A STUDY COMPARING HOME LOANS WITH REFERENCE TO CENTRAL BANK AND ICICI BANK IN NAGPUR DISTRICT

Dr. VINOD S. KHAPNE
(Associate Professor)
Taywade College, Mahadula-Koradi, Nagpur

Abstract: Shelter is a basic need and every human being of the country dreams of having his own house. Development of housing sector is an important facet of economic development of a country. Purchasing of dream home is not very far away with home loan, which will fulfill the dream into reality. The demand for home loans has increased in the last decade. There are number of housing finance companies and banks offering home loans. The home loan schemes of public and private sector banks are very competitive. Present study is based on comparative analysis of home loans offered by public sector and private sector banks in Nagpur District. The paper also examined the satisfaction level and problems faced by customers while availing home loan. For this purpose we have taken two commercial banks i.e. Central Bank and ICICI Banks. It includes one public sector bank and one private sector bank. In the research methodology a sample size of 130 respondents has been taken through random sampling. For the study we have collected both primary data as well as secondary data. Finally the whole research was carried out in a systematic way to reach at exact result. The whole research and findings were based on the objectives.

(Keywords: Home Loans, Public Sector Banks, Private Sector Banks)

Introduction: Shelter is a basic human need and productive investment. Home loan means a sum of money borrowed from a financial Institution or Bank to purchase a house. Home loan involves adjustable or fixed rate payment terms. As most of the people don’t have the enough funds to pay for a home, outright they can apply for a home loan for which they have to pay monthly instalment by way of EMI spread over a period of specified tenure. In today’s world it is not possible to buy without home loan. According to National Association of Home Builders, the housing industry contributes about 16% to 18% of the nation’s GDP. The main aim of a home loan is to provide funds to a buyer who needs to purchase a home. Home Equity loans allow a home owner to borrow against the difference between the home’s value
and the current loan balance. A home loan is a long term commitment which is critical. The demand for home loans has increased manifold in the last decade. The reason for this growth is not hard to see, changing mindset with globalization and integration with the developed economies, where mortgages rule the roost, income tax sops in the Union Budgets and substantial rise in the income-generating capacity of Indian youth. So, the present scenario of home loans shows good amount of growth and is heading for a bright future. There are number of banks and housing finance companies offering cheap home loans at a low interest rate. The home loan schemes offered by both public and private sector banks are very competitive. Mostly people prefers public sector banks for home loans, especially because they believe that it is more secure bank and interest rate is lower. On the other hand the private sector banks are coming daily in our country and the preference of younger population is changing because of services & facilities provided by them.

**Literature Review:**

1. **LaCourr, Micheal (2007)** analyses in his study, the factors that affect the increase in the level of Annual percentage rates (APR) spread reporting during 2005 over 2004. The three main factors are (1) changes in lender business practices; (2) changes in the risk profile of borrowers; and (3) changes in the yield curve environment. The result shows that after controlling the mix of loan types, credit risk factors, and the yield curve, there was no statistically significant increase in

2. **Sharma and Garg (2014)** this study concluded that the public sector banks are very popular among the customer these days because the interest rate is lower in State Bank of India 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. The public sector bank also provide better facilities and services to the customer and give all the information to the customer time to time through Short Message Service(SMS) and internet banking. The information provided by the private banks is sometimes fake and they tried to cheat customer for their own benefits.

3. **Gupta and Sinha (2015)** this examining on the respondent regarding the purchase of home loan and low rate of interest, easy accessibility, status/reputation of the institution and scheme offered by the company are the major factor for selection of the housing finance institution comparative study on Factor Affecting consumer’s Buying Behavior
towards Home Loan (with special reference to S.B.I. and L.I.C.H.F.L.) and found that fixed rate of interest is most preferred option by the customers.

4. Murugan and Jansirani (2017) a study carried out in Chennai to Customer perception towards home loan by selecting the 500 customer on randomly basis. This study made an attempt to evaluate in depth the performance and operational problems faced by the banking sector in extending finance to the housing sector and based on findings; identify the areas of concerns and strategic interventions required.

Research Objectives:

- To undertake the comparative analysis of Central Bank and ICICI bank in housing loan sector.
- To study consumer preference for Central Bank and ICICI banks.
- To analyze the satisfaction level of customers of Central Bank and ICICI banks in home loan segment.
- To study the problems faced by customers in obtaining the home loans.

