

Analysis of Home Loans at ICICI Bank

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I. Abstract : The Indian real estate and housing finance sectors have witnessed exponential growth over the past two decades, driven by factors such as urbanization, a growing middle-class population, and increased awareness of financial services. Within this context, home loans have become an essential financial product, facilitating individuals' access to housing ownership amidst skyrocketing property prices. ICICI Bank, a leading private sector financial institution in India, has played a pivotal role in this transformation by offering an array of home loan products to suit the varied needs of customers. This study explores the structure, implementation, and customer satisfaction levels associated with ICICI Bank's home loan offerings. It seeks to analyze the preferences, demographics, loan tenures, and perceptions of home loan customers, as well as their levels of satisfaction with services provided by the bank.

The study is both exploratory and descriptive in nature. It focuses on collecting empirical evidence through primary research by surveying 100 respondents from the Nagpur district, using a structured questionnaire. The sample included customers who had either availed a home loan from ICICI Bank or considered doing so. Data was analyzed using percentage-based interpretation and hypothesis testing via SPSS software. The secondary data sources included reports from ICICI Bank, the Reserve Bank of India (RBI), the National Housing Bank (NHB), and other financial publications. The findings of this research are significant for both academic and practical stakeholders in understanding the role of ICICI Bank in the evolving landscape of housing finance in India.

One of the key findings of the study was the overwhelming preference for ICICI Bank as a home loan provider. A majority of the respondents, approximately 64%, considered ICICI Bank their preferred institution for taking a home loan. This preference is attributed to the bank's robust digital interface, simplified documentation process, relatively faster loan disbursement system, and its consistent brand reputation. Customers reported a higher degree of trust in the private sector bank compared to public sector institutions, despite marginally higher interest rates. The bank's ability to process loans quickly, coupled with transparent communication and wide-ranging tenure options, emerged as central drivers of customer satisfaction.

Keywords: Home Loan, Housing Finance, Customer Satisfaction, Loan Tenure, Banking Preferences

INTRODUCTION

Owning a home is a fundamental aspiration for most individuals, symbolizing security, stability, and financial independence. In India, where real estate prices have escalated dramatically over the years, the dream of owning a house often becomes achievable only through home loans. Financial institutions, particularly banks, play a pivotal role in fulfilling this aspiration by offering housing finance solutions tailored to the diverse needs of individuals. Among the leading players in India's housing finance sector, ICICI Bank has carved a niche for itself through customer-friendly home loan products, streamlined processing, competitive interest rates, and wide accessibility. Home loans, by definition, are long-term borrowings provided by banks and financial institutions to individuals for the purpose of purchasing, constructing, renovating, or extending residential properties. The Indian home loan market has witnessed tremendous growth in recent years due to rising urbanization, favorable demographic trends, increasing disposable incomes, and supportive government initiatives like the Pradhan Mantri Awas Yojana (PMAY). Despite multiple lending options in the market, customers often find it challenging to choose the most suitable bank due to variations in eligibility criteria, interest rates, tenure flexibility, and service quality.

ICICI Bank, a leading private sector bank in India, has consistently been at the forefront of innovation in retail lending. It offers a variety of home loan products such as loans for home purchase, construction, improvement, balance transfer, and top-up loans. The bank is known for its simplified documentation, digital processing, doorstep service, and tailored repayment options, making it a preferred choice among salaried as well as self-employed individuals.

This research paper aims to study the effectiveness and popularity of ICICI Bank's home loan offerings by evaluating customer awareness, satisfaction, preferences, and challenges. It delves into the bank's home loan processing system, types of borrowers, property choices, and repayment patterns. The paper also seeks to understand the demographic factors influencing loan decisions and the areas where customers expect improvements.

Through a primary survey of 100 respondents and secondary data from credible sources, the study attempts to provide a comprehensive picture of how ICICI Bank's home loans are perceived in the market. The findings will help identify key drivers of customer satisfaction and suggest ways to enhance service quality, thereby contributing to better customer engagement and financial inclusion in the housing sector.

