are disagree and 0.7% respondents are strongly disagree.

Table 4.1.23 showing respondents those regret yourself for not knowing about change in interest rate

REGRET YOURSELF FOR NOT KNOWING THE CHANGE IN INTEREST RATE	NO OF RESPONDENTS	PERCENTAGE %
Yes	127	90.71%
No	13	9.29%
TOTAL	140	100

Source: primary data

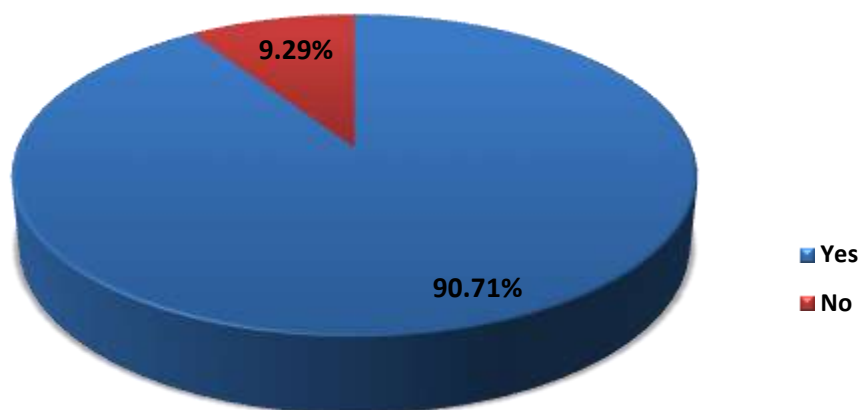


Chart 4.1.23 showing respondents those regret yourself for not knowing about change in interest rate

Interpretation

From the above table it is interpreted that 90.71% of respondents are yes and 9.29% of respondents are no.

Table 4.1.24 showing respondents on their level of satisfaction on interest rates

SATISFACTION ON INTEREST RATES	NO OF RESPONDENTS	PERCENTAGE %
Very unsatisfied	10	7.1%
unsatisfied	50	35.7%
Neutral	39	27.9%
Satisfied	20	14.3%
Very satisfied	21	15%
TOTAL	140	100

Source: primary data

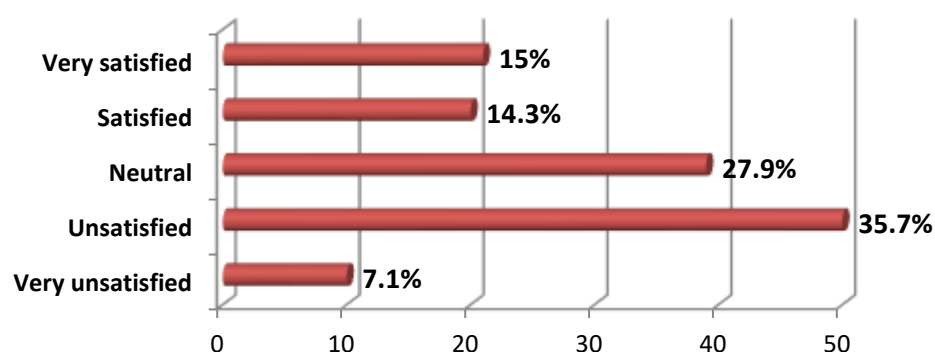


Chart 4.1.24 showing respondents on their level of satisfaction on interest rates

Interpretation

From the above table it is interpreted that 7.1% of respondents are very unsatisfied, 35.7% of respondents are unsatisfied, 27.9% of respondents are neutral, 14.3% of respondents are satisfied and 15% of respondents are very satisfied.