Research Methodology:

- **Primary Data**: The primary data was collected by conducting survey among 130 people through Questionnaires and telephonic Interview. It also included information collected by personal interview with the employees of Central Bank and ICICI Bank.
- **Secondary Data**: The Secondary data include Annual Reports, Manual, Research papers on Housing loan, Websites and official records of Central Bank and ICICI bank.
- **Sample Techniques**: convenient sampling was used.
- **Area of Study**: Primary data for study was collected from the Nagpur district of Maharashtra.
Analysis and Interpretation of Data:

**Table - 1: Home Loan Comparison of SBI & HDFC Bank**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particular</th>
<th>Central Bank</th>
<th>ICICI Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Interest Rate</td>
<td>8.55% – 9.40%</td>
<td>8.55% – 9.75%</td>
</tr>
<tr>
<td>2</td>
<td>Processing Fees</td>
<td>0.35% of loan amount + GST</td>
<td>Up to 0.60% of the loan amount or Rs.2, 000 whichever is higher, plus applicable taxes.</td>
</tr>
<tr>
<td>3</td>
<td>Maximum Tenure</td>
<td>30 years</td>
<td>30 years</td>
</tr>
<tr>
<td>4</td>
<td>Loan Amount of Assets</td>
<td>75% -90%</td>
<td>75% -85%</td>
</tr>
</tbody>
</table>

Table-1 compares the home loans of Central Bank and ICICI bank on the basis of interest rate, processing fees, loan percentage of assets value and tenure. The rate interest of both banks are at same level but customers perceive Central Bank provides less costly loans as it is a government undertaking. But processing fees of ICICI bank is more than Central Bank. If compare loan ratio of assets value Central Bank provides more loan.

**Table - 2: Measurement of Customer Satisfaction Level of SBI & HDFC Bank**

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Particular</th>
<th>Central Bank</th>
<th>ICICI Bank</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Staff behaviour</td>
<td>60%</td>
<td>90%</td>
<td>Ratio differ30%</td>
</tr>
<tr>
<td>2</td>
<td>Processing Time</td>
<td>65%</td>
<td>85%</td>
<td>Ratio differ 20%</td>
</tr>
<tr>
<td>3</td>
<td>Continuous service</td>
<td>75%</td>
<td>65%</td>
<td>Ratio differ 10%</td>
</tr>
<tr>
<td>4</td>
<td>Communication Skill</td>
<td>60%</td>
<td>80%</td>
<td>Ratio differ 20%</td>
</tr>
<tr>
<td>5</td>
<td>Satisfied Interest Rate</td>
<td>90%</td>
<td>70%</td>
<td>Ratio differ 20%</td>
</tr>
</tbody>
</table>

Table-2 compare the home loans of Central Bank and ICICI bank on the basis of information collected from customers of both banks. Customers were asked question related to various aspects like behavior of staff of banks employees, time taken in processing for approval of home loans, services to customers at the time of approvals and after approvals of home loans, communication skills of employees of both banks and customers satisfaction level related to interest rates. Both banks compete with each other and give though completion in all aspects. If we see customer satisfaction of customers its 60% in Central Bank and 90% in ICICI. Customers are more satisfied from the processing time of ICICI bank.
Findings:

1. Today every people give more preference to quality of services and processing time before taking home loan.
2. According to this survey, respondents are satisfied from the Central Bank and ICICI banks on certain parameters but level of satisfaction differs.
3. People get knowledge about home loans from difference sources like Television, Internet etc.
4. According to this survey, interest rates on home loan of Central Bank are lower than ICICI Bank.
5. According to my study, loan procedure of ICICI is easy than Central Bank.
6. According to this survey maximum people say that hidden charges are taken by private banks.
7. Processing fee of ICICI Bank is more as compare to Central Bank.
8. According to this survey, tenure of home loan affects in their selection.
9. According to this survey maximum respondents grade ICICI loan procedure as excellent and loan procedure of Central Bank a time consuming process.

Suggestions:

- The staff should be trained enough to deal with the customers.
- Staff should be friendly and approachable.
- Introducing plans for low-income group.
- Bank should review the housing loan portfolio periodically for capturing the new market to avoid risk and for updating their schemes.
- Branches can arrange customers meeting to popularize their loan schemes.
- Attractive discount should be offered to borrowers.
- Home loan Forms should be simplified.
- All information regarding home loan should be available on the website.

Limitations:

1. This research study was time bound.
2. This research study was carried out in a limited area.
3. More public and private banks can be analyzed to compare their services.
Conclusions:
On the basis of data analysis and preparation, I would notify that people should give equal preference to Central Bank and ICICI bank but more weightage is given to Central Bank as it is government undertaking. But, today Youngsters prefer private banks because of the services and facilities offered by them. Customer satisfaction becomes the most differentiating factor for housing loan.

References: