

A Study on Comparative Analysis of Home Loan

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Abstract: *This study conducts a comparative analysis of home loans, aiming to provide insights into the various factors influencing the decision-making process of borrowers. Through a comprehensive review of existing literature and empirical data collected from multiple sources including financial institutions, government reports, and surveys, this research examines key aspects such as interest rates, loan terms, eligibility criteria, and customer satisfaction levels across different home loan providers. The comparative analysis aims to shed light on the strengths, weaknesses, opportunities, and threats associated with various home loan options, thereby assisting potential borrowers in making informed decisions. Additionally, the study explores emerging trends and innovations in the home loan market, offering recommendations for both borrowers and financial institutions to optimize loan offerings and improve overall customer experience.*

Keywords: comparative analysis.

I. INTRODUCTION

Home loans work like any other debt. That is, loans are simply specific Money that we borrow from a bank, a private lender, or some other type of Lender. Afterwards, we must repay our debts with interest. However, unlike other types of loans, home loans are different in several respects. Owning a Piece of land or property is a lifetime dream for every individual. There are Many homes loans provider in the market.

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 mind set 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 youth.

Advantages of home loan: -

The various benefits of home loans arising to the customers are: -

(1) Attractive interest rate: -

The various banks over attractive interest rates to boost and help their customers. Many banks provide loans on fixed or fluctuating rate to facilitate Customers as per their needs.

(2) Help in owning a home: -

The home availed by a person with the help of bank because, they provide Technical and financial assistance to customer for owing their dream house.

(3) Capital Appreciation: -

For each one of us who has seen property prices boom over the last five Years, the prospect of mouth-watering capital appreciation is the biggest Argument for buying a home. Construction costs alone, which account for More than 70 per cent of the flat's cost, have risen at 15 per cent annually in the past decade. Rents too seem to keep up with inflation; making a home one of the few investments can shield you from inflation for the long term.

(4) Tax benefit on home loan: -

Your home loan principal and interest repayment fetch your attractive tax Breaks. And remember, renting actually is more expensive than just the rent You pay. Your cost is higher since you are not earning any interest on the Deposit amount paid to the landlord (which is quite high in premium Locations) throughout the lease term.

(5) Loan period: -

There are many banks which provide maximum loan tenure of 15-20 years Based on the loan amount and creditability of the customers. This relieves the Customers to repay loan amount till a long period.

(6) For accidental death insurance: -

Some banks provide free accidental death insurance with housing loan which is also beneficial to the customers. These benefits or advantages of home Loan are responsible for making so popular among customers that a person who doesn't have home of their home would like to buy and they do it with home loan.

Disadvantages of home loan: -

(1) Delay in processing: -

Many times, there are huge delay in processing of providing home loan because various formulations to be fulfilled in these processes. Due to these delay customers feel mentally and financially weak.

(2) Problem of disbursement: -

There are many problems in home loan disbursement amount. There are some delays in disbursement of loan amount to the customers due to legal formalities. This causes problems to the customers.

(3) High cost: -

The public sector bank charges high processing fees for home loan sanctioning. They are forced to pay serious charges at various stages to fulfil their requirements. Some customers are not able to pay such charges so such people cannot avail the benefits of home loan.

(4) Fluctuating interest rates: -

Some banks give home loan at floating rates which fluctuates at different intervals due to some reasons. These changes may some time lead to increase in interest rate which will increase the cost of home loans to the customers.

Types Of Home Loans:

- Home Purchase Loans • Home Improvement Loans • Home Construction Loans • Home Extension Loans
- Home Equity Loans • Land Purchase Loans • Bridge Loans

Home Purchase Loans:

These are the basic forms of home loans used for purchasing of a new home. With about a million home lenders and mortgage brokers it's becoming a tough challenge as the days are progressing. But at the same time, when the sites are coming up with all the latest tools and relevant information for us, and with all such conveniences, obtaining a home purchase loan or mortgage has become really pretty simple. However, at the same time though, we may be flummoxed to look so many attractive rates and offers in the market, not to forget the hidden costs associated with each of them.

Home Improvement Loans:

Home improvement loans are used to finance improvements and add on to the existing set of credentials of beauty on your owned house, recently Purchased property or rented accommodation. Home improvement loans are used to maintain or enhance the value of your house. In general it includes: repairs, remodelling, energy-related items (permanent in nature), repairs, a new kitchen, a new bathroom, terrace, an extension or general property Improvements. Luxury items and fireplaces are generally not eligible, though. many improvements in landscape and even swimming pools are nowadays considered to be a part of home improvement.

Home Construction Loans:

Home construction loans are used to finance for the construction of our Newly acquired home or if we are planning to build a home.

The factors include in calculations for house building costs?