Table 4.1.25 showing respondents on their satisfaction on guidelines provided

SATISFACTION ON INTEREST RATES	NO OF RESPONDENTS	PERCENTAGE %
Very unsatisfied	14	10%
unsatisfied	38	27.1%
Neutral	38	27.1%
Satisfied	27	19.3%
Very satisfied	23	16.4%
TOTAL	140	100

Source: primary data

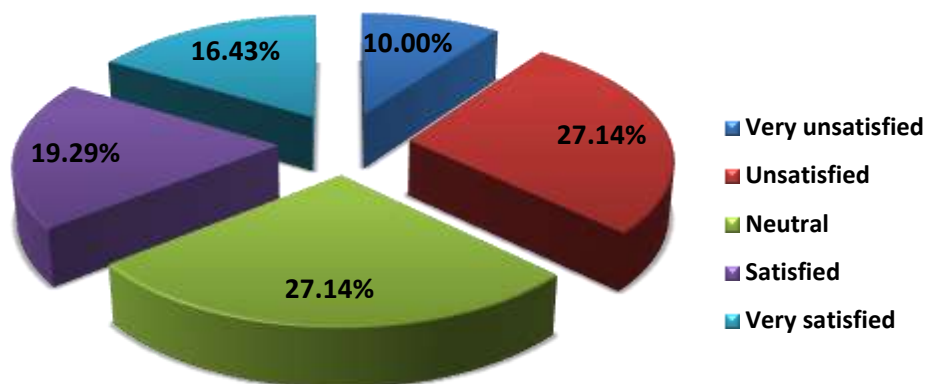


Chart 4.1.25 showing respondents on their level of satisfaction on guidelines

Interpretation

From the above table it is interpreted that 10% of respondents are very unsatisfied, 27.14% of respondents are unsatisfied, 27.14% of respondents are neutral, 19.29% of respondents are satisfied and 16.43% of respondents are very satisfied

Table 4.1.26 showing respondents on their satisfaction on services provided

LEVEL OF SATISFACTION OF SERVICES PROVIDED	NO OF RESPONDENTS	PERCENTAGE %
Not satisfied	108	77.14%
Satisfied	22	15.71%
Highly satisfied	10	7.14%
TOTAL	140	100

Source: primary data

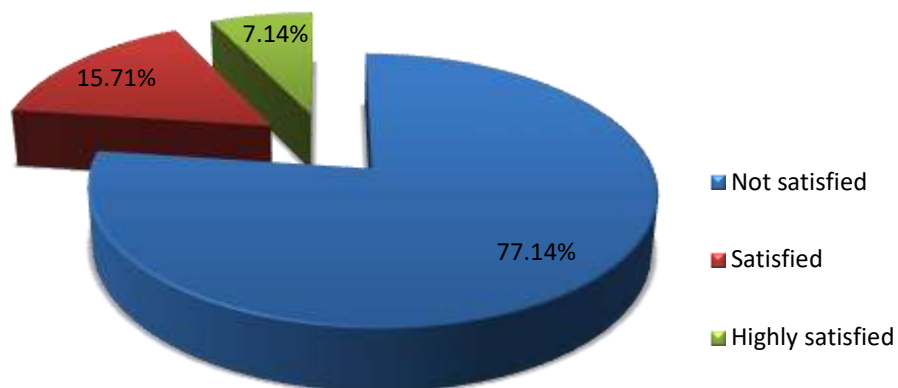


Chart 4.1.26 Showing respondents on their satisfaction on services provided

Interpretation

From the above table it is interpreted that 77.14% of respondents are not satisfied, 15.71% of respondents are satisfied and 7.14% of respondents are highly satisfied.

4.2 CHI SQUARE:

Hypothesis:

H0 (Null hypothesis): There is no Significant Association between Bank fails to alert the customer when interest rate decreases and RBI should take more attempt to spread awareness on customers

H1 (Alternative hypothesis): There is a Significant Association between Bank fails to alert the customer when interest rate decreases and RBI should take more attempt to spread awareness on customers.

Table 4.2.1 showing cross tabulation of chi square on bank fails to alert, when interest rate decreases and RBI should take more attempt to spread awareness

Bank fail to alert the customer when interest rate decreases * RBI take more attempt to spread awareness Cross tabulation

			RBI take more attempt to spread awareness		Total
			Yes	No	
Bank fail to alert the customer when interest rate decreases	Agree	Count	35	0	35
		% within Bank fail to alert the customer when interest rate decreases	100.0%	0.0%	100.0%
	Strongly agree	Count	76	0	76
		% within Bank fail to alert the customer when interest rate decreases	100.0%	0.0%	100.0%
	Neutral	Count	0	18	18
		% within Bank fail to alert the customer when interest rate decreases	0.0%	100.0%	100.0%
	Disagree	Count	0	9	9
		% within Bank fail to alert the customer when interest rate decreases	0.0%	100.0%	100.0%

