

Customer Satisfaction towards Home Loan of Public and Private Sector Banks in Kerala – A Comparative Study

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Abstract

Today banks are facing tough competition. The customers have a wide choice of banks to select from. In order to survive and develop, banks want to satisfy customer needs. Many Housing Financial Institutions in India are providing easy home loans without much delay. This has made the home loan system quite popular. The home loan is offered by many public sector banks and private sector banks in Kerala. The present study intends to analyse the factors which influence satisfaction among home loan borrowers from the public sector and private sector in Kerala. Important among them chosen for the study are SBI and Canara Bank from the public sector and HDFC and ICICI from the private sector. The study will be helpful to the lending agencies to render better services based on the changing needs and behaviour of home loan borrowers and will also facilitate the government in revising the home loan policies periodically. The result of the study revealed that the satisfaction level about the services provided by public sector banks as well as private sector banks is quite satisfactory to the borrowers. The article suggested that the rate of interest and amount of EMI should be competitive and loan processing should be quicker by public and private sector banks to attract more customers in the future.

Keywords: Housing Finance, Public sector, Private sector, EMI, Customer satisfaction

Introduction

Housing is one of the basic needs of human beings and it is essential as food and clothing. The problem of housing has been of great importance ever since the evolution of mankind. The house plays a significant role in the socio-psychological development of individuals. Good housing is a prerequisite for human development and welfare. It provides shelter, security, amenities, privacy etc to human beings for a decent living. Housing is also

accepted as a key sector of the national economy which measures the standard of living and economic condition of a country. Now housing is a symbol of social prestige and an indicator of social status. It provides aesthetic contentment, emotional and mental satisfaction, comfort and safety.

The home loan is available for the purchase of new/old house, construction of a new house, purchase of a plot of land and for repairs/renovations/extension of an existing house. It is also in the form of repaying a loan already taken from other housing finance companies/banks.

The rate of interest applicable to home loans may be fixed, floating or mixed. The minimum term of home loan is generally 5 years, while the maximum duration is 30 years or before the borrower reaches the age of 70. A home loan can be availed either individually or jointly. The amount of loan sanctioned varies from bank to bank, generally, the maximum loan amount granted for the applicant maybe 65% to 90% of the cost of the home.

Significance of the Study

There arises a quandary in the mind of borrowers before taking a housing loan about which bank is to be preferred, whether a public sector or a private sector. The answer to the question can be found out by analysing the amenities offered by these banks like the speed of sanctioning loan, the amount of the loan sanctioned, amount of EMI, the loan recovery procedure, infrastructure facilities of banks, technological advancement of banks, employee attitude, legal action taken by banks against defaulters etc. By analysing all these factors the borrowers themselves will decide which bank is ideal for them to avail of a housing loan. The relevance of the present study is to assess and compare the satisfaction of home loan borrowers who had availed housing loan from any of these banks.

Scope of the Study

The growing demand for the housing sector has necessitated the private and public sector banks to footsteps in the housing finance market. Today, almost all financial institutions have entered into this arena and competing with each other in providing housing loans at competitive interest rates, speed and accuracy, sufficient amount etc. There are various factors which may affect consumer behaviour towards home loan of different banks in these matters. The study will be helpful to the lending agencies to render better services

based on assessing the attitude of borrowers towards the home loan policies of these banks.

Literature Review

Several studies have been done by various researchers in the context of home loans. The details of some of the reviews are pointed out below:

Meenakshi Malhotra & Sangeetha Aurora (1999) in their article “Customer satisfaction: A Comparative Analysis of Public and Private Sector Banks” exhibited the level of customer satisfaction that has become one of the major targets of banks to increase their market share. Continuous up-gradation of technology, innovative services, beautiful bank decors are the privileges enjoyed by the private sector banks now-a-days over the public sector banks to attract new customers. The authors suggested certain measures to modernise the Public Sector Banks such as, proper training and development of bank staff, conduct market surveys to monitor the strength and weakness of the rendered services and avoid long queues in the bank.