- Design of the house
- Construction cost
- Financial Cost
- Buildable site

All the above-mentioned costs will help us to determine the amount we may need to borrow. For example, besides calculating the construction costs, we may also be required to consider the total expenditures to develop the site in order

to build. Each site is unique requiring different expenditures so this Specific rupee amount will vary from site location to site location.

Payment:

Before the house starts getting build, we will be required to pay a deposit to your builder as well as paying a deposit for the land if we are buying land. As work progresses you will need to make payments to the builder. Certain loans can be structured for progress payments to be made during.

Home Extension Loans:

Home Extension loans are used by customers to get loans from the banks to extend their houses, by adding more rooms, kitchens, wash rooms, terraces, or any other rooms for your growing family. It may also be used to enclose open balcony/terrace space, or constructing a house.

Maximum Amount of Home Extension Loans:

Banks generally offers about 70-85% of the total amount of home extension as loan. The amount of loan sanctioned also depends on a number of factors such as the age of the applicant at the time of loan, tenure of the loan, repayment capacity of the borrower; his/her credit history etc.

Home Equity Loans:

Home equity loans helps customer to encase the market value of the commodity by taking a loan by mortgaging the property. So, Home equity loans are availed by customers, who wish to mortgage his/her property to the bank for taking some loan for some other purpose. Then, it's up to the bank's discretion to consider the market value of the property and accordingly decide how much to pay to the customer. Both the residential as well as non-residential property can be considered for the approval of the loan, provided the mortgager is a licensed title holder and the land is free from any kind of dispute. Home equity loans do not restrict one to use the loan money in specific investments. It might also be used in marriage, higher education, medical expenses, etc. However, it should not be used in any illegal or speculation purposes.

Land Purchase Loans:

Land Purchase loans are used by customers who wish to purchase a plot of land for commercial or residential purpose. Everyone has his/her dream perfectly sketched in his souls and so is his ambition to get his house erected on the exact location he dreamt that to be. If you have found and shortlisted the piece of land, and have arrived here for finance, you have come to the best place you could have arrived in the web.

Now, that you have decided to purchase a land as an investment or for your own dream home, you will realize that a land purchase loan is one you will cherish.

Loans that are strictly for land purchase can be as scarce as good residential plots. While many lending firms around the nation compete to provide mortgages for the purchase of a house on a lot, only local institutions typically will be interested in lending for an empty lot.

Bridge Loan:

Bridge loans are designed for people who wish to sell the existing home and purchase another one. The bridge loans help finance the new home, until a buyer is found for the home. Bridge loans are used by customers as an effective vehicle to capitalize on a purchase opportunity. It can be considered as a short term financing scheme which is generally expected to be paid back, within the range of 6-36 months, till the time the borrower gets more permanent and lower cost financing. So, bridge loans, (or swing loans as they are otherwise said) is a short term loan provided by various banks like Bank of India, Citibank, ICICI etc. often used for commercial real estate purchases, retrieve real estate from foreclosure.

Bridge loans in corporate finance are called gap financing, and are used to cover the time between redemption of issuance of one bond and its replacement by a new issue. They can also be operating loans for periods between LOI and acquisition, or quiet period and IPO.

Bridge loan may contain a decent proportion of prepaid interest, sometimes as much as six months. If the home gets sold before that time, you may receive interest payments back, but if it hasn't sold, you may be required to continue payments.

Security required for home loan:-

A simple registered mortgage which is taken as a security against the loan.

In case of jointly owned properties, it should be ensured that all the owners and co-applicant execute their documents.

In case of flat of a group housing society tripartite agreement shall be entered into.

Charges of home loan:-

Obtaining a home loan involves different types of fees charged on it like processing fees, administration fees etc.

1. Processing fees: - it is a fees payable at a time of submitting loan application to the bank which is normally non-refundable.
2. Repayment penalties: - when the borrower re-pays the loan before the loan tenure bank charges a penalty which is normally 1%.
3. Delay payment charges: - when there is delay in payment of the EMI bank charges takes payment fees to the borrower.
4. Cheque bounce charges: - when there is a lack of fund in your account than the bank charges about 250 to 500 rupees penalty.

MORTGAGE

A mortgage is the transfer of an interest in property (or in law the equivalent – a charge) to a lender as a security for a debt – usually a loan of money. While a mortgage in itself is not a debt, it is lender's security for a debt.

It is a transfer of an interest in land (or the equivalent), from the owner to the mortgage lender, on the condition that this interest will be returned to the owner of the real estate when the terms of the mortgage have been satisfied or performed. In other words, the mortgage is a security for the loan that the lender makes to the borrower

NEED OF THE STUDY :-

Banks in order to face the challenges of the external environment successfully focus on mortgage products, in their effort to satisfy their clients' needs. As competition grows constantly, it is very important to examine the factors that have a positive impact on consumer purchasing decisions, so that banks can create the appropriate marketing strategy.