	Strongly disagree	Count	2	0	2
		% within Bank fail to alert the customer when interest rate decreases	100.0%	0.0%	100.0%
Total		Count	113	27	140
		% within Bank fail to alert the customer when interest rate decreases	80.7%	19.3%	100.0%

Table 4.2.2 showing chi square test of bank fails to alert, when interest rate decreases and RBI should take more attempt to spread awareness

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	140.000 ^a	4	.000
Likelihood Ratio	137.295	4	.000
Linear-by-Linear Association	71.804	1	.000
N of Valid Cases	140		

a. 4 cells (40.0%) have expected count less than 5. The minimum expected count is .39.

Interpretation

Since the P-value is 0.000 is less than 0.05, H₀ is rejected and H₁ is accepted. Hence, there is a significant association between Bank fails to alert the customer when interest rate decreases and RBI should take more attempt to spread awareness on customers.

4.3 CHI SQUARE:

Hypothesis:

H0 (Null hypothesis): There is no Significant Association between regretting yourself for not knowing change in interest rate with regards to qualification of respondents

H1 (Alternative hypothesis): There is a Significant Association between regretting yourself for not knowing change in interest rate with regards to qualification of respondents

Table 4.3.1 showing cross tabulation of chi square on regret yourself for not knowing about change in interest rate with regards to qualification of respondents.

Regret yourself for not for not knowing about change in interest rate * Qualification of respondents Crosstabulation

			Qualification of respondents					Total
			12th	Diploma	Ug	Pg	PhD	
Regret yourself for not knowing about change in interest rate	Yes	Count	7	14	63	35	8	127
		% within Regret yourself for not knowing about change in interest rate	5.5%	11.0%	49.6%	27.6%	6.3%	100.0%
	No	Count	0	4	2	7	0	13
		% within Regret yourself for not knowing about change in interest rate	0.0%	30.8%	15.4%	53.8%	0.0%	100.0%
Total		Count	7	18	65	42	8	140
		% within Regret yourself for not knowing about change in interest rate	5.0%	12.9%	46.4%	30.0%	5.7%	100.0%

Table 4.3.2 showing chi square test of regret yourself for not knowing about change in interest rate and qualification of respondents.

Chi-Square Tests			
	Value	df	Asymptotic Significance (2- sided)
Pearson Chi-Square	10.803 ^a	4	.029
Likelihood Ratio	11.768	4	.019
Linear-by-Linear Association	.035	1	.851
N of Valid Cases	140		

a. 4 cells (40.0%) have expected count less than 5. The minimum expected count is .65.

Interpretation:

Since the P-value is 0.029 is less than 0.05, H₀ is rejected and H₁ is accepted., Hence there is a significant association between regretting yourself for not knowing change in interest rate with regards to qualification of respondents

4.4 CORRELATION:

Hypothesis:

HO (Null hypothesis): There is no significant relationship between uninformed interest rate causes psychological pressure on the customer with regard to bank fails to alert the customer when interest rate decreases.

H1 (Alternative hypothesis): There is a significant relationship between uninformed interest rate causes psychological pressure on the customer with regard to bank fails to alert the customer when interest rate decreases.

Table 4.4.1 showing correlation on uninformed interest rate causes psychological pressure on the customer with regards to bank fails to alert the customer when interest rate decreases.

Correlations				
			Uninformed change in interest rate causes psychological pressure on customer	Bank fail to alert customer when interest rate decreases
Spearman's rho	Uninformed change in interest rate causes psychological pressure on customer	Correlation Coefficient	1.000	.473**
		Sig. (2-tailed)	.	.000
		N	140	140
	Bank fail to alert customer when interest rate decreases	Correlation Coefficient	.473**	1.000
		Sig. (2-tailed)	.000	.
		N	140	140
** Correlation is significant at the 0.01 level (2-tailed).				

Interpretation:

Since the P-value is 0.000 is less than 0.05, H0 is rejected and H1 is accepted. Hence, There is a positive correlation between uninformed interest rate causes psychological pressure on the customer with regard to bank fails to alert the customer when interest rate decreases.

