



## A STUDY ON PROBLEMS AND PROSPECTS OF SBI HOME LOAN WITH REGARDS TO STATE BANK OF INDIA

**P. Arivazhagan**

*\*Research Scholar in Commerce, Government Arts College, Tiruchirappalli.*

### **Abstract**

Today home is important one for every human being. Since home life affected the very foundations of an individual's life, the house becomes an integral part of it. The first step in house construction is collecting money to own a house. These days one need not have ready cash to start house construction or buying of house. So many banks and financial institutions through which one can easily avail of housing loan at reasonable rate of interest. The government of India has been continuously trying to strengthen the housing sector by introducing various housing loan scheme for rural and urban populations. Therefore, the purpose of this paper is to analyze the problems and prospects of home loan of SBI with reference to Tiruchirappalli City.

**Keywords:** *Customers Perception, Housing Loan, Interest Rate.*

### **Introduction**

Home is the ultimate dream of every middle class family. Government gave encouragement for house finance subsidiaries by offering number of tax concessions to individuals with the overall encouragement given to this sector a number of players entered in housing finance. One of the important benefits of taking on the home loan is the interest rate that is allowed on the home loan. Fixed and variable interest rate options are also available for home loans. Many financiered also offer home loans at the same interest rate as the offer the home loans. Once in a life time investment requires loans to accomplish it and that is how the home loan comes into scheme of things.

### **State Bank of India**

The state Bank of India was established on 18<sup>th</sup> July 1955. SBI is owned by the Government of India and is the largest bank in the India sub continent. SBI is the second largest bank in the world. SBI has been awarded “The Most Preferred Home Loan Provider” by AWAAZ consumer awards. SBI home loans give concessions on interest rates on “GREEN HOMES” under its environment protection programme. SBI offers SBI-optima additional home loan and SBI- Home line special personal loans for existing home loan Borrowers who have a repayment record of 3 years. State Bank of India housing finance offers loan for construction and renovation of house at the lower interest rate which range 9.10% to providing home loan borrowers.

### **Review of Literature**

To build the conceptual frame work for housing finance practices in India, literature survey has been conducted: **W.Boyd et (2011)** the result of the study reveal that reputation, interest charged on loans interest on saving accounts are viewed as having more importance than other criteria such as friendliness of employees, modern facilities, and driven-in-services.

**Machauer, A. and Morgner.S (2012)** prefer segmentation by expected benefits and attitudes could enhance a bank's ability to address the conflict between individual's services and cost saving standardization. Using cluster analysis, segments were formed based on combinations of customer rating for different attitudinal dimensions and benefits of bank services.

**Devlin (2013)** investigates the relative importance of choice criteria according to consumers and also analyses difference in the importance of choice criteria with respect to number of demographic difference and relative factors. The study shows that choosing a home loan institution on the basis of professional advice is the most frequently cited choice criteria, closely followed by interest rates.

**Jasmindeep Kaur Brar and J.S. Pasricha (2014)** opined that from the immemorial shelter was considered as a basic need of a man. To a modern no other problem is as intriguing and mind boggling as the housing problem.

### **Objectives of the Study**

The following are the main objectives of the study are here under:

1. To know the problems and prospects of home loan provided by the SBI.
2. To assess the customers perception regarding the home loan facility offered by the SBI.
3. To offer suggestions and conclusion.



### Methodology

The present study is based on both primary and secondary data. The primary data were collected from the respondents through questionnaire to know the customers perceptions regarding housing loan provided by the bank. The sample size is 50 by adopting simple random sampling method. The primary data collected from only housing loan customers of SBI not general customers. The secondary data collected from the books, journals, magazines, and online sources etc.,

### Data Analysis and Interpretations

The primary data were collected from the respondents through questionnaire is helpful to know the customers perception regarding of housing loan provided by the SBI. The following important factor is to analysis the customers' perception towards housing loan provided by the state Bank of India.

**Table 1: General Information**

Sl. No.	Parameters	Variables	Frequency	Percentage
1.	Age	21 - 35	10	20
		35 - 50	12	24
		50 and above	<b>28</b>	<b>56</b>
2.	Gender	Male	<b>36</b>	<b>72</b>
		Female	14	28
3.	Qualification	Up to HSC	08	16
		Graduates	14	28
		Post Graduates	<b>18</b>	<b>36</b>
		Other	10	20
4.	Family type	Nuclear	<b>38</b>	<b>76</b>
		Joint	12	24
5.	Occupation type	Govt. Service	18	36
		Private Service	<b>19</b>	<b>38</b>
		Business	08	16
		Farming	05	10
		others	0	0

It is clear from Table 1 that maximum respondent 38 percent were belonged to private services, 38 percent respondents belonged to nuclear family, 36 percent belonged to post graduates, 72 percent respondents belongs to male and 56 percent belongs to above 50 age group..

**Table 2: Rate of Interest on Housing Loan Charged by Banks**

Customers perceptions	No. of Respondents	Percentage
Highly appropriate	11	22
Appropriate	<b>19</b>	<b>38</b>
No Comment	0	0
High	12	24
Extremely High	8	16
<b>Total</b>	<b>50</b>	<b>100</b>

The above table indicates that majority 38% of the sample respondents opined that the rate of interest on housing loan charged by the bank is appropriate one. It is concluded that majority 38% of the respondents opined that the rate of interest charged by bank regarding housing loan is appropriate one.

