

# HOME LOAN COMPARISON STUDY IN PUBLIC AND PRIVATE SECTOR BANKS

*Mrs. MALASRI.R, M.Com(CA),M.Phil,PGDCA,-Author  
Research Scholar of Department of Commerce  
Government Arts College ,Udumalpet.*

*Dr.D.Vijayakumar- M.Com,M.Phil,M.Com(CA),B.Ed,PhD-Co-Author  
Assistant professor of Department of commerce  
Government Arts College, Udumalpet*

## ABSTRACT

Every person's introductory need is a place to call home. It functions as a place for families to live. Numerous people invest in buying a property since it's a introductory necessity and will be useful in the future. Still, it's relatively delicate moment for middle- class families to buy a house since they cannot go it. Thus, the government has made a house loan option available to everyone at a lower interest rate for their convenience. A casing loan is basically a loan used to buy a house, with the borrower making yearly payments at a specific interest rate. The interest rate is the crucial element of a loan. The primary pretensions of this comparison study are client satisfaction and the house loan operation process in banks serving the public and private sectors.

**Keywords:** Mortgage, Interest rate, and fiscal institutions.

## INTRODUCTION:

Every single person's comfort zone is their home. Every person's comfort zone, as well as the place they would most like to live every day. Home loans are veritably popular right now since middle- class people can not go to buy a home. multitudinous banking institutions and fiscal institutions are offering house loan options to meet this growing demand from the public. Every person needs a home as a introductory necessity, therefore home loans are readily available at reduced interest rates to suit this need. In order to meet the requirements of people, the home loan installation is offered. When a person buys a property, he or she's unfit to pay the entire price up front, and some people pay a veritably small quantum.

Debt is what's meant by the expression loan. A loan displays the periodic transfer of means among the loan givers and borrowers, much like other debt instruments. The plutocrat is generally repaid in the same instalments, although sometimes it can also be paid back at the borrower's request or condition. Although there's no guarantee that loan systems was at their commencement, it's possible to assume that the generalities of power and lending and borrowing were attendant. Along with the citation of fiscal loans in the Bible, numerous other feathers of loans were observed to be employed by Greeks and Romans. One of the oldest types of loans in the 19th century, " Indentured loans," had downsides for the depressed, including " slave labour."

Everybody's desire is to enjoy a home, hence the loan is attained for that purpose. This loan's term is lengthier. Home loans are generally approved for 80 of the value of the property, but they can sometimes go up to 85- 90. also, there are two orders of banks in India Banks operating in both the public and private sectors. Banks held by the government at a chance advanced than 50 are considered public sector banks. Public sector banks are nationalised banks. Banks in the private sector are those in which private shareholders possessed an interest. There are 12 public sector banks and 21 private sector banks in India.

Public Sector Banks Public sector banks are those that are under the control of the civil government. Public sector banks are another name for nationalised banks. A bank is combined with its means under public hands to form a nationalised bank. Private lenders enjoy the banks in the private sector. Private promoters who are given the authority to control grounded on request factors also run the private banks. Private banks are generally allowed of as global empires with transnational operations. Low interest loans are available from these banks. presently, India has 21 private banks. Private possessors have influence over the private banks. The Indian Companies Act requires that every private bank register. The newest technologies are available at private banks. And making plutocrat is private banks' primary thing.

## **LITERATURE REVIEW**

The functional performance of public and private casing finance enterprises over ten times, from 2008 – 09 to 2017 – 18, has been compared by Prof.S.V. Satyanarayan and Mrs. Srilakshmi Ramu in their study of comparison between public and private casing finance companies in India.

In their work, Prof. Rekha.D.M. and Gangamma.S.E.( 2019) gathered data on the development and performance of home loans in India. Their main pretensions are to understand the clientele of HDFCL and to identify their problems.

Experimenters Satish Manwani, Dr. Neeraj Singh, and Dr. Vishal Sood( 2019) have collected data on the influence of variables impacting consumer satisfaction with the ICICI Bank's home loan program. This study's thing is to determine how satisfied ICICI Bank's guests are. For this check, both primary and secondary data are gathered. There are 200 samples in the primary data.

In their 2017 study, Raju Kaur, Kajal Chaudhary, Amit Kumar, and Supreet Kaur Jaggi compared the State Bank of India with the Housing Development Finance Corporation in Bathinda, Punjab. In this study, 100 people shared in the check. Both primary and secondary data were used in this study; the former came from a check conducted in Bathinda, while the ultimate came from exploration papers and other diurnals. This exploration is conducted in a veritably systematized manner, and its pretensions are achieved.

Nihar Ranjan Samal( 2017) has delved the theoretical underpinnings of home loans. This study's major thing is to completely comprehend the idea of a house loan. The study solely relies on secondary data.

This study, conducted by Murugan and Jansirani( 2017), aims to understand how consumers perceive house loans. 500 people shared in the main check for this study. The objects of this check are achieved, and it's conducted methodically.

