



A Study on the Reasons for the Preference by Home Loan Borrowers of boi

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ABSTRACT

The project deals with finding out the reasons for the preference of home loan borrowers from banks compared to other housing finance companies with special reference to Bank of India. In addition this is also taken up to recommend financial strategies for BOI to effectively disburse home loans to all customers.

The study is to understand about the customers mind in preferring only banks even though there are other specialists providing home loans. In this study, most of the selected respondents preferred only banks. So it is important to analyze different factors which banks uses for capturing the customers and also to find out the factors that affect the customer decision making while availing loans from banks. This is also taken up to give some suggestions to increase the profit and the loyalty of the customers towards their home loan products. For the purpose of evaluation the researcher are used various statistical tool like frequency analysis, factor analysis, correlation, chi-square and Anova.

It was concluded that customers preferred that banks for availing loan from banks in spite of other lending institution because of low interest rate.

KEYWORDS : Home loan, Preferences, Customers

INTRODUCTION:

BANKING OPERATIONS:

A bank is a financial institution that provides banking and other financial services to their customers. A bank is generally understood as an institution which provides fundamental banking services such as accepting deposits and providing loans. There are also nonbanking institutions that provide certain banking services without meeting the legal definition of a bank. Banks are a subset of the financial services industry.

Banks act as payment agents by holding savings account, deposit and current accounts for customers, paying cheques drawn by customers on it, and collecting cheques in favor of the customers. Banks also enable customer payments through other payment methods. The loans are granted to customers according to the income of the customer. The customer avails loans according to the needs for building their dream homes.

HOME LOAN:

Investing in a home is the prime investment most people in the world care about, it is a lifetime dream for any individual. This is the primary reason that there is a long list of banks and financial institutions which offer all types of home loans in India. People these days are choosing Home Loans for their different needs. The types of loan differ with different requirements of the clients. One chooses home loans for wide range of requirements such as Construction of home, its remodeling and expansion as well as buying and purchase of home. Varied home loan options are also available for the customers. At Loan in India each user is provided with all kind of Home Loans solutions to select from based on their needs. The Home Finance Companies (HFCs) provide various customized home loan options to their client. After opening the account, the customers can select Home Loans according to their actual needs.

REVIEW OF LITERATURES:

Dinesha P (2008) Rural housing in India, states that the serious dimension of housing problem is related to housing amenities like drinking water, sanitation, lighting and drainage connection. The number of rural household deprived of all four amenities has increased from 73.1 to 78.5 million although the deprivation percentage was reduced to 56.80 from 65.53. priority should be given to rural area while allocating resources as they represent country's worst housing situation.

Bandyopadhyay, Arindam and Saha,(2009) Factors driving demand and default risk in Residential Housing Loans: Indian evidence, states that the role of various micro and macro-economic factors that determines the residential housing demand and risk of borrower default in repayment of loan. The research says that borrower is mainly driven by the market value of the property vis-à-vis the loan amount and EMI to income ratio. The research took the factors

that are results in default triggers and credit risk in home loan business.

Dr. Arti Gaur, (2009) Customer satisfaction regarding home loans, says that the customers are more satisfied in private sector banks than public sectors. This researcher proved this study by taking the main factor as "Behaviors of the staff members". Even though it's qualitative behavior but that is the main thing when we look for customer's satisfaction while getting loans in banks. And the researcher also finds out there is more competitive interest rates and true commitment these benefits made the customer to be satisfied and this benefit is only present private sector banks than public sector banks. The researcher gives some advice to public sector banks to treat the customers.

M.Vijayakumar and Dr. B. Subburaj,(2011) An analysis of Post Purchase behavior of Consumers, states that the impact of socio-economic characteristics of the different factors of lending money. The researcher also says that problems encountered by consumers starting from sanctioning of loans till distribution of money to the consumers. These problems must be reduced for smooth operations in banks both private and public sector. The researcher also dealt with the reasons of the defaulters in payment of loan in future. The researcher finds out there is a negative impact in new generation of private sector banks.

Dr.VigheswaraSwamy, (2012) Borrower perception of lending (retail), states that borrower perception in lending of loans are classified according to services lent by banks than non-banking financial institutions. The borrower perception varies according to the benefits given by them to differentiate them self from private or public sector banks. The researcher studies the borrower perception by using certain parameters or factors that influenced in retail lending.

OBJECTIVES OF THE STUDY:

- To determine the different factors that influences the borrowers in taking housing loans.
- To find out the "Key influencers" who affect the decision making of the customers while availing loans.
- To recommend financial strategies for to do BOI effective disbursement of home loans to all customers.