4.5 CORRELATION:

Hypothesis:

HO (Null hypothesis): There is no significant relationship between annual income of respondents with regard to home loan amount of respondents.

H1 (Alternative hypothesis): There is a significant relationship between annual income of respondents with regard to home loan amount of respondents.

Table 4.5.1 showing correlation on annual income of respondents and home loan amount of respondents.

Correlations			
		Annual income of respondents	Home loan amount of respondents
Annual income of respondents	Pearson Correlation	1	.783**
	Sig. (2-tailed)		.000
	N	140	140
Home loan amount of respondents	Pearson Correlation	.783**	1
	Sig. (2-tailed)	.000	
	N	140	140

** . Correlation is significant at the 0.01 level (2-tailed).

Interpretation

Since the P-value is 0.000 is less than 0.05, H0 is rejected and H1 is accepted. Hence there a positive correlation between annual income of respondents with regard to home loan amount of respondents.

4.6 ANOVA:

Hypothesis:

HO (Null hypothesis): There is no significant difference between customer satisfaction on services provided by the bank with regard to the sources by which customer were aware of interest rate

H1 (Alternative hypothesis): There is a significant difference between customer satisfaction on services provided by the bank with regard to the sources by which customer were aware of interest rate

Table 4.6.1 showing Test of homogeneity on satisfied by the services and from which medium customer aware of interest rate.

Tests of Homogeneity of Variances					
		Levene Statistic	df1	df2	Sig.
Satisfied by services	Based on Mean	213.714	3	136	.000
	Based on Median	15.896	3	136	.000
	Based on Median and with adjusted df	15.896	3	31.000	.000
	Based on trimmed mean	166.871	3	136	.000

Table 4.6.2 showing analysis variance of satisfied by the services and from which medium customer aware of interest rate.

ANOVA					
Satisfied by services					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	42.525	3	14.175	280.407	.000
Within Groups	6.875	136	.051		
Total	49.400	139			

Interpretation

Homogeneity of variances is significant at 0.000 (lesser than 0.05), Since the P-value is 0.000 is less than 0.05, Hence, H_0 is rejected and H_1 is accepted. There is significant difference between customer satisfaction on services provided by the bank with regard to the sources by which customer were aware of interest rate.

CHAPTER 5

5.1 FINDINGS THE STUDY

The findings from the study are given below.

Customer's respective bank provides proper information with regards to new RBI guidelines, customer's satisfaction rises.

- A Majority (37.86%) of the respondents fall in the age category between 20 – 30 years.
- A Majority (60%) of respondents are Male.
- A Majority (46%) of respondents are Undergraduate.
- A Majority (59.29%) of respondents are Private employees.
- A Majority (54.29%) of respondents fall under 3 – 5 lakhs per annum.
- A Majority (81.43%) of respondents taken loan on themselves.
- A Majority (52.86%) of respondents taken 10 – 20 lakhs loan amount.
- A Majority (55.71%) of respondents have taken their loan in private bank.
- A Majority (57.86%) of respondents have opted for fixed interest rate.
- A Majority (44.29%) of respondents preferred tenure of loan was above 20 years.

- A Majority (52.86%) of respondents agreed, that they know, RBI involved in determining home loan interest rate.
- A Majority (57.1%) of respondents aware that banks are not allowed to charge for prepayment charges on floating rate.
- A Majority (44.29%) of respondents get awareness on change in interest rate from their friends and family.
- A Majority (46.43%) of respondents are agreed that they know changes in benchmark rate results in changes in interest rate.
- A Majority (80%) of respondents know that when interest rate increases number of Emi decreases.
- A Majority (57.86%) of respondents are agreed that they know when they need to change their interest rate they need to fill conversion form.
- A Majority (53.57%) of respondents are agreed that they know fixed rate are not constant for entire loan tenure.
- A Majority (52.14%) of respondents are strongly agreed of facing discrepancy in interest rate.
- A Majority (54.3%) of respondents are strongly agreed that their bank fails to update the customers when interest rate decreases.
- A Majority (30%) of respondents are agreed that the processing charges are feasible to them to pay.