1.1 INDUSTRY PROFILE:

Housing is a fundamental human need, ranking just after food and clothing. In India, the demand for adequate housing has grown significantly due to urbanization and population growth. While the early 20th century saw a surplus in housing stock, the post-1951 period has witnessed a consistent housing deficit, with shortages reaching 41 million by 2001. Rapid urban migration has further widened the gap between housing demand and supply. Recognizing this, the Government of India has introduced various housing schemes across its Five-Year Plans and formulated the National Housing Policy in 1994 to promote sustainable housing development. Despite these efforts, innovative construction methods and policy reforms remain essential to bridge the existing housing shortfall.

1.2 COMPANY PROFILE:

ICICI Bank Limited is one of India's leading private sector banks, headquartered in Mumbai. Established in 1955 and incorporated in 1994, the bank was originally set up to provide project financing and has since evolved into a full-service financial institution. As of March 2024, it holds total assets worth ₹18.71 trillion and operates 6,742 branches and 16,277 ATMs across India. With a presence in 17 countries, ICICI Bank offers a wide range of banking and financial services to both retail and corporate customers. Notably, it became the first Indian bank to be listed on the New York Stock Exchange in 1999.

Overview of Home Loans:

Home loans are essential for promoting economic growth and improving living standards by making housing accessible and reducing urban slums. As housing demand rises, providing affordable financing becomes a key government objective. A home loan is typically borrowed from banks or financial institutions and is secured by a mortgage on the property. While the concept of housing finance varies globally, its core function remains the same—channeling funds from lenders to homebuyers. Over time, home loan systems have evolved, often becoming complex due to regulatory interventions, but their fundamental aim is to enable home ownership.

Importance of Home Loan

Home loans are not just a financial necessity due to rising property prices, but also a strategic tool for long-term savings and tax benefits. With real estate becoming increasingly expensive, many individuals rely on home loans to fulfill their dream of owning a house. Attractive offers such as zero down payment schemes and competitive interest rates make home loans more accessible. For salaried individuals, home loans provide significant tax deductions—up to ₹2 lakh on interest and ₹1.5 lakh on principal repayment under the Income Tax Act.

Even for those who can afford to purchase homes outright, availing a home loan is financially wise due to the long-term return on investment in property, often averaging 20% annually, compared to borrowing costs of around 7% (after tax benefits).

ICICI Bank Home Loan Features:

- Loan up to 85% of the property cost
- Tenure up to 25 years
- Fixed, floating, or mixed interest rate options
- Monthly rest-based repayment for faster reduction of principal

Eligibility Criteria:

- Available to Resident Indians (salaried or self-employed) and salaried NRIs
- Age: Minimum 21 years; loan must end before age 65 or retirement
- Regular source of income is mandatory

Ways to Enhance Eligibility:

- Add earning spouse or blood relatives as co-applicants
- Offer additional security like fixed deposits or insurance policies

Documents Required:

- Filled application form, ID proof, address proof, photographs, and fee cheque
- Salaried: Last 3 months' salary slips, Form 16, and 6 months' bank statements
- Self-employed: ITRs, CA-certified financials, bank statements, and business proof

Review of Literature

Various studies have explored different aspects of the Indian banking and housing finance sectors. Goyal and Joshi (2011) emphasized the role of banks in promoting ethical and socially responsible lending. Kumar and Gulati (2010) used Data Envelopment Analysis to assess the efficiency of Indian banks and concluded that ownership type has minimal impact on performance.

Shetty and Veerashekharappa (2009) highlighted the role of microfinance in bridging financial exclusion, especially in housing.

Kerry (2008) attributed housing price fluctuations to economic fundamentals rather than subprime lending, while Sendhilvelan and

Karthikeyan (2007) stressed the need for universal banking to strengthen the financial system.

Talwar (1996) advocated for regulatory reforms to enhance financial discipline, and Boyd (1994) pointed out that customer satisfaction is influenced by service quality and digital offerings. Spencer (1991) underlined the importance of brand image in attracting customers.

