AN EMPIRICAL ANALYSIS OF HOUSING LOAN AMONG PROFESSIONALS TOWARDS BANKING SECTOR IN CHENNAI CITY

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Abstract
House is the most important human need next to food, clothing and shelter. House is an important facet of economic development. It is a basic need of a human being. It constitutes a very significant part of the social and physical environment where the individuals grow and mature as good citizens. Housing Finance plays a vital role as an engine of equitable economic growth through the reduction of poverty and prevents slum proliferation in economy. The purpose of this research paper is to examine the better understanding of professional attitude towards Housing Finance. This study will help the society in observing the development of the home loan sector in the country. This study will indicate the real picture of the development of the home loan sector and contribution of the home loan sector in to the Indian economy.

Key Words: Processing Fees, Documentation Procedure, Interest Rate, Sanctioning Time.

Introduction

House is the social unit formed by a family living together. House is a dream of a person that shows the quality of efforts, sacrifices luxurious and above all gathering funds little by little to afford individual's dream. Housing finance brings together complex and multi-sector issues that are driven by constantly changing local features, such as a country's legal environment or culture, economic makeup, regulatory environment, or political system. The purpose of a housing finance system is to provide the funds which homebuyers need to purchase their homes. Thus, housing finance is an important link in the potential for transforming the creation of housing and social urban investment into strips of property and benefit for the people including low-income groups. In the history of loans the "Indentured loan" was one of the earliest forms of lending which was practised in the Middle Ages till the 19th century by the land owners and rich people who allowed poor people in need of money to borrow in exchange of indentured servitude. The borrowers had to work for several years to clear their debt. They had no rights and were considered by many rich people as 'Slave labour'. Banking in India originated in the first decade of 18th century. At present, banking in India is generally mature in terms of supply, product range and reach, although reaching in rural India still remains a challenge for the private sector and foreign banks. In terms of quality of assets and capital adequacy, Indian banks are considered to have clean, strong and transparent balance sheets relative to other banks in comparable economies in its region. In India, the government provisions account for a very small portion of housing activities that is less than 5% of total housing each year. Thus, the private sector seems to be dominant. However, the public polices often ignored the private sector and so it supply cannot match housing demands. India is considered as the birthplace of the number zero. Home to roughly 1.2billion people, India is the second most populous country after China and is expected to overtake it by 2030. About one in every sixth person breathing on earth lives in India, and the growth rate of the population is still high. As per CSO estimate almost 5% of GDP is contributed by the housing sector in next few years. It is expected to rise to 6%, 16% of Indian workforce is engaged in the construction sector, more over the construction sector has also been responsible for the development of over 250 ancillary industries such as cement, steel, paints, bricks, etc. The Government of India has attached quite a high prominence to housing activity and has set up a specialized financial institution to look after the financing of housing. Housing sector plays an important role in the economic development of the country. Housing finance is the single target force that drives the residential real estate in India. Today the decision to buy a certain property largely depends on the amount of home loan one is comfortably able to repay over a specific period of time.

Literature of Review

Rao K. N.(2005) revealed that the factors that contributed to this aggressive growth in the portfolio of housing loans of banks are: Tax intensives on repayment of principal and interest, rising income level of middle class, falling interest rate, stable real estate prices, easy availability of housing loans, low returns on the investment opportunities available in the market.

Padhi Manohar (2007) points out that the issues of housing loan frauds. Aggressive growth in housing finance by the banks is for the reasons of Tax incentives on repayment of principal and interest, rising income level of the middle class, affordable interest rate, completion amongst banks and housing finance institutions, low returns on other investments, low incidence of NPA, and housing as priority sector lending for banks.

W.Boyd (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.

Kumaraswami M. and Nayan J. (2014) discussed about the importance of housing finance and the institutions providing housing finance. A detailed discussion of the marketing strategies adopted by financing institutions have been discussed by taking into account the loan criteria eligibility, loan amount, interest rate, security, loan tenure, margin and processing fee. Finally the paper highlights the performance of the housing sector, major findings and suggestions to improve the effective marketing of housing finance for both public and private sector banks

Need of the Study
There is a need to study the progress and trends of the banks in the Housing Finance Sector. The study mainly focuses on the growth of the sector over the years along with a general comparison of housing schemes offered by various banking institutions. The last few years have seen a sea change in the mindset of the Indian consumer. The rise in income levels together with fall in interest rates not only in Housing Finance but in all other retain products as well has increased the affordability of loans for the borrowers. Today banks have emerged as leaders in Retail Finance Market, one considered the fore of non Banking Financial Institution / Housing Finance Company. There is a need to study and analyze the attitude of the public towards housing finance as it brings more clarity towards borrower's awareness, expectations, preference etc.