- A Majority (80.71%) of respondents strongly said that RBI should take more attempts to spread awareness.
- A Majority (53.57%) of respondents are strongly agreed that their bank not informing the changed interest rate and due to this it causes psychological pressure on them.
- A Majority (90.71%) of respondents are regret themselves for not knowing about change in interest rate.
- A Majority (35.7%) of respondents are unsatisfied on their interest rate charged by their bank
- A Majority (27.1%) of respondents are unsatisfied on their banks regarding not providing proper guidelines.
- A Majority (77.14%) of respondents are not satisfied with the services provided by their banks

Chi-square findings

Since the P-value is $0.000 < 0.05$, then alternate hypothesis accepted and there is a significant association between bank fails to alert customer when interest rate decreases and RBI should take more attempts to spread awareness on customers. From the result it is found that the banks are not taking proper steps to aware their customers regarding the change in interest rate.

Chi-square findings

Since the P-value is $0.029 < 0.05$, then alternate hypothesis accepted and there is a significant association between regret yourself for not knowing about change in interest rate and qualification of respondents.

From the result it is found that even the educated respondents are regretting for not knowing about the discrepancy in interest rate, they feel low from the services provided by the bank.

Correlation findings

Since the P-value is $0.000 < 0.05$, then alternate hypothesis accepted and there is positive correlation between uninformed interest rate causes psychological pressure on customer and bank fails to alert customer when interest rate decreases.

From the result it is found that due to the uninformed change in interest rate, respondents are mentally depressed.

Correlation findings

Since the P-value is $0.000 < 0.05$, then alternate hypothesis accepted and there is positive correlation between annual income of respondents and home loan amount of respondents.

From the above result it is found that the Bank check credit worthiness of the customer and then proceed further for the amount to be approved.

ANOVA findings

Since the P-value is $0.000 < 0.05$, then alternate hypothesis accepted and there is a significant difference between satisfied by the services and from which medium customer aware of interest rate.

From the above result it is found that the customers are satisfied only if the bank provide the information directly to them.

5.2 SUGGESTIONS

As a result of this research certain suggestion are put forward in order to increase the customer awareness level and reduce the problems faced by the customer due to unawareness

- Interest rate has decreased as per RBI guideline, even then the customer are paying in higher interest rate because due to the lack of information by the bank, Thereby the bank has more responsibility to make their customer aware of current interest rate via phone call, social media, advertisement, intimation letter.
- Bank fails to inform customer about the change in interest rate due to which customers are affected mentally, Thereby RBI and Bank should take respective steps to make their customer known about change in interest rate.
- Most of the customer are unaware of RBI guideline that RBI has mandated zero pre-payment charges across all banks and NBFCs in case of floating interest home loans, It is necessary that RBI must insist the bank to make their customer aware of the current changes made in processing charges.
- The majority of respondents are aware of interest rates via social media,

friends, and relatives, and regret not knowing the current interest rate, which has a psychological impact and has caused them to lose trust in their respective bank.

- Even educated borrowers are unaware of the rise in interest rate, so this is an issue that affects everyone; hence, regardless of education, it is important to educate their customers about the change in interest rate.
- According to the findings of the report, the majority of borrowers are unable to change their interest rate because the processing fee is higher; thus, the processing fee must be made feasible to all.
- RBI and other banks should step forward and take some steps to improve customer relationships by publishing information on the front page of newspapers, broadcasting it on television, and sending voice record calls to customers.

5.3 CONCLUSION

This research was conducted to determine consumer understanding of home loan interest rates. The survey and research were performed with people of various ages, as well as customers from various banks and occupation classes. The majority of consumers are unaware of interest rates, according to research. It's because the bank didn't give their customers clear instructions about the new set of guidelines published by RBI. It affects the customers psychologically in both mentally and economically. So, the bank should provide excellent service and clear guidelines, making them feel valued customers.

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APPENDIX - I (QUESTIONNAIRE)

A study on customer's awareness on changing home loan interest rate by RBI.