The Narasimham Committee (1991) recommended key reforms for making the Indian banking sector more efficient and competitive. Rangarajan (1988) stressed the need for credit access to the underprivileged. Kuruvilla (1999) and Mathurn (1993) discussed policy reforms and financial burdens in housing, while Parekh (1988) focused on simplifying the credit disbursal process.

Karthik (1998) emphasized the importance of tailored housing loan schemes, and Vidhayavathi (2002) identified interest rates, service quality, and responsiveness as crucial factors influencing customer satisfaction in housing finance.

3.1 Research Methodology

The research methodology forms the foundation of any scientific inquiry, enabling a structured approach to data collection, analysis, and interpretation. This study adopts an **exploratory research design** to examine customer experiences and perceptions regarding home loans provided by ICICI Bank.

Data was collected using a structured questionnaire from a **sample of 100 respondents**, selected through **random sampling**. The study was conducted at the **Dharamapeth branch** of ICICI Bank. The objective was to analyze factors such as loan processing time, disbursement patterns, borrower profiles, and satisfaction levels.

3.2 Hypothesis

- **Null Hypothesis (H_0):** There is no significant relationship between the time taken to process the loan and its disbursement.
- **Alternate Hypothesis (H_1):** There is a significant relationship between the time taken to process the loan and its disbursement.

3.3 RESEARCH DESIGN:

*	Type of Design	: Exploratory research design.
*	Sample size	: The sample comprises of 100 respondents
*	Research Area	: Dharamapeth Branch
*	Sampling Technique	: Random Sampling

3.4 NEED FOR STUDY:

- Intense global competition makes it mandatory for businesses to adapt continuously.
- Business entities must constantly train their human resources to meet emerging challenges.
- To understand the home loan market and its current practices in the Indian context.
- To gain insights into customer perceptions of home loan products and services.
- To study the problems faced by customers in obtaining home loans.
- To strategically design solutions that meet business needs effectively.

3.5 OBJECTIVE OF THE STUDY:

- To understand the concept of home loan schemes.
- To understand the documents involved in home loans and the repayment methodology.
- To detail the interest rates and tenure options for repayment.
- To learn about innovative home loan schemes and risk management mechanisms.

3.6 SCOPE OF THE STUDY:

- All industries face challenges in training their workforce, and the banking sector is no exception.
- Regulation changes impacting training requirements.
- Ensuring all staff meet the required training standards.
- Managing resistance to change among employees.

- Supplementing existing training courses effectively.
- Handling overwhelming levels of information during training.

3.7 LIMITATIONS OF STUDY:

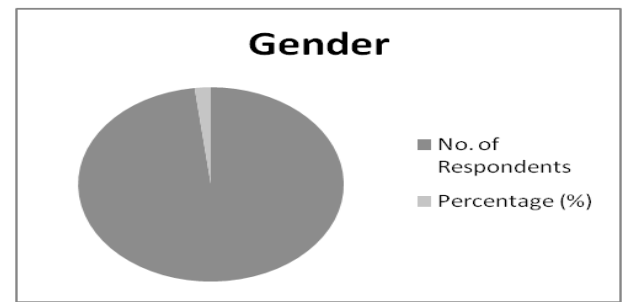
- The study is confined to Nagpur District only due to time constraints.
- Difficulty in getting timely responses from respondents because of their regular routine activities.
- Data collected is entirely primary and may contain personal bias, affecting accuracy.
- The study is limited to only 100 respondents.
- Limited time available for conducting the survey.

4.1 DATA ANALYSIS & INTERPRETATION

Percentage Analysis

Table1: Gender

Gender	No. of Respondents	Percentage (%)
Male	35	70%
Female	15	30%



INTERPRETATION:

The data reveals that a significant majority of home loan applicants—70%—are male, compared to 30% female.

Table2: Occupation

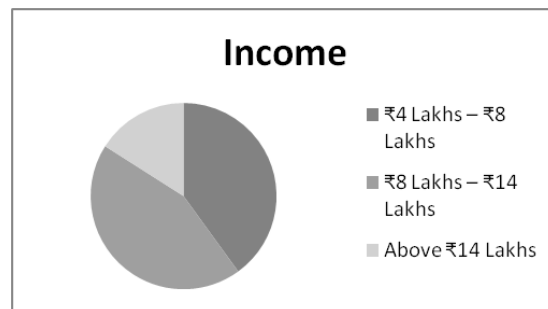
Occupation	No. of Respondents	Percentage (%)
Government Employee	10	20%
Private Employee	28	56%
Self-employed Professional	5	10%
Self-employed Non-professional	4	8%
Unemployed	3	6%



INTERPRETATION: The data shows that private employees form the largest group of respondents (56%), followed by government employees (20%). Self-employed individuals represent a smaller portion, and only 6% of applicants are unemployed.

Table3: Income

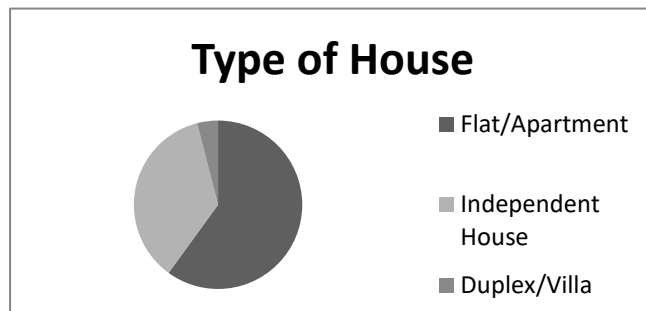
Income Range (₹ per annum)	No. of Respondents	Percentage (%)
₹4 Lakhs – ₹8 Lakhs	20	40%
₹8 Lakhs – ₹14 Lakhs	22	44%
Above ₹14 Lakhs	8	16%


INTERPRETATION:

The majority of respondents (44%) earn ₹8–₹14 lakhs, followed by 40% earning ₹4–₹8 lakhs, while only 16% have incomes above ₹14 lakhs.

Table4: Type of House

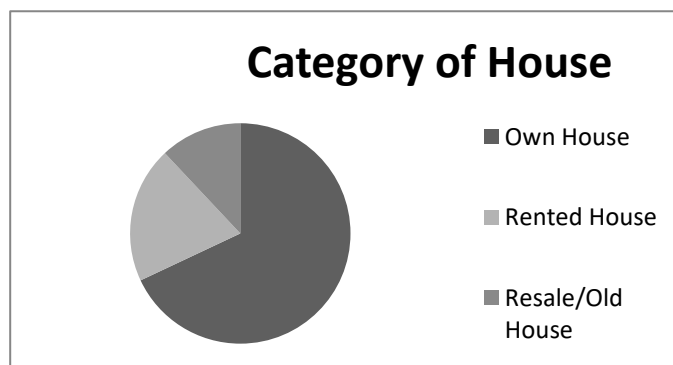
Type of House	No. of Respondents	Percentage (%)
Flat/Apartment	30	60%
Independent House	18	36%
Duplex/Villa	2	4%


INTERPRETATION:

Flats/apartments are preferred by 60% of applicants, independent houses by 36%, and only 4% opt for duplex/villa properties.

Table5: Category of House

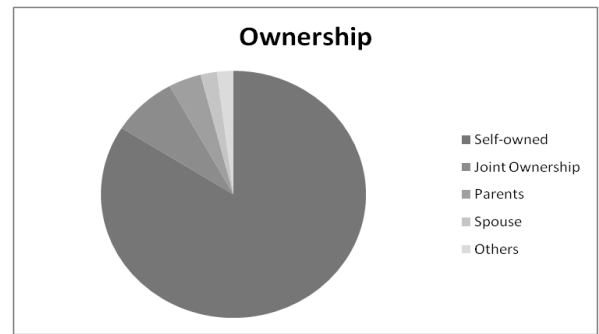
Category	No. of Respondents	Percentage (%)
Own House	34	68%
Rented House	10	20%
Resale/Old House	6	12%


INTERPRETATION:

Most respondents (68%) prefer new houses, 20% live in rentals, and 12% choose resale or old homes.