K.L. Srinivasan (2000) in his thesis entitled “A project on Housing Finance: How SBI can establish leadership” has concluded that simplification of the documentation process, careful and friendly approach systems and procedures, good customer service and non-insistence in collateral securities are the most important variables in the marketing of housing loan schemes by banks.

Nirmaljeet Virk & Prabhjot Kaur Mahal (2012) in their article “A Comparative Analysis of Public and Private Sector Banks in India” studied the expectations and level of satisfaction of customers towards the services rendered by public and private sector banks. Under public sector banks SBI, Punjab National Bank and Oriental Bank of Commerce were selected and ICICI, HDFC and AXIS banks were selected among private sector banks. The study revealed that customers’ demand for housing finance institutions differs based on demand for top quality services and products served with minimum want of time. Private bank managers are ahead of public sector banks in making the relationship with their customers and winning their acceptance. Today larger client base in India is banking with private sector banks than the public sector. Public sector banks are lagging behind in the use of modern technology and techno-savvy staff.

Natika. P. Jain (2013) in her unpublished Ph.D. thesis titled “A Comparative Analysis of Marketing of Banking Services in India with Special Reference to Private Vs Public sector

Banks” made a comparative study based on the opinion of customers and bank employees (marketing staff) among the public sector banks and private sector banks. The banks selected for the study were SBI from public sector banks and ICICI from private new generation banks. The findings of the study revealed that the housing loan, which is SBI’s domain, will no longer remain the same because; ICICI bank is slowly capturing the housing loan market. This research was also useful for other private sector and public sector banks in formulating their policies regarding the launch of new housing loans.

Saurabh Gupta & Shweta Awasthi (2017) in their article “Assessment of Customer Satisfaction Regarding Housing Loans: With Special Reference to Punjab National Bank” described the step by step procedure followed by PNB in the sanctioning of home loans. The bank before giving loans looks into the borrower’s character, capacity and capital (3c’s). It also checks the previous reports history and internal and external credit rating etc of borrowers.

Objectives of the study

1. To analyse the factors influencing customer satisfaction
2. To compare the satisfaction of home loan borrowers of public and private sector banks.

Hypotheses

1. There is no significant difference in customer satisfaction between public and private sector banks with regards to home loan policy.
2. There is no significant difference in customer satisfaction between public and private sector banks in the facilities provided to their customers.
3. There is no significant difference in customer satisfaction between public and private sectors bank about the behavioural attitude of employees.
4. There is no significant difference between public and private sector banks concerning the overall satisfaction of home loan borrowers.

Research methodology

The research design chosen for the study is descriptive. Both primary and secondary data were collected. Primary data were collected from the home loan borrowers of Kerala. For data collection, the state is classified into 3 regions and 1 district is selected from each region. They are Trivandrum from the south, Ernakulam from the center and Kozhikode

from the north. The banks preferred for the analysis are SBI and Canara bank from the public sector and HDFC and ICICI from the private sector. 120 each respondent was selected from both categories of banks from 3 districts. Equal representation is given to regions and banks. A structured questionnaire was used for the collection of data. The questionnaire consists of statements pertinent to evaluate the satisfaction of home loan borrowers. The main statistical tools used for the analysis are Percentage Analysis and Independent Sample test.

Table 1. Sample Respondents

Banks Districts	Public sector		Private sector		Total
	SBI	Canara Bank	HDFC	ICICI	
Trivandrum	20	20	20	20	80
Ernakulam	20	20	20	20	80
Kozhikode	20	20	20	20	80
Total	60	60	60	60	240

Reliability and Validity Testing

For the scale evaluation, reliability and validity testing are generally applied.

A. Reliability Testing

Reliability testing is very essential for the validation of the scale. The reliability of a research instrument concerns the extent to which the instrument yields the same results on repeated trials. In was tested by using Cronbach's Alpha Reliability Coefficient.

Table.2 Reliability Statistics

Cronbach's Alpha	No. of Items
.914	15

Table 2 shows that the Cronbach alpha (0.914) is above the standard value 0.7. Hence, it is proved that the measurement scales have internal consistency and scale is reliable.

B. Validity

The validity means the ability of the measurement scale to measure what it is

supposed to measure (Bajpai, 2011). In this study, validity is determined by consulted various experts and academic professionals in the field and ensured that all the questions are relevant and suitable for fulfilling the research objectives.