1. Name

2. Age

- a. 20-30
- b. 30-40
- c. Above 40

3. Gender

- a. Male
- b. Female

4. Qualification

- a. 12th
- b. Diploma
- c. UG
- d. PG
- e. PhD

5. Occupation

- a. Private employee
- b. Government employee
- c. Professional
- d. Business

6. Which annual income group do you belong?

- a. 3-5 lakhs
- b. 5-8 lakhs
- c. 8-12 lakhs
- d. 12-15 lakhs

7. In whose name the loan was taken?

- a. Myself
- b. Spouse
- c. Parents

8. What is the loan amount you have taken?

- a. 10-20 lakhs
- b. 20-40 lakhs
- c. 40-60 lakhs
- d. 60 lakhs above

9. From which financial institution you get the home loan?

- a. Government bank
- b. Private bank
- c. NBFC

10. Interest rates option

- a. Fixed
- b. Floating

11. Tenure of home loan

- a. 5 – 10 years
- b. Above 10 years
- c. Above 20 years

12. Do you agree that RBI has involved in determining home loan interest rate?

- a. Agree
- b. Strongly agree
- c. Neutral
- d. Disagree
- e. Strongly disagree

13. As per RBI guidelines, banks are not allowed to charge for payment charges on floating rate, are you aware of that?

- a. Yes
- b. No

14. Medium by which the customer was made aware of the change in interest rate?

- a. Banker
- b. Friends and Family
- c. Social media
- d. Newspaper

15. Do you agree that the changes in benchmark rate will result in change in interest rate?

- a. Agree
- b. Strongly agree
- c. Neutral
- d. Disagree
- e. Strongly disagree

16. Are you aware, when interest rate increases by bank the number of EMI decreases and vice-versa?

- a. Yes
- b. No

17. Do you agree that the conversion form is the only way the customer can change their interest rate?

- a. Agree
- b. Strongly agree
- c. Neutral
- d. Disagree
- e. Strongly disagree

18. Do you agree that the fixed interest rate not constant for the entire loan tenure?

- a. Agree
- b. Strongly agree
- c. Neutral
- d. Disagree
- e. Strongly disagree

19. Do you agree that the major issue faced by existing and new borrowers is discrepancy in interest rate?

- a. Agree
- b. Strongly agree
- c. Neutral
- d. Disagree
- e. Strongly disagree

20. Do you agree that the bank fails to alert the customer when the interest rate decreases?

- a. Agree
- b. Strongly agree
- c. Neutral
- d. Disagree
- e. Strongly disagree

21. Do you agree that the processing charges for to change in interest rate is feasible for you to pay?

- a. Agree
- b. Strongly agree
- c. Neutral
- d. Disagree
- e. Strongly disagree

22. Do you think that the RBI should take more attempts to spread awareness on interest rate among consumers?

- a. Yes
- b. No

23. Do you agree that the uninformed change in interest rate causing psychological pressure on customer?

- a. Agree
- b. Strongly agree
- c. Neutral
- d. Disagree
- e. Strongly disagree

24. Do you regret yourself for not knowing about the change in interest rate?

a. Yes

b. No

25. On a scale of 1-5, rate your level of satisfaction on interest rate charged by bank.

	1	2	3	4	5	
Very unsatisfied	☐	☐	☐	☐	☐	Very satisfied

26. On a scale of 1-5, rate your satisfaction level on guidelines provided by your bank.

	1	2	3	4	5	
Very unsatisfied	☐	☐	☐	☐	☐	Very satisfied

27. Are you satisfied with the services provided by your bank?

a. Not satisfied

b. Satisfied

c. Highly satisfied

APPENDIX – II (Article)

A study on Psychological impact of customers on changes in home loan interest rate by RBI

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Abstract

The majority of people in developing countries like India dream of owning a home. For this purpose, a housing loan is a golden opportunity to make their dreams come true. Before the New Economic Policy of 1991, banks would not consider long-term financing for housing. Following liberalization, the RBI developed a policy of priority sector lending for housing loans up to Rs15 lakhs. This study focus on those customers who have suffered psychologically due to the uninformed change in the interest rate of a home loan by the bank. The data were collected by using convenience sampling from 140 customers belong to Chennai city. Some related tests, such as percentage analysis, Chi-square, and correlation, were performed using SPSS. Various findings were obtained from the study that will be useful in determining consumer understanding of interest rates.

Keywords: Banking sector, interest rate, psychological pressure, problems.