Table6:Ownership

Ownership Type	No. of Respondents	Percentage (%)
Self-owned	42	84%
Joint Ownership	4	8%
Parents	2	4%
Spouse	1	2%
Others	1	2%

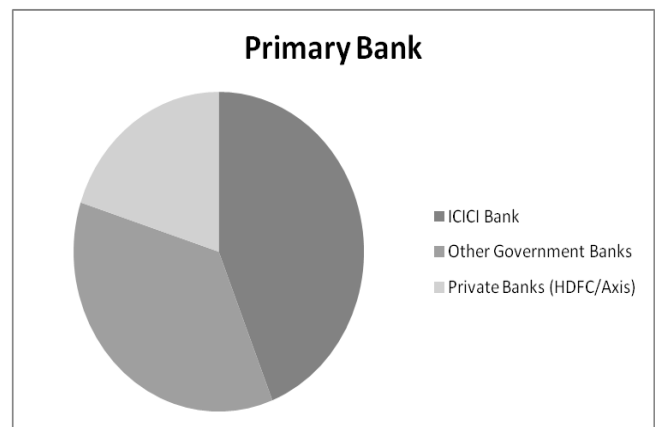


INTERPRETATION:

Most houses (84%) are self-owned, 8% have joint ownership, and the remaining 8% are owned by parents, spouse, or others.

Table7:Primary Bank

Primary Bank Type	No. of Respondents	Percentage (%)
ICICI Bank	22	44%
Other Government Banks	18	36%
Private Banks (HDFC/Axis)	10	20%

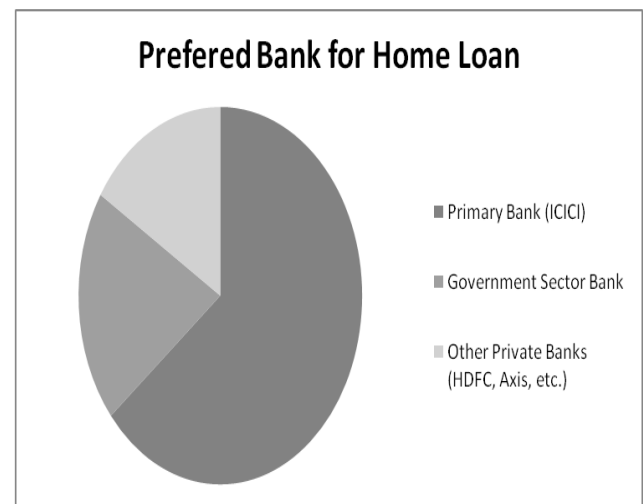


INTERPRETATION :

ICICI Bank serves 44% of respondents, government banks 36%, and other private banks 20%.

Table8: Preferred Bank for Home Loan

Preferred Bank Type	No. of Respondents	Percentage (%)
Primary Bank (ICICI)	32	64%
Government Sector Bank	10	20%
Other Private Banks (HDFC, Axis, etc.)	8	16%



INTERPRETATION: ICICI Bank is preferred by 64% for home loans, followed by 20% choosing government banks and 16% opting for other private banks.

Table9: Status of Home Loan

Loan Status	No. of Respondents	Percentage (%)
Sanctioned	30	60%
Applied/Processing	15	30%
Not Applied	5	10%

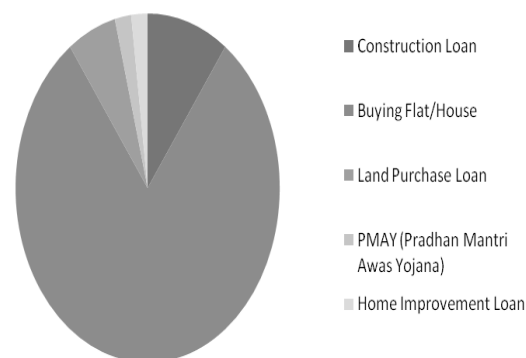
Status of HOMe Loan

INTERPRETATION :

60% have sanctioned loans, 30% are applying, and 10% haven't applied.