Statement of the Problem
Due to increased competition banks are focusing on making home loan products as unique and beneficial to the customer. In order to attract potential customers banks try and differentiate their products by quoting lower interest rates and by providing value based additions. Therefore it is necessary to try and differentiate the various popular banks with respect to their rates quoted as well as the value based additions provided as it helps customers distinguish between banks and choose the one that best suites their requirements. No wonder the housing finance industry has grown at an amazing pace in the last few years, even though there are hurdles ahead for the common people who have no regular income. There are also other problems in getting housing loans. Banks that finance have their own problems. Looking to all these problems, the researcher has decided to go into and explore field of housing finance and give some suggestions to banks, policy makers, administrators and home seekers as well. The paper deals with various popular banks with respect to their EMIs and rates of interest quoted as well as the value based additional, benefits provided.

Objective of the Study
- To understand the attitude of the professionals towards housing finance offered by various banks in Chennai city.
- To identify professional perception regarding factors that help determine on a bank in order to avail a home loan.
- To identify certain benefits in the schemes offered across banks that as helped attract professionals.
- To Measure the service quality being provided by the bankers to its customers in Chennai city.
- To understand about polices and practices of banks for home loan.
- To examine sanctions and disbursements problems and to suggest remedial measures to make the system efficient.

Scope of the Study
The study deals with facilitating banks better their home finance products by comparing schemes across banks. The study covers popular banks both in the public sector and the private sector namely India Overseas Bank, State Bank of India, ICICI, HDFC, Indian Bank, Bank of India, and Punjab National Bank etc. This study will help to the customers or home loan seekers to minimize the problems regarding procedure and sanction of the home loan, and it will be also helpful to the customers that they are getting the guideline regarding the best possible option for the home loan and to select the best financial institution for the home loan This study will indicate that home loan sector has to require steady and sustainable development. Certain problems are there in implementing the policies for home loan sector that should be improved.

Research Methodology
Research Design
The research design used for the study is descriptive. The major purpose of using such a design is description of the state of affairs as it exists at present.

Sampling Design
Population
The population of the study consists of the different target respondents like Doctors, Engineer, Lawyers and Professors. The sample size of the actual study consisted of 85 respondents in Chennai city.

Sampling Technique
The sampling technique used was convenience sampling where sample units are selected only if they can be accessed easily or conveniently. It is a type of non probability sampling where there is no basis for estimating the probability that each item in the population has of being included in the sample.

Data Collection Method
Data was collected only through primary source. Primary data was collected through questionnaires, which were administered through face-to-face interview.

Data Analysis
Reliability Test

Reliability Statistics	
Cronbach's Alpha	**No. of Items**
.653	30

Inference
The alpha coefficient for 30 items is 0.653 suggesting that the items have relatively internal consistency.

Correlation Analysis
To Study the Relationship between Income of the Respondents and Interest Rate Charged by the Bank

Correlations		Income of the Respondents	How do you Rate the Interest Rate charged by the bank
Income of the Respondents	Pearson Correlation	1	.060
	Sig. (2-tailed)		.586
	N	85	85
How do you Rate the Interest Rate charged by the bank	Pearson Correlation	.060	1
	Sig. (2-tailed)	.586	
	N	85	85

Inference
The table represent the Pearson correlation coefficient r is 0.060 and that this is statistically significant. Hence the relationship between the income of the respondents and interest rate charged by the bank is positively correlated.

Multiple Regressions Analysis
H0: There is no significant association between the independent variables and the Perception Factors of the Respondents
H1: There is significant association between the independent variables and the Perception Factors of the Respondents

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.210[a]	.044	.004	1.091
a. Predictors: (Constant), Profession of the Respondents, Income of the Respondents, Gender of the Respondents, Age of the Respondents				

From the above table, it is found that R Square Value is 0.044 and adjusted R Square is 0.004 with the standard error of estimate as 1.091. It implies that all the independent variables explain 4.4% and regression fit is verified in the following ANOVA table:

Anova[a]						
	Model	**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	24.341	4	1.085	2.912	.041[b]
	Residual	93.980	79	1.190		
	Total	98.321	83			
a. Dependent Variable: How do you rate the Sanctioning Time of the bank for approving the loan						
b. Predictors: (Constant), Profession of the Respondents, Income of the Respondents, Gender of the Respondents, Age of the Respondents						