Introduction

Most people's dream is to buy a home. For, a home loan is a golden chance to make their dreams come true. RBI has introduced the policy of housing finance, banks will help in this regard by offering housing loans to a large number of people who are eligible for them. The customer regards it as merely a formality to obtain a loan, and he also assumes that no one reads it. We may not know it, but interest rates play a significant role in our daily lives and can have a significant impact on our purchasing decisions. The interest rate normally refers to something the Reserve Bank of India suggests. The definition is a psychological strain on borrowers as a result of the bank's failure to confirm the customer when the interest rate decreases.

Literature review

Devlin (2002) Consumers' requirements for selecting a financial institution were investigated, as well as the role of demographic factors and customer maturity in influencing their decision. Individuals with a high level of financial maturity choose based on past mortgages and interest rates, while those with a low level of financial maturity choose based on professional advice. A judgmental survey was used to administer a questionnaire to respondents, resulting in 4200 responses from people who had selected a home loan institution.

Jean Mann Due (1955) in his study has found that Consumers have less knowledge of banking rules, according to his research. Other considerations in the mortgage decision include sources of uncertainty, such as potential interest rates, house prices, and general economic conditions.

Visalatchi .G (2003) "A comparative study on the housing loan borrowers of public and private sector banks in thoothukudi area". A bank's ability to provide qualitative to its borrowers consistently determines its longevity and development, not the size of its funds.

Sivesan .S (2012) In his study it was found the impact of service quality on customer satisfaction in the banking sector. Customer satisfaction and service quality are strongly intertwined. To improve service quality in the banking sector, a bank or administrative body's manager must define the primary quality determinants, clearly manage customer expectations, and educate customer awareness about services.

Rani (2012) According to her home loan is a 15-20-year long-term commitment. The bank's key mission is to encourage good guidelines and keep customers up to date on all aspects of housing finance institutions in the country, as well as to provide refinancing to housing finance corporations and scheduled commercial banks.

Research methodology

A Descriptive research design was used in this study and the study was conducted in Chennai. The sample size of the study was 140 selected based on the convenience sampling method. The purpose of a questionnaire is to gather primary data from respondents. The questionnaire consists of a 5-point Likert scale, as well as a few demographic questions. References taken from various magazines, literature, books, and publications were also included in the study. The information gathered through the survey method and analyzed using appropriate tools, and tables and graphs will be used as needed. To analyze descriptive data analysis and statistical tools were used such as percentage method, Chi-square, and Correlation.

Objective

- To analyze the psychological imbalance of borrowers due to uninformed home loan interest rates.
- To analyze the demographic variables of all sought of the audience holding home loan in the bank.

Analysis and Findings

In this chapter, the effort has been made to identify the problems of the respondents and to find out how the consumers have undergone psychological pressure.

4.1. Classification of Respondents

Variables	Particulars	No of respondents	Percentage%
Qualification	12 th	7	5%
	Diploma	18	13%
	Ug	65	46%
	Pg	42	30%
	PhD	8	6%
	TOTAL	140	100%
Bank fails to alert when interest rate decreases	Agree	35	25%
	Strongly agree	76	54.29%
	Neutral	18	12.86%
	Disagree	9	6.43%
	Strongly disagree	2	1.43%
	TOTAL	140	100%
Uninform change in the interest rate causes psychological pressure	Agree	37	26.43%
	Strongly agree	75	53.57%
	Neutral	19	13.57%
	Disagree	8	5.71%
	Strongly disagree	1	0.71%
	TOTAL	140	100%
Regret yourself for not knowing a change in interest rate	Yes	127	90.71%
	No	13	9.29%
	TOTAL	140	100%

Source of data

A Majority (46%) of respondents are Undergraduate, Majority (54.3%) of respondents

are strongly agreed that their bank fails to update the customers when interest rate decreases, A Majority (90.71%) of respondents are regretting themselves for not knowing about change in a interest rate, Majority (53.57%) of respondents are strongly agreed that their bank not informing the changed interest rate and due to this it causes psychological pressure on them.

4.2 Chi-square

Hypothesis:

H0 (Null hypothesis): There is no Significant Association between regretting yourself for not knowing a change in interest rate with regards to the qualification of respondents.