Table10: Type of Loan

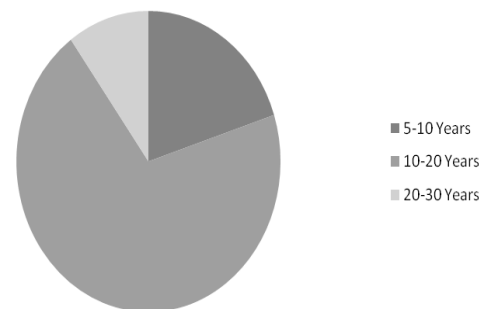
Loan Type	No. of Respondents	Percentage (%)
Construction Loan	5	10%
Buying Flat/House	40	80%
Land Purchase Loan	3	6%
PMAY (Pradhan Mantri Awas Yojana)	1	2%
Home Improvement Loan	1	2%

Type of Loan

INTERPRETATION:

80% took loans for flats/houses, 10% for construction, while the remaining 10% opted for land purchase, PMAY, or improvement loans.

Table11: Repayment Tenure

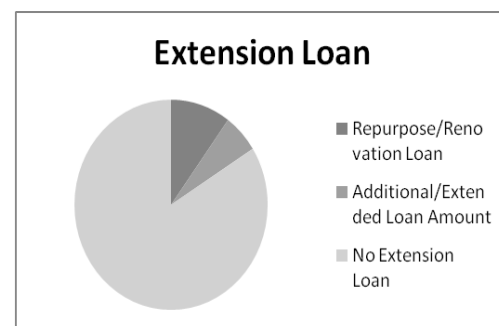
Repayment Tenure	No. of Respondents	Percentage (%)
5-10 Years	10	20%
10-20 Years	35	70%
20-30 Years	5	10%

Repayment Tenure

INTERPRETATION:

70% prefer a 10–20 year tenure, while 20% choose 5–10 years and 10% opt for 20–30 years..

Table12:ExtensionLoan

Extension Loan Type	No. of Respondents	Percentage (%)
Repurpose/Renovation Loan	5	10%
Additional/Extended Loan Amount	3	6%
No Extension Loan	42	84%



INTERPRETATION:

The data shows that 84% of respondents didn't take any extension loan, while 10% took renovation loans and 6% availed additional loan amounts.

FINDINGS

5.1. FINDINGS:

1. Majority (70%) of the respondents are Male.
2. Majority (56%) of the respondents are occupied as private employee.
3. Majority (44%) of the respondent's income is between 8-14Lakhs p.a.
4. Majority (60%) of the respondents prefer Flat and Apartment.
5. Majority (68%) of the respondents are presently living in their own house.
6. Majority (84%) of the respondents' resident owners are self owned.
7. Majority (44%) of the respondents have their primary account in ICICI BANK.
8. Majority (64%) of the respondents prefer their primary bank to take further loan.
9. Majority (60%) of the respondents already have sanctioned loans..
10. Majority (80%) of the respondents are interested in taking loan as buy Flat or Houses.
11. Majority (70%) of the respondent prefer their repayment between 10-20years.
12. Majority (84%) of the respondents have not taken any extension loan.

5.2 CONCLUSION:

The study reveals that a significant number of people prefer taking home loans from ICICI Bank, primarily to purchase flats or houses. One of the key reasons for this preference is the long repayment tenure of home loans, which allows borrowers to invest in an asset over time. Despite relatively high interest rates, customers are inclined towards ICICI Bank due to its efficient and speedy loan sanctioning process, supported by a team of experts. Additionally, the disbursement process is quicker and involves fewer stages compared to other banks, making it more convenient for borrowers. Overall, home loans not only help customers fulfill their dream of owning a home but also serve as a stable and long-term source of income for the bank.

5.3 SUGGESTIONS:

- ICICI Bank having good brand image in the minds of customers.
- Majority of the people got loans from ICICI Bank only.
- Most of the customers are not aware of the products of ICICI home loans.
- Some of the customer's felt that the interest rates are somewhat high.
- Some of the customer not having good faith on private banks.
- Most of the people are directly go to bank to apply a home loan.
- Some of the customer of ICICI already benefited through ICICI home loan products and services.

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