Mortgages constitute the sector that has had the largest increase in the last years. The great fall of interest rates along with the offering of new, more flexible and attractive products has led to an increase in demand relating to housing.

Thus, most of today's banking institutions pay great attention to mortgages by promoting and advertising more and more competitive products within an environment that is based on offering the best services and suitable products for the client's benefit.

Therefore it is very imperative that a study should be done to identify various factors that affect consumer's choice of bank facility. This study can help identify how a consumer perceives a bank. This study can help identify factors that can help modify various home loan products according to the need of customers, so that customers are more interested and bank can generate maximum revenue out of mortgage products.

OBJECTIVE OF STUDY :-

- To study the cost of home loans provided by the bank.
- To know that which bank provide better loan schemes.
- To analyze the home loan scheme by PNB and SBI banks.
- To know the consumer perception about the home loan of PNB and SBI.

SCOPE OF THE STUDY :-

This study is analysis and comparison of home loans provided by the SBI and PNB banks. It is helpful in analyzing the home loan service provided to the customer and their comparison.

II. REVIEW OF ANOTHER RESEARCHER

1. Zhou's (2020) study is on "The dimensions of customer satisfaction in the Chinese retail banking". The Factors contributing to customer satisfaction are determined using the model of SERVPERF. Her study points that empathy or responsiveness of the employees, reliability or assurance from the bank and tangibility of services are the important factors affecting customer satisfaction.
2. Chakraborty (2020) in the article, "Customer relationship management, a new mantra in Indian banking" views that CRM has an important role for banks in the marketing of products and services in an era Of technology. By practicing CRM, the customer base and customer loyalty in banks can be increased.
3. Amit and Anwarin (2020) view that most of the Indian banks are providing retail banking services like phone banking, internet banking, multi-city cheque facility, any branch banking and bill pay services. Along with this technology based services, banks are concentrating on business intelligence for providing better customer services.
4. A research article entitled "Housing Problem and Public Action: Continued Incompatibility Experience from a South Indian State" by M. Mahadeva (2020).
5. In this article, the author has analysed the nature and distribution of the housing problem in Karnataka and examined how the state has addressed this issue.
6. Joshi (2020) has examined the various reasons for declining trends in profitability. His study is based on published data. He has suggested profits planning both at micro and macro levels for the banking industry to overcome the declining trends in profitability.
7. Das(2020)" compares performance among public sector banks for three years in the post-reform period,2017, 2018 and 2019. He analysed a certain convergence in performance. He also find that while there is a welcome increase in emphasis on non-interest income, banks have tended to show risk-averse behaviour by opting for risk-free investments over risky loans".
8. Yash Paul Pahuja (2020) said, "SB! Is one of the fast growing players in the Indian Banking Industry with around 13,000 branches (including its seven associate banks) and 51 foreign offices in 31 countries. These branches handle 25 million transactions a day. The cost of funds is lowest for SBI at 7.6% as compared to others.
9. Sharma,A.K.(2020) highlights the fact that the challenges of homelessness and urban slums are largely the spill over problems of inadequate rural habitat. He stated that the housing is closely connected with growth of population, modernisation, poverty, development and information and the poor people of India, lack all basic facilities as they are incapable of meeting the rising cost of building materials. He also 14opined that Indians cannot solve the housing problem without a strong political will and properly designed strategies.

III. RESEARCH METHODOLOGY

According to John Best, "Research is systematic activity directed towards discovery and the development of an organized body of knowledge.

Research is a process of systematic and in depth study of any topic or subject backed by collection, compilation, presentation and interpretation of relevant data. A research design is the specification of the methods and procedures for acquiring the information needs to structure what information is to be collected from which sources and by what procedures. Research design is needed because it facilitates the smooth sailing of various Research operations, thereby making as efficient as possible. In simple words it refers to the process of research.

Research Design:

It is the overall plan or program of research. A researcher depending upon the topic of the study may choose explorative, diagnostic, descriptive or experimental studies. The research is of descriptive type.

Any research design performs two major functions :

Preparing a structure plan outlining various methods and techniques required in conducting the research.

Making sure that these method and techniques are suitable for the research. It also ensures that these techniques will help in finding objective, precise, and suitable answers to the research questions. According to derringers, this function is called “control of variance”.

Sampling Design:

As soon as the design research is selected, the next task is to select the sample design. Sample design sets a platform for effective data collection and analysis. A sample design responsible for the effective selection of research samples. Selecting sample design affects many aspects related to the research work. Hence, selection of suitable sample design should be carefully performed.

Data Sources:

Data is collected from both primary and secondary data.

Primary Data:

This refers to the first – hand information collected directly by the researcher. A questionnaire was given to the customers to collect primary data. The total number of respondents was 120.

Secondary Data:

Data, which are not originally collected but rather obtained from published sources, are known as secondary data. This data was collected from company records journals.