**Table 3: Terms and Conditions of Home Loan**

Customers perceptions	No. of Respondents	Percentage
Highly Satisfied	8	16
Satisfied	<b>26</b>	<b>52</b>
Neutral	0	0
Dissatisfied	10	20
Highly Dissatisfied	6	12
<b>Total</b>	<b>50</b>	<b>100</b>



From the above table observed that majority 52% of the respondents were satisfied with the terms and conditions on housing loan provided by the sample bank, 20% of the respondents were felt that terms and conditions of housing loan were dissatisfied with the housing loan customer, 16% of the respondents are highly satisfied with the terms and conditions remaining 12% of the sample respondents were highly dissatisfied. It is concluded that majority 52% of the respondents were satisfied with the terms and conditions provided by the sample bank about housing loan customers.

**Table 4: Documentation and Procedural Formalities for Home Loan**

Customers perceptions	No. of Respondents	Percentage
Very Reasonable	9	18
Reasonable	26	52
Cannot Comment	0	0
Very Lengthy	12	24
Highly cumbersome	4	8
<b>Total</b>	<b>50</b>	<b>100</b>

The above table indicates that majority 52% of the respondents says that the documentation and procedural formalities for housing loan is reasonable, 24% of the sample respondents were felt that documentation and procedural formalities regarding housing loan is very lengthy, 18% of the respondents opined that very reasonable remaining 8% of the respondents were highly cumbersome. It is concluded that majority 52% of the respondents says that documentation and procedural formalities about the housing loan is reasonable one.

**Table 5: Behaviour of Housing Financial Advisor**

Customers perceptions	No. of Respondents	Percentage
Very Good	5	10
Good	25	50
Cannot say	0	0
poor	13	26
Very Poor	7	14
<b>Total</b>	<b>50</b>	<b>100</b>

The above table shows that majority 50% of the respondents felt that behaviour of housing financial advisor is good, 26% of the respondents opined that poor, 14% of the sample respondents says that behaviour of housing financial advisor are very poor remaining 10% of the respondents felt that behaviour of housing financial advisor is very good.

It is concluded that majority 50% of the respondents opined that behaviour of housing financial advisor to maintain the cordial relationship between loan customers of the bank.

**Table 6: Redress of Grievances**

Customers perceptions	No. of Respondents	Percentage
Highly Satisfied	20	40
Satisfied	10	20
Neutral	0	0
Dissatisfied	12	24
Highly Dissatisfied	8	16
<b>Total</b>	<b>50</b>	<b>100</b>

The above table indicates that majority 40% of the respondents opined that redress of grievances of the bank is highly satisfied 24% of the respondents were dissatisfied with the redress of grievances, 20% of the respondents were satisfied remaining 16% of the respondents were highly dissatisfied with the redress of grievances of the bank. It is concluded that majority 40% of the respondents were highly satisfied with the redress of grievances of the bank.



**Table 7: Processing Fees**

Customers perceptions	No. of Respondents	Percentage
Low	12	24
Medium	<b>19</b>	<b>38</b>
High	10	20
Very High	9	18
<b>Total</b>	<b>50</b>	<b>100</b>

From the above table observed that majority 38% of the respondents felt that the bank charging housing loan processing fees is medium, 24% of the respondents says that housing loan processing fees is low, 20% of the sample respondents opined that the processing fees were high remaining 18% of the respondents felt that the processing fees is very high. It is concluded that majority 38% of the respondents opined that the housing loan processing fees charged by the sample bank is medium one.

### Findings

The following are the major findings of the study is focuses here under;

- In this study majority 38% of the respondents opined that the rate of interest charged by bank regarding housing loan is appropriate one.
- Majority 52% of the respondents are satisfied with the terms and conditions provided by the sample bank about housing loan customers.
- Majority 52% of the respondents says that documentation and procedural formalities about the housing loan is reasonable one.
- Majority 50% of the respondents felt that behaviour of housing financial advisor is good.
- Majority 40% of the respondents were highly satisfied with the redress of grievances of the bank.
- In this study majority 38% of the respondents opined that the housing loan processing fees charged by the sample bank is medium one.

### Suggestions

On the basis of the feedback received from the respondents the following recommendations are made by the researcher.

- More personal attention should be given to the customers and working efficiency should be increased. The formalities and paperwork should be reduced while providing loan to the customers.
- The services provided by banks need to be automated. The bank should improve their customer service.
- The behaviour of the staff of the bank towards the customer should be more personalized.
- The banks need to improve on the customer satisfaction level due to stiff competition among the banks.

### Conclusion

The present study we conclude that there are various satisfactory factor which affect the satisfaction level of customers of home loan. It is concluded that customers of the bank are satisfied but not highly satisfied due to high rate of interest charged by banks and complicated terms and conditions. So there is need to reduce the rate of interest, terms and conditions, procedural formalities and processing fees. At the same time many booklet and attractive advertisement should be provided to the customer for awareness about different home loan schemes offered by the banks.

### References

1. Boyd, W.L and M. and White. C (2011) "Customer preferences for Financial Services an analysis" International journal of bank marketing Vol.12 no.1 PP 9-15
2. Brar Jasmindeep Kaur and pasricha J.S. (2014) "Housing Loan – A Comparative Study of Institutions", Indian Journal of Commerce. Vol.58 No.2 April PP 71-79.
3. Devlin J.F (2013) "An Analysis of Choice Criteria in the Home Loan Market" International Journal of Bank Marketing 20/5, PP 212-226.
4. Machauer, A and Morgner, S (2012) "Ethnicity Endogeneity and Housing tenure Choice" International Journal of Bank Marketing 19/1 PP 6-17.
5. Vandell. Kerry D (2008) "Subprime lending and housing bubble tall wag dog" International journal of bank marketing. Vol 21 no.2 PP53-7.