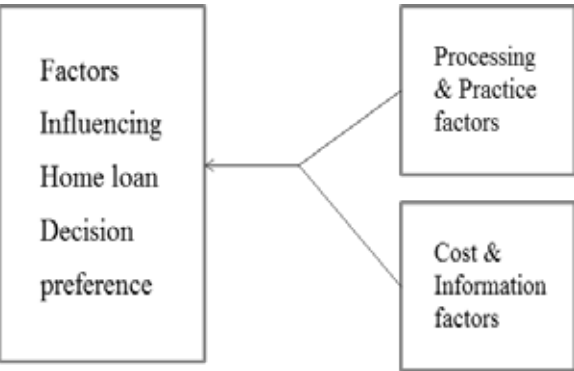
RESEARCH DESIGN:

The data are collected based on Primary data. A Structured Questionnaire, was used to collect data. The study is specified to Tiruchirappalli locality. The research is limited to 102 samples from a population of approximately 2000 customers. The sample is combination of self-employed businessmen and salaried employees. The selected sampling design is cluster sampling.

The statistical tools used in the project was:

- SPSS
- Frequency analysis
- Factor analysis
- Chi-square
- Anova

FACTOR ANALYSIS MODEL:
Chart no: 1



Factor analysis model derived by Rotated Factor Matrix table, it contains two groups that are significantly related among each group is named as Processing & Practice factor and Cost & Information factor. These are represented as a model in chart no: 1.

DATA AND OBSERVATIONS:
CORRELATION
TABLE NO 1: CORRELATION

| | | Processing & Practice Factors | Cost & Information Factors |
|---|---------------------|-------------------------------|----------------------------|
| Processing & Practice Factors | Pearson Correlation | 1 | .216* |
| | Sig. (2-tailed) | | .029 |
| | N | 102 | 102 |
| Cost & Information Factors | Pearson Correlation | .216* | 1 |
| | Sig. (2-tailed) | .029 | |
| | N | 102 | 102 |
| *. Correlation is significant at the 0.05 level (2-tailed). | | | |

It is clear from the table that, there exists a positive correlation between Processing & practice factors and cost & information factors and also there exists a positive correlation between cost & information factors and Processing & practice factors.

TABLE NO 2: ANOVA TEST FOR PROCESSING AND PRACTICE FACTOR
 H_0 : There is no difference of opinion among the different types of loan takers as to the influence of processing and practice factors.

H_1 : There is different of opinion.

| ANOVA | | | | | |
|------------------------------|----------------|-----|-------------|-------|------|
| Processing& Practice Factors | | | | | |
| | Sum of Squares | df | Mean Square | F | Sig. |
| Between Groups | 12.460 | 2 | 6.230 | 6.723 | .002 |
| Within Groups | 91.750 | 99 | .927 | | |
| Total | 104.211 | 101 | | | |

There is different type of opinion among the different types of loan takers as to the influence of processing and practice factors. Since $P < 0.05$, it can be said that we can reject null hypothesis and hence it can

be said that there, different type of opinion among the different types of loan takers as to the influence of processing and practice factors.

TABLE NO 3: ANOVA TEST FOR COST AND INFORMATION FACTOR
 H_0 : There is no difference of opinion among the different types of loan takers as to the influence of cost and information.

H_1 : There is different of opinion.

| ANOVA | | | | | |
|----------------------------|----------------|-----|-------------|------|------|
| Cost & Information Factors | | | | | |
| | Sum of Squares | Df | Mean Square | F | Sig. |
| Between Groups | .358 | 2 | .179 | .233 | .792 |
| Within Groups | 75.907 | 99 | .767 | | |
| Total | 76.265 | 101 | | | |

Since $P > 0.05$, null hypothesis is accepted and hence it can be said that there is no difference of opinion among the different types of loan takers as to the influence of cost and information factors.

SUGGESTIONS:
The project contains 35 factors, these factors are divided into two parts they are Processing & Practice factor and Cost & Information factors which are significantly related.

There are three types of borrowers. This classification is based on the purpose of home loan. The borrowers availed home loans for three reasons

- For the purchase of dwelling.
- For buying a plot & construction.
- For construction of house.

The Cost & Information factor is influence all the other factors. The Processing & Practice factor influence only one factors. So the bank need to concentrate on Processing & Practice factor by increasing customer satisfaction and speed of granting loans by this more number of customers can be attracted.

CONCLUSION:
The researcher found that, the interest rates factor is good in BOI. This statement is accepted by 60% of the respondents. The key influencers in the purchase of home loans by the customers are mainly the word of mouth given by the family, friends, relatives. The employee behavior of BOI overall is good which is a competitive advantage for them. The recovery methods and approaches are good by giving proper response to the customers. The overall recommending factor is true commitment in BOI and easy accessibility of availing home loans.

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