Data Collection Tools

Structured questionnaire is used here as the instrument to collect the data.

Sampling Size The sample size of study is 120 Research Tools:

Research tools are statistical techniques used for data analysis and to arrive at certain conclusions. The tools used for this project is, percentage analysis.

Percentage Analysis:

It refers to a special kind of ratio. Percentage are used in making comparison between two are more series of data. Percentages are used to determine relationships between the series of data. Finding the Relative Differences Become Easier through Percentage.

IV. DATA ANALYSIS AND INTERPRETATION

1.PERFERENCE OF RESPONDENTS TOW ARDS HOME LOAN

Preference of respondents towards home loan

Particulars	YES	NO	TOTAL
No of respondent	58	62	120
Percentage of respondent	48.33%	51.66%	100

It can be observed from the above table that about 51.66% of the people don't take loan. The reason behind it is unawareness about the loan facility available in the bank and some common people in society whose income is low cannot afford to take a loan.

2.REASON FOR TAKING HOME LOAN

Particulars	No of respondent	Percentage of respondent
New construction	16	27.59%
Renovation	12	20.69%
Other	30	51.72%
Total	58	100

It is observed from the above table that many of the respondents take home loan for the purpose of other than renovation and new construction about 27.59% of the respondent take home loan for new construction that means buying a house which is newly constructed. And about 20.69% of the respondent go for renovation of their house by taking home loan.

V. FINDINGS

- It has been noted that the Debt Equity Ratio of the organization was highest for the year 2020- 21 and lowest for the year 2019- 20. The company has been increasing the debt level in its capital structure year after year and this means that the claims of the outsiders are greater than that of the owners.
- The analysis reveals the Debt to Capital Ratio was highest for the year 2021-22 and the same was lowest during the year 2020 - 21. Increasing debt to capital ratio on recent years shows weak financial strength.
- The analysis reveals the Proprietary Ratio was highest for the year 2020 - 21 and the same was lowest during the year 2021 - 22. The proprietary ratio was decreasing in recent years, which indicates a weak financial position of the bank. The high ratio on 2020 – 21 indicates a good financial health of the bank during that period.
- The analysis reveals that the Solvency Ratio was the highest during the year 2021- 22 and the same was lowest 2020 - 21. The firm fails to maintain a satisfactory level of solvency ratios throughout the period of study, which is an indication of poor financial health.
- The analysis reveals that the Fixed Assets Ratio was the highest during the year 2020 - 21 and the same was lowest 2021 - 22, which means that the firm is not utilizing its fixed assets efficiently.
- The analysis reveals that the bank follows a fluctuating trend on analysis of profitability ratios. The decreasing trend on recent years indicates poor improvement in the operational efficiency of the bank. The profitability ratios are lower on recent years, which means the profitability and financial performance of the bank is not satisfactory on those years.
- There is significant relationship between the customers satisfaction level of Interest rate and the type of bank.
- There is significant relationship between the customers satisfaction level of Processing charges and the types of bank. There is significant relationship between the customers satisfaction level of Speed of approval and the types of bank.

Suggestion:

- Banks should use easy and simple procedures for sanctioning of home loans for the customers.
- The loan passing procedures should be quicker by the Public Banks like the Private Banks.
- Many attractive advertisements should be provided to the customers for awareness about different housing loans schemes of Public sector banks like the Private sector banks.
- The loan disbursement amount should be made promptly to the customers enabling them to buy or construct their home at the earliest, thereby satisfying the customers.

Banks should have extensive advertising to attract potential Customers.

- Adequate training improves the skill of employee.
- Company should put stress on market Capture.
- Adequate transparency in product plan and policies
- Maintain proper Customer relationship
- Company should publish its weekly review of internal or external Competitive business.
- There must be proper management information system in Banks
- Monthly NAV statement to provide to the customer.
- Time to time banks launched new loan products for the customers with extra unique features.

VI. CONCLUSION

In the conclusion we can say that both Public and Private sector banks truly deserve to be the leading banks in home loan in India. The services offered by them are very competitive. Mostly people prefer Private Banks for home loans, especially because they believe that they provide faster services and come up by new technology which makes the borrower work easier. On other hand, public sector banks are very strict and stringent. The documents required for home loan are comparatively more in case of public sector banks than the Private sector banks.

It is found that Private sector banks are very popular among the customers these days. The satisfaction level that customers have with these banks is very high as compared to the public sector banks. Customers are associated with banks for many services that they require on regular basis and people tend to prefer banks that provide better facilities and convenient banking. From the overall analysis it can be said that the satisfaction level in relation to services provided by the Private Banks are very high as compared to Public sector banks. Different banks offer the same product but their way of service differs. The customer's choice the schemes which they fell are good and better for them and the capacity to repay it on a specified time period.

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