H1(Alternative hypothesis): There is a Significant Association between regretting yourself for not knowing a change in interest rate with regards to the qualification of respondents.

Table 4.2.1 Showing cross tabulation of chi square on regretting yourself for not knowing about change in interest rate with regards to the qualification of respondents.

Regret yourself for not knowing about change in interest rate * Qualification of respondents Cross tabulation								
			Qualification of respondents					Total
			12th	Diploma	Ug	Pg	PhD	
Regret yourself for not knowing about change in interest rate	Yes	Count	7	14	63	35	8	127
		% within Regret yourself for not knowing about change in interest rate	5.5%	11.0%	49.6%	27.6%	6.3%	100.0%
	No	Count	0	4	2	7	0	13
		% within Regret yourself for not knowing about change in interest rate	0.0%	30.8%	15.4%	53.8%	0.0%	100.0%
Total		Count	7	18	65	42	8	140
		% within Regret yourself for not knowing about change in interest rate	5.0%	12.9%	46.4%	30.0%	5.7%	100.0%

Table 4.2.2 Showing chi-square test of regretting yourself for not knowing about change in interest rate with regards to qualification of respondents.

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	10.803 ^a	4	.029
Likelihood Ratio	11.768	4	.019
Linear-by-Linear Association	.035	1	.851

N of Valid Cases	140		
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a. 4 cells (40.0%) have expected count less than 5. The minimum expected count is .65.

Interpretation:

Since the P-value is 0.029 is less than 0.05, H0 is rejected and H1 is accepted., Hence there is a significant association between regretting yourself for not knowing change in interest rate with regards to qualification of respondents

4.3 Correlation

Hypothesis:

HO (Null hypothesis): There is no significant relationship between uninformed interest rate causes psychological pressure on the customer with regard to bank fails to alert the customer when interest rate decreases.

H1 (Alternative hypothesis): There is a significant relationship between uninformed interest rate causes psychological pressure on the customer with regard to bank fails to alert the customer when interest rate decreases.

Table 4.3.1 showing correlation on uninformed interest rate causes psychological pressure on the customer with regard to bank fails to alert the customer when interest rate decreases.

Correlations				
			Uninformed change in interest rate causes psychological pressure on customer	Bank fail to alert customer when interest rate decreases
Spearman's rho	Uninformed change in interest rate causes psychological pressure on customer	Correlation Coefficient	1.000	.473**
		Sig. (2-tailed)	.	.000
		N	140	140
	Bank fail to alert customer when interest rate decreases	Correlation Coefficient	.473**	1.000
		Sig. (2-tailed)	.000	.
		N	140	140

** . Correlation is significant at the 0.01 level (2-tailed).

Interpretation:

Since the P-value is 0.000 is less than 0.05, H0 is rejected and H1 is accepted. Hence, there is a positive correlation between uninformed interest rate causes

psychological pressure on the customer with regard to bank fails to alert the customer when interest rate decreases

Findings

- A Majority (46%) of respondents are Undergraduate,
- Bank fails to update the customers when interest rate decreases,
- A Majority (90.71%) of respondents are regret themselves for not knowing about change in interest rate,
- A Majority (53.57%) of respondents are strongly agreed that their bank not informing the changed interest rate and due to this it causes psychological pressure on them.
- Since the P- value is $0.029 < 0.05$, then alternate hypothesis accepted and there is a significant association between regret yourself for not knowing about change in interest rate and qualification of respondents. From the result it is found that even the educated respondents are regretting for not knowing about the discrepancy in interest rate, they feel low from the services provided by the bank.
- Since the P- value is $0.000 < 0.05$, then alternate hypothesis accepted and there is positive correlation between uninformed interest rate causes psychological pressure on customer and bank fails to alert customer when interest rate decreases, From the result it is found that due to the uninformed change in interest rate, respondents are mentally depressed.

Conclusion

This research was conducted to determine consumer understanding of home loan interest rates. The survey and research were performed with people of various ages, as well as customers from various banks and occupation classes. The majority of consumers are unaware of interest rates, according to research. It's because the bank didn't give their customers clear instructions about the new set of guidelines published by RBI. It affects the customers psychologically in both mentally and economically. So, the bank should provide excellent service and clear guidelines, making them feel like valued customers.

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