Test of Normality

In order to find out the normality of the scale used for measuring the difference in customer satisfaction about home loan policy, facilities provided to its customers, behavioural attitude of bank employees and overall satisfaction of home loan borrowers between public and private sector banks, One-Sample K.S test is used. The result of the test shows a p-value (0.130) greater than 0.05, hence it was concluded that the measurement scale is normal.

A brief profile of the sample banks chosen for study

Public sector

SBI

The state bank of India was established on 18th July 1955, under the State Bank of India Act to take over the business of the Imperial Bank of India. SBI is owned by the government of India and is the largest bank in the Indian subcontinent. 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 concession on interest rates on GREEN HOMES under its environmental protection program. SBI offers ‘SBI-optima’ -additional home loans and ‘SBI-Home line’-special personal loans for existing home loan borrowers.

Canara Bank

Canara Bank is one of the largest public sector banks owned by the Government of India. It is headquartered in Bengaluru. It was established at Mangalore in 1906 by Ammembal Subba Rao Pai. It is one of the oldest public sector banks in the country. The bank has a network of 6639 branches and more than 10600 ATMs spread across India. It provides housing loan to agriculturists, NRIs, Yuva Awas Rin (Canyar), Senior Citizens, Pradhan Mantri Awas Yojna (PMAY), Housing cum Solar Loan (a *loan* for the purchase of *Solar* Equipment can also be sanctioned to applicants against the *mortgage* of *residential/house* property which is having free rooftop to install the *solar* equipment even without *housing loan*.) etc.

Private sector

HDFC

On October 17th, 1977 HDFC was incorporated as a Public Limited Company. HDFC was promoted by the Industrial Credit and Investment Corporation of India. HDFC focuses the housing finance in India. The corporation provides long term housing loans mainly to low and middle income individuals and corporate bodies. It has also provided a modest amount of construction finance to housing developers.

ICICI

ICICI Bank was originally promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary. ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and its group companies. It is the leading private sector bank in India. ICICI Bank currently has a network of 4,882 branches and 15,101 ATMs across India.

Result of the Analysis

The analysis and interpretation are based on the response given by home loan borrowers of Kerala through a structured questionnaire.

Table 3: Demographic Profile of the Respondents

	Public Sector		Private Sector	
	No. of Respondents	%	No. of Respondents	%
Gender				
Male	63	52.5	78	65.0
Female	57	47.5	42	35.0
Total	120	100.0	120	100.0
Age (in years)				
Below 30	11	9.2	8	6.7
31-40	60	50.0	60	50.0
41-50	46	38.3	41	34.2
above 50	3	2.5	11	9.2

Total	120	100.0	120	100.0
Area of residence				
Rural	73	60.8	65	54.2
Urban	47	39.2	55	45.8
Total	120	100.0	120	100.0
Income group of respondents (annual)				
Up to 5 lakh	17	14.2	20	16.7
5lakh-10lakh	73	60.8	59	49.2
Above 10 lakh	30	25.0	41	34.2
Total	120	100.0	120	100.0
Type of interest				
Fixed rate	37	30.8	48	40.0
Floating rate	69	57.5	66	55.0
Hybrid	14	11.7	6	5.0
Total	120	100.0	120	100.0
Amount of loan				
Up to 10 lakh	77	64.2	59	49.2
10-20 lakh	37	30.8	56	46.7
20-30 lakh	5	4.2	4	3.3
Above 30 lakhs	1	.8	1	.8
Total	120	100.0	120	100.0
Period of loan				
Up to 10 years	30	25.0	46	38.3
10-15 years	58	48.3	55	45.8
15-20 years	28	23.3	17	14.2
Above 20 years	4	3.3	2	1.7
Total	120	100.0	120	100.0
Purpose of loan				
Purchase house	22	18.3	28	23.3
Construct new house	89	74.2	77	64.2
Repair old house	4	3.3	10	8.3
Purchase land	5	4.2	5	4.2
Total	120	100.0	120	100.0