In their 2015 study, Gupta and Sinha examined the State Bank of India and LIC casing finance businesses' house loan purchases and lower interest rates. This comparison study's major thing is to identify the variables that impact consumers' purchasing opinions.

This study by Chithra and Muthurani( 2015) looked at how guests felt about house loans at the HDFC bank in Chennai. This study used a arbitrary sample of 85 people as its sample size. This study concluded that HDFC Bank is a estimable bank and should expand its services to attract further guests.

In their 2013 study, Kshitija Sawant and Shrikrishna Mahajan examined casing loans from Kolhapur Urban Cooperative Bank and other institutions. The primary thing of this study is to uncover the issues that mortgage borrowers face. This assessment of colorful banks gathers both primary and secondary data. This study's data spans the five times between 2004 – 2005 and 2008 – 2009.

According to Goyal and Joshi's( 2011) exploration on the social and ethical aspects of the banking assiduity, banks can place themselves as socially and innocently conscious associations by simply furnishing loans to associations that partake their enterprises for society, morality, and the terrain.

Kumar and Gulati( 2010) oversaw concentrated substantially on the adequacy of the Indian original banks. During the fiscal times 2005 – 2006 and 2006 – 2007, functionalcross-sectional data from public and private area banks were used. Overall, it may be said that the Indian original savings business is unable of artificial possession.

In 2009, NaveenK. Shetty andDr. Veerashekhara conducted exploration on the value of microfinance in achieving fiscal objectification. The study focuses on the impact of the growing gap created by and force of fiscal administrations in India, which tempts the growing population of the country to stay out of the formal popular credit frame on casing advances.

According to Sendhilvelan and Karthikeyan( 2007), although the RBI has said that the shift to general plutocrat- keeping should have increased the responsibility and moxie of the popular frame, it's unfit to give a suitable result for functional problems on its own.

## **RESEARCH MODELS**

1. To probe the demographics of people who use home loans.
2. To differ house loans offered by banks in the public and private sectors.
3. To assess client satisfaction in banks in the public and private sectors.
4. To differ the interest rates offered by public and private sector banks.
5. To assess the programs at banks in the public and private sectors.

## **STUDY NEEDED:**

SBI and HDFC banks will be used as the Public Sector and Private Sector banks, independently, in the relative Study. In this manner, a check of the public regarding home loans will be accepted by both banks. We will poll people in the business, job request, tone- employed, pupil,etc. orders.

## **SAMPLE SIZE:**

There will be about 200 responses in the sample.

## **SAMPLING METHOD:**

This survey employs the practical sampling method.

## **SOURCES OF DATA:**

Primary and secondary data are the sources of information. The questionnaire is used to gather the check's primary data. Since these are original data, the primary data is accurate. The secondary data are gathered from a variety of journals, websites, and diurnals.

**DATA ANALYSIS :**

**Objective 1:** To study the demographic profile for Home Loan consumers.

**TABLE 1 : OCCUPATION OF HOME LOAN CONSUMER.**

Occupation of consumer					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Professional	55	27.5	27.5	27.5
	Self-employed	35	17.5	17.5	45.0
	Salaried	55	27.5	27.5	72.5
	Others	55	27.5	27.5	100.0
	Total	200	100.0	100.0	

(Research Output sources)

**Interpretation:**

It is clear from the above table of consumer occupations for home loans that, with the exception of self-employed individuals, all other categories consume nearly the same amount for home loans.

**TABLE 2 : ATTRACTION OF CONSUMER TOWARDS HOME LOAN.**

Attraction in home loan					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Interest Rate	129	64.5	64.5	64.5
	Schemes	46	23.0	23.0	87.5
	Services	24	12.0	12.0	99.5
	Others	1	0.5	0.5	100.0
	Total	200	100.0	100.0	

(Research Output sources)

**Interpretation:** According to the aforementioned table, interest rates in banks (64%) are most attractive for house loans, followed by schemes (23%) and services (12%).

**TABLE 3 : ANNUAL INCOME OF HOME LOAN CONSUMERS.**

Annual Income of Consumer					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 2 lakhs	98	49.0	49.0	49.0
	2-4 lakhs	59	29.5	29.5	78.5
	4-6 lakhs	25	12.5	12.5	91.0
	Above 6 lakhs	18	9.0	9.0	100.0
	TOTAL	200	100.0	100.0	

(Research Output sources)

**Interpretation:** It may be inferred from the above table of yearly income of customers for home loans that the less annual income of the consumer, the greater their preference for a home loan. In accordance with this study, 49% of consumers who use home loans have an annual income of less than 2 lakh rupees.

**TABLE 4 : PREFERRED BANK TYPE FOR LOAN**

Preferred Bank Type for loan					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SBI	117	58.5	58.5	58.5
	HDFC	67	33.5	33.5	92.0
	Others	16	8.0	8.0	100.0
	Total	200	100.0	100.0	

(Research Output sources)

**Interpretation:** According to the above table, SBI is the bank that consumers choose for house loans because it has the largest percentage (58.5%), whereas HDFC's percentage of consumer preference is 33.5%.

