



# A COMPARATIVE STUDY ON HOUSING LOAN PERCEPTION OF BORROWERS WITH RESPECT TO SBI AND ICICI BANKS IN BANGALORE CITY

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## ABSTRACT

The housing finance is expected to grow at a rate of 20-22% from the financial year 2016 onwards as per the report of ICRA. This is a positive development for the home loan borrowers to go for home loans, thereby creating more demand for the loans, which is a major push for home loan lenders, which increases competition between public and private sector banks. Both, the public sector and private sector banks are coming up with certain schemes to attract the customers. This paper is an attempt to compare the schemes and to know the perception of home loan borrowers between SBI, the largest public sector bank and ICICI, the largest private sector bank in India.

**KEY WORDS:** Housing finance, Public sector bank, Private sector bank, Perception.

## INTRODUCTION:

Housing Finance in India amid the most recent decade has experienced many changes. From low presentation to the housing part at first, banks have gone quick in stretching out credit to this division which has seen extraordinary extension. With urbanization and more elevated amount of monetary development, it is peaceful normal that the housing division has gotten a fillip. In any case, in the current years the banks have gone quicker than what could be a sensibly supported in financing this segment.

With the passage of business banks into housing money, the housing division has seen genuine growth in the recent times. Housing money has now risen as a vital section of the credit arrangement of banks. Its rate of development in the current years is sufficiently fast to make concern the controller.

The dispatch of "Housing For-All by 2022" plan in 2015 proclaimed another time in the housing money area. It conveyed truly necessary lift to the land and housing fund industry by making an empowering and strong condition for extending credit stream and expanding home possession.

The moderate housing advance market is forecasted to increase to Rs 4 trillion - Rs 8 trillion by 2022 from Rs 593 billion in March 2015, reinforced by government measures to expand home ownership among underprivileged section.

### State Bank of India (SBI):

The State Bank of India, the nation's most seasoned bank and a chief as far as monetary record measure, number of branches, market capitalization and benefits it is the two hundred year old Public Sector Bank. It is the bank having wide item blend, for example, Project life partner, Home credits, Auto advances, Car advances, Education advances, Loans to Small Medium Enterprises, Government business, Rural and Agri business, Corporate Business and so forth. SBI is pushing forward with front line innovation, to expand its rural banking base, looking at the vast untapped potential in the hinterland and proposes to cover 100,000 villages in the next two years. SBI is the only Indian bank to feature in the Fortune 500 list.

State Bank of India is expecting a development of around 30 % in home credits after it cut down home advance rates to 9.95%, the SBI is getting a major leg up in home advances as far back as have brought home advance rates to 9.95% and there is enormous buyer premium. SBI extraordinary advance book is around 1.19 lakh crore and is developing by Rs 3000 crore for each month and are expect around 25-30% development in home advances.

### ICICI Bank:

ICICI Bank is India's biggest private bank with aggregate resources of Rs. 7,206.95 billion at March 31, 2016 and benefit after assessment Rs. 97.26 billion for the year finished March 31, 2016. ICICI Bank presently has a system of 4,450 Branches and 14,240 ATM's crosswise over India. ICICI Bank was originally promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary. ICICI Bank is engaged in providing a range of project and corporate finance, banking and financial services, retail banking including commercial banking, working capital finance, insurance, venture capital and private equity, investment banking, broking and treasury products and services. The Bank's business is segmented into wholesale banking, Life insurance, Retail banking, Treasury, Other banking, General insurance and others.

### Objective of the Study:

- To know the perception of borrowers towards SBI and ICICI home loans.

### Hypotheses of the Study:

- H<sub>0</sub>:** There is a considerable difference between the banks with respect to time taken for processing the loan.
- H<sub>1</sub>:** There is a no considerable difference between the banks with respect to time taken for processing the loan.
- H<sub>0</sub>:** There is a considerable difference in opinion regarding interest rate of SBI and ICICI.
- H<sub>1</sub>:** There is no considerable difference in opinion regarding interest rate of SBI and ICICI.

### Scope of the Study:

The study covers the schemes offered by SBI and ICICI banks to attract the borrowers and also the perception of borrowers towards home loans.

### Sources of the Data:

#### 1. Primary Data:

A broad questionnaire was administered to the individual home loan borrowers of ICICI and SBI to find out their perception towards one of the largest Public and Private sector Banks.

#### 2. Secondary Data:

Secondary data was collected from the annual reports of the SBI and ICICI banks.

## Perception of borrower

Sl. No.	Sources	Option	SBI		ICICI Bank	
			Respondents	Percentage	Respondents	Percentage
1.	Purpose of home loan	Land Purchase	5	4.16	8	5.34
		House purchase	79	52.7	83	55.33
		house construction	43	28.7	38	25.33
		House Modification	14	8.44	11	7.33
		other purpose	9	6	10	6.67