Source: Survey Data

Table 3 describes the demographic profile of respondents of two sectors of banks in Kerala. Results revealed that the majority of home loan borrowers are male both in the public and in the private sector. Age of 50% of home loan borrowers of public and private sector

banks are between 31 – 40 age groups. With high disposable income and better employment scenario in our country, homebuyers can invest in their dream home at a younger age. More than 60% of the total number of home loan borrowers is rural inhabitants. The income of borrowers is an important decisive factor in availing an adequate amount of loans. The annual income of more than 60% of the respondents is between 5 lakhs and 10 lakhs. Among three types of interests available to the borrowers to opt, the majority of respondents had chosen a floating rate of interest. Respondents of both the sectors of banks availed loan amount up to 10 lakhs only, even though banks are offering more amounts. The majority of home loan borrowers of both sectors of banks have opted for a period of loan a maximum of 15 years. The purpose of the majority of home loan borrowers is to construct a new house.

Home loan policy

The home loan policy of banks is an important variable that affects the satisfaction of borrowers. The home loan policy formulated by the banks depends on government decisions and RBI regulations. The rate of interest, EMI calculation, tenure of the loan, home loan eligibility, collateral security on loan, switch overcharges, grievance settlement, tax benefit on the loan etc are decided by banks periodically. It may vary from banks to banks. The opinion of borrowers relating to the home loan policy of banks is revealed in the following tables.

Table 4: Descriptive Statistics with regard to home loan policy

Group Statistics				
Type of Banks	N	Mean	Std. Deviation	Std. Error Mean
Public Sector	120	15.59	2.229	.203
Private Sector	120	15.48	1.918	.175

Source: Survey Data

Table 5: Independent Samples Test with regard to home loan policy

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Home loan policy of banks	Equal variances assumed	2.262	.134	.435	238	.664	.117	.268	-.412	.645

Source: Survey Data

Tables 4 and 5 give the result of Descriptive Statistics and Independent samples reveal that the significant value for t-test 0.664 is greater than 0.05 so we accept the null hypothesis. There is no significant difference between public sector bank and private sector bank with regards to home loan policy. To attract home loan borrowers both sectors of banks are offering the desired amount of loan with an affordable rate of interest, fast loan processing and disbursement and let sufficient period for its repayment.

Facilities of Banks

The facilities provided by banks to their customers are another important variable that affects the satisfaction of borrowers. Vital among them are banking hours, approachable terms and conditions for loan issues, easy documentation, the physical infrastructure of banks, location of banks convenient to customers etc. The result is shown in the following tables.

Table 6: Descriptive Statistics of facilities provided by banks to their customers.

Group Statistics				
Type of banks	N	Mean	Std. Deviation	Std. Error Mean

Public Sector	120	18.42	3.830	.350
Private Sector	120	18.34	3.334	.304

Source: Survey Data

Table 7: Independent Samples Test with regard to facilities provided by banks to its customers.

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Facilities provided by banks	Equal variances assumed	.305	.581	.162	238	.872	.075	.464	-.838	.988

Source: Survey Data

Here the significant value for the t-test is 0.872 greater than 0.05, we accept the null hypothesis. There is no significant difference between public sector banks and private sector banks with regards to the facilities provided to their customers. Customers of both categories of banks are very much satisfied with the amenities provided to them.

Behavioural attitude of employees of banks

The attitude of employees working in a financial institution is an important source of attracting a good number of customers towards it. Variables considered to measure the attitude of employees are individual care and attention of bank officials, helping mentality of bank's staff, the efficiency of bank employees to resolve grievances, a sufficient number of employees at branches, the experience of bank employees, skilled and professional expertise of employees etc. The following tables give the result.

Table 8: Descriptive Statistics of the attitude of bank employees

Group Statistics				
Type of banks	N	Mean	Std. Deviation	Std. Error Mean
Public Sector	120	22.13	3.851	.352
Private Sector	120	21.82	2.925	.267

Source: Survey Data

Table 9: Independent Samples Test with regard to the attitude of bank employees

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Employee attitude	Equal variances assumed	2.187	.141	.698	238	.486	.308	.441	-.561	1.178

Source: Survey Data

From tables 8 and 9, it was revealed that the significant value for t-test 0.486 is greater than 0.05, we accept the null hypothesis. Therefore the conclusion is that there is no significant difference in the employee attitude towards customers between public sector bank and private sector banks in Kerala. Home loan borrowers of these two categories of banks are satisfied with the friendly and approachable attitude of employees working there.