**TABLE 5 : RELIABILITY OF THE DATA**

Reliability Statistics	
Cronbach's Alpha	N of Items
0.551	2

(Research Output sources)

It can be seen from the table that the researcher used a total of two variables to assess consumer satisfaction in SBI and HDFC banks, both of which are part of the public sector. The Cronbach's Alpha score of 0.559, which is less than 0.7, indicates that these two variables are less consistently distributed.

**NORMALITY TEST:**

Tests of Normality						
	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Satisfactory ratio of facilities of SBI bank	0.226	200	0.000	0.833	200	0.000
Satisfactory ratio of facilities of HDFC bank	0.228	200	0.000	0.823	200	0.000

a. Lilliefors Significance Correction

(Research Output sources)

**Interpretation:** The P value for every variable for the home loan is less than 0.05, which indicates the rejection of the null hypothesis that they are not normally distributed among each other. As a result, the researcher must use the nonparametric version of testing for further analysis as a part of demonstrating inferential statistics. This observation was made from the above Normality Table for Checking Consumer Perception Toward the Home Loan.

**CHI SQUARE TEST:**

Annual Income and Preferred Bank Type are Independent Variables according to the CHI SQUARE TEST H0. H1: The dependent variables are preferred bank type and annual income.

**Annual Income of Consumer \* Preferred Bank Type for loan Crosstabulation**

Count		Preferred Bank Type for loan			Total
		SBI	HDFC	Others	
Annual Income of Consumer	Less than 2 lakhs	67	27	4	98
	2-4 lakhs	31	23	5	59
	4-6 lakhs	10	10	5	25
	Above 6 lakhs	9	7	2	18
<b>Total</b>		117	67	16	200

(Research Output sources)

**Chi-Square Tests**

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	12.325 <sup>a</sup>	6	0.055
Likelihood Ratio	11.518	6	0.074
Linear-by-Linear Association	8.266	1	0.004
N of Valid Cases	200		

a. 3 cells (25.0%) have expected count less than 5. The minimum expected count is 1.44.

(Research Output sources)

**Interpretation:** The Chi square statistic calculated from the given table is 12.325. The p-value is reported to be 0.055. The null hypothesis, which states that the two variables are independent variables, is rejected in this situation because the p-value is higher than the expected alpha value.

**CORRELATION:**

**Preferred Bank Type for loan \* Lower interest rate in bank Crosstabulation**

Count		Lower interest rate in bank			Total
		SBI	HDFC	Others	
Preferred Bank Type for loan	SBI	108	8	1	117
	HDFC	15	51	1	67
	Others	2	3	11	16
<b>Total</b>		125	62	13	200

(Research Output sources)

**Symmetric Measures**

		Value	Asymptotic Standard Error <sup>a</sup>	Approximate T <sup>b</sup>	Approximate Significance
Interval by Interval	Pearson's R	0.757	0.052	16.280	<.001 <sup>c</sup>
Ordinal by Ordinal	Spearman Correlation	0.745	0.048	15.719	<.001 <sup>c</sup>
N of Valid Cases		200			
a. Not assuming the null hypothesis.					
b. Using the asymptotic standard error assuming the null hypothesis.					
c. Based on normal approximation.					

(Research Output sources)

**Interpretation:** According to the preceding table, a strong correlation exists when the coefficient of correlation is greater than 0.75, which indicates a high degree of correlation.

**FINDINGS**

- 1) Compared to HDFC and other banks, numerous consumers prefer to buy a home loan from SBI bank.
- 2) Compared to plans or other services, interest rates are what draw the utmost people to house loans.
- 3) Numerous consumers buy home loans directly through lenders,
- 4) Which makes the operation process much more delicate for those who need it because they warrant the necessary understanding of home loans.
- 5) Both SBI and HDFC banks offer reliable installations.

**CONCLUSION**

From this study, it can be inferred that HDFC and SBI, two public and private sector banks, can both be favoured for home loans. Both banks offer trustworthy products and services, but most customers favour public sector banks since they are safer and charge lower interest rates when making loans. Both banks compete with one another in their service offerings. Because they have more faith in public sector banks and because their interest rates are lower than those offered by private sector banks, most individuals choose public sector banks for house loans. On the other hand, private sector banks are now available in our nation, and teens favour them because they offer more services and facilities than public sector banks. The house loan disbursement process is quick with the private sector bank because less paperwork are required. Because consumers are more satisfied with private sector banks than public sector banks, the private sector banks are currently in charge in our nation. Different banks offer comparable services, but the service method is common among private sector banks. Customers choose the plan that will benefit them the most and be the easiest for them to repay. Youths choose private banks over public ones because they are more concerned with speedy services and other amenities than they are with interest rates. In summary, client satisfaction with services is currently given a much higher priority than the offers and programmes offered by the banks.

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