2.	Tenure of home loans	5-10 years	39	26	41	27.33
		10-15 years	55	36.67	57	38
		15-20 year	44	29.33	42	28
		Above 20 years	12	8	10	6.67
3.	Type of interest rate	Fixed rate	47	31.3	52	34.66
		Floating rate	103	68.7	98	65.33
4.	Opinion regarding rate of interest charged	Very high	9	6	12	8
		High	28	18.67	42	28
		Moderate	85	56.67	78	52
		Low	22	14.67	15	10
		Very Low	6	3.99	3	2
5.	Processing Time	Less than 7 days	5	3.33	29	19.33
		7-15 days	26	17.33	37	24.67
		15-30 days	34	22.67	49	32.67
		More than 30days	85	56.67	35	23.33
6.	Repayment schedule	EMI	150	100	146	97.33
		Other	Nil	0	4	2.67
7.	procedural formalities	Very personable	26	17.7	56	37.6
		Reasonable	50	33.3	70	46.7
		Un reasonable	55	36.7	22	14.7
		Very unreasonable	19	12.7	2	1.3
8.	Security for obtaining Home Loan	Mortgage	62	41.33	51	34
		Guarantee	43	28.67	42	28
		Collateral	40	26.67	49	32.67
		LIC Policy	5	3.33	8	5.33
9.	Awareness regarding recovery procedure followed	Yes	138	92	145	96.67
		No	12	8	5	2.67
10.	Overall opinion on Home Loans	Very good	35	23.33	32	21.33
		good	53	35.33	65	43.33
		Moderate	42	28	34	22.67
		Poor	17	11.33	15	10
		Very poor	3	2	4	2.67
		Total	150	100	150	100

It can be observed that highest proportion of respondents of SBI 52.7 per cent and 55.33 per cent respondents of ICICI had taken home loans for purchase of house. For construction of house 28.7 per cent and 25.33 per cent had taken belonging to SBI AND ICICI respectively.

29.33 per cent of respondents with reference to SBI took the loan for the period of 15-20 years. 28 per cent of respondents of ICICI took the loan for period of 10-15 years. 36.67 per cent of SBI respondents had taken loan for 10-15 years and 38 per cent of ICICI respondents had taken loan for 10-15 years which is the highest.

68.7 per cent of SBI and 65.33 per cent of ICICI opted for floating rate of interest as present economy is featured by falling rate regime.

14.67 per cent of SBI respondents felt that the interest rate charged it is low and very low. Whereas 28 per cent of ICICI respondents opined that it is charging high rate of interest. 56.67 per cent of SBI and 52 per cent of ICICI respondents are felt that the interest rate is moderate.

19.33 per cent and 24.67 per cent of ICICI's respondents specified that processing time was less than 7 days and 7-15 days. Whereas 56.67 per cent of SBI's respondents claimed that the processing time was above 30 days. It was obvious that the loan processing of HDFC is much lesser than that of SBI.

Majority of the respondents of both SBI and ICICI opted for EMI. Very less percentage of respondents i.e. 2.67 per cent of ICICI opted for other methods of repayment.

37.6 per cent and 46.7 per cent of the respondents of ICICI claimed that procedural formalities are very reasonable and reasonable respectively, which is really noticeable with regard to SBI, 36.66 and 12.66 per cent specified that procedural formalities are un-reasonable and very unreasonable. This is the issue which has to be taken care by SBI.

41.33 per cent of respondents keep mortgage as a security in SBI where as 34 per cent respondents go for mortgage. 32.67 per cent ICICI and 26.67 per cent of SBI respondents keep collateral as a security.

It can be revealed that, awareness level was high with regard to the respondents of both the institutions. 96.67 per cent of the ICICI's respondents and 92 per cent of SBI's respondents were aware of the concerned procedure.

It can be concluded that, 21.33 per cent and 43.33 per cent of ICICI are opined that overall functioning is very good and good respectively. 23.33 per cent and 35.33 per cent of SBI respondents expressed its functioning very well and good and 28 per cent of SBI respondents expressed as moderate and 26.66 per cent specified as poor.

**Hypotheses testing:**

**Ho:** There is significant difference between the banks with respect to time taken for processing the loan.

**H1:** There is no significant difference between the banks with respect to time taken for processing the loan.

Test Statistics			
		ICICIPT	SBIPT
Chi-Square		5.040 <sup>a</sup>	92.187 <sup>a</sup>
Df		3	3
Asymp. Sig.		.169	.000
Monte Carlo Sig.	Sig.	.174 <sup>b</sup>	.000 <sup>b</sup>
	99% Confidence Interval	Lower Bound	.165
		Upper Bound	.184

To test the goodness of it and to find out the association between processing time of ICICI and SBI, chi square test was performed and was found that there is no association between processing time of ICICI and SBI. So the null hypothesis is rejected and alternative hypotheses are accepted.

**Ho:** There is significant difference in opinion regarding interest rate of SBI and ICICI.

**H1:** There is no significant difference in opinion regarding interest rate of SBI and ICICI.

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.272E2 <sup>a</sup>	16	.000
Likelihood Ratio	219.338	16	.000
Linear-by-Linear Association	115.174	1	.000
N of Valid Cases	150		

To test the goodness of fit and to find out the opinion regarding interest rate of SBI and ICICI, chi square test was performed and was found that there is no association between processing time of ICICI and SBI. So the hypotheses, the calculated value is higher than the table value hence hypothesis is accepted.

#### CONCLUSION:

Finally to conclude, housing finance is gaining importance day by day. There is a huge scope for the banks to make use of the apt situation prevailing in the market to lend loans for housing purpose. The study has revealed that the SBI has set a very competitive interest rate which is attracting more number of potential home loan borrowers. There is no significant difference between the processing time taken for both the SBI and ICICI. It has been more or less the same. Looking into the overall opinion about the home loans, the borrowers have a good opinion with respect to both the public sector banks and private sector banks.

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