From the above table, it is found that f = 2.912, p = 0.041 are statistically significant at 5% level. This implies that the regression fit is significant and concludes that the cumulative influence of independent variables on reliability is statistically significant. Hence the independent influence of these variables on reliability is analyzed in the following table

Coefficients[a]					
Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
	B	**Std. Error**	**Beta**		
Gender of the Respondents	.087	.132	.079	.791	.431
Age of the Respondents	.205	.259	.089	-4.294	.000
Income of the Respondents	-.118	.109	-.122	-1.457	.028
Profession of the Respondents	.196	.134	.172	.658	.512
Loan Amount	.191	.137	.168	-1.398	.016
Tenure of Repayment	.083	.134	.075	.615	.541
a. Dependent Variable: How do you rate the Sanctioning Time of the bank for approving the loan					

Inference
From the above table, it is found that the age of the respondents are (t = - 4.294, p = 0.000), Income of the Respondents (t = -1.457, p = 0.028), Loan Amount (t = -1.398, p = 0.016) statistically significant at 5% level. Therefore it can be concluded that the sanctioning time for approving the loan by the bank depends on the age of the respondents, income of the respondents and loan amount taken by the respondents.

One Way Annova Analysis
H0: There is no significant association between the age of the respondents and their opinion towards different factors
H1: There is significant association between the age of the respondents and their opinion towards different factors

Anova						
		Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Interest Rate	Between Groups	5.265	3	1.755	1.209	.012
	Within Groups	117.629	81	1.452		
	Total	122.894	84			
Documentation Procedure	Between Groups	1.432	3	.477	.346	.792
	Within Groups	111.674	81	1.379		
	Total	113.106	84			
Processing Fees	Between Groups	3.692	3	1.231	1.038	.030
	Within Groups	96.002	81	1.185		
	Total	99.694	84			
Sanctioning Procedure	Between Groups	4.232	3	1.411	.860	.465
	Within Groups	132.874	81	1.640		
	Total	137.106	84			
Clarification of the Doubts	Between Groups	4.232	3	1.411	.860	.045
	Within Groups	132.874	81	1.640		
	Total	137.106	84			

Inference
From the above table it is found that Interest Rate (F= 1.209, P = 0.012), Processing Fess (F = 1.038, P = 0.030), Clarification of Doubts (F= 0.860, P = 0.045) are influenced by the age group at 5% level. Hence there is no significant association between the age of the respondents and certain opinion factors like documentation procedure, processing fees and clarification of doubts.

Findings
- From the frequency analysis it is found that 29.4% were doctors and lawyers, 18.8 were professor and 22.4% were Engineers.

- The alpha coefficient for 30 items is 0.653 suggesting that the items have relatively internal consistency.
- The table represent the Pearson correlation coefficient r is 0.060 and that this is statistically significant. Hence the relationship between the income of the respondents and interest rate charged by the bank is positively correlated.
- From the above table it is found that Interest Rate (F= 1.209, P = 0.012), Processing Fess (F = 1.038, P = 0.030), Clarification of Doubts (F= 0.860, P = 0.045) are influenced by the age group at 5% level. Hence there is no significant association between the age of the respondents and certain opinion factors like documentation procedure, processing fees and clarification of doubts.

Suggestions

- The bank has to improve the credit generating mechanism and thus reducing the time lag between loan sanction and disbursement.
- The bank should review the housing loan portfolio at periodical intervals for capturing the new market to avoid risk and for updating their schemes.
- The bank can improve the service by telecalling, sending SMS and e-mails to the customers regarding the information within a time limit of one or two weeks.
- The bank has to provide customer support services to make awareness about the EMI& Tax benefits they get out of loan they borrowed and prepayment penalty charges.
- The bank has to provide a check list method about documents required for processing the loan in order to identify financial strength & ability to repay the loan.

Conclusion

The demand for Home loans has been increasing in India due to the requirements of residential accommodation. A large amount of Indian population is availing the home loan facility which is offered by the public as well as the private sector banks. It is important for the institutions offering the home loans to consider and keep a track of the factors affecting the decision of the buyers to avail the home loan. Most of the housing finance companies in India have introduced several new home loan products in order to meet the needs of a wide variety of customers. The various home loan schemes have market. The customer can choose those schemes which he feels is good for him and have the capacity to repay it on that specified time period. The customer chooses housing loan to avail himself of a decent home. Hence, the loan providers need to ensure that the procedures followed should not be cumbersome but it should be for the ultimate benefit of loan provider and the customer.

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