Overall satisfaction of home loan borrowers

The overall satisfaction of the respondents of two sectors of banks is assessed and compared by taking the sum of all the variables together. Based on the overall performance and approach of bank officials, the borrowers themselves decide which category of the bank

is more suitable to them for their future dealings. The result is explained in table 10 and 11 below.

Table 10: Descriptive Statistics concerning the overall satisfaction of home loan borrowers.

Group Statistics				
Type of banks	N	Mean	Std. Deviation	Std. Error Mean
Public Sector	120	56.1333	8.88766	.81133
Private Sector	120	55.6333	7.16778	.65433

Source: Survey Data

Table 11: Independent Samples Test concerning the overall satisfaction of home loan borrowers

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Overall satisfaction of customers	Equal variances assumed	1.517	.219	.480	238	.632	.500	1.042	-1.553	2.553

Source: Survey Data

The result of the t-test revealed that a significant value of 0.632 is greater than 0.05, which means the null hypothesis is accepted. There is no significant difference between public sector bank and private sector banks with regards to the overall satisfaction of borrowers.

Findings

- Majority of home loan borrowers are male in both the public and private sector banks. Age of 50% of home loan borrowers of public and private sector banks are between 31 – 40 age groups. More than 60% of the total number of home loan borrowers is rural inhabitants. The annual income of more than 60% of the respondents is between 5 lakhs and 10 lakhs. Majority of the respondents had chosen a floating rate of interest. Respondents of both the sectors of banks are interested in avail of a loan amount up to 10 lakhs. Majority of home loan borrowers of both sectors of banks have opted a period of loan for a maximum of 15 years. Majority of home loan borrowers of both sectors of banks availed loans to construct a new house.
- The government and RBI insisting the Housing Financial Institutions to follow some rules and regulations while dealing with home loans. The home loan policy of banks helps to decide matters relating to the rate of interest, amount of EMI, grievance settlement, tax benefit on the loan etc. According to the opinion of borrowers from the public and private sectors, they are satisfied with matters relating to these things.
- To attract the public towards banks, there arise competitions to provide many facilities like parking area, drinking water, toilet facility, convenient location of branches etc. By analysing the result of the study it was understood that the borrowers of both sectors of banks are fully satisfied with the amenities provided to them.
- It is assumed that the behavioural attitude of employees working in financial institutions is an influencing factor that attracts the public. The present study revealed that the home loan borrowers are satisfied with the employees working in the public and private sectors in their helping mentality, skill and professional expertise, experience and efficiency, approachable and friendly attitude of employees etc.
- By taking into consideration all the variables together the overall satisfaction of the home loan borrowers is assessed and evaluated. The result exhibited that the home loan borrowers of both sectors are satisfied with the home loan policy, amenities provided by banks and the behavioural attitude of employees.

Conclusion

The study has identified various factors that lead to satisfaction of home loan borrowers of public and private sector banks in Kerala. From among a large number of factors that contribute to the satisfaction of borrowers, a few of them were taken into account. The study also confined to the area of home loan policy, amenities provided by banks to its customers, the behavioural attitude of bank staff and the satisfaction of customers as a whole to these sectors of financial institutions. In precise it is to conclude that both public sector and private sector banks truly deserve to be the leading banks in the home loan sector in Kerala.

Suggestions

- Banks should use an easy and simple procedure for the sanctioning of home loans to customers.
- The banks need to improve the level of customer satisfaction due to stiff competition among the banks.
- Banks employees who deal with customers should improve their good conduct and friendly attitude to the customers. More personal attention should be given to the customers and working efficiency should be increased.
- The rate of interest should be competitive and loan processing should be quicker by public sector banks and private sector banks.
- The attractive advertisements should be provided to the customer for awareness about different housing loan schemes of the public sector and private sector banks.

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