

A CASE STUDY ON HOME LOANS PROCESS TO PERSPECTIVE CUSTOMERS 'REFERENCE TO CANARA BANK

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ABSTRACT

Housing is a primary human need next in importance only to food and clothing. A first priority for a youngster who begins life is therefore to plan for a house. This takes precedence over other household expenditure and creature needs. Housing, however, is a major expenditure and cannot be funded out of a family's normal monthly income or savings. The prospective homeowner must look for a loan substantial in size and so structured that he can repay it over a longer period of time, in many cases almost one's entire working life. Loan is offered to a borrower to purchase or build a new house on the basis of his/her eligibility and the bank's lending rules. One of the important basic human needs is shelter. House is the ultimate dream of every middle class family. Government gave encouragement for house finance subsidiaries by offering number of tax concessions to individuals. With the overall encouragement given to this sector, a number of players entered in housing finance. One of the most important benefits of taking a home loan is the interest rate that is allowed on the home loan. Fixed and variable interest rate options are also available for home loans. Many financiers also offer home improvement loans at the same interest rate as they offer the home loans.

Current status is that Canara reduced home loan rates by 50 basis points for all its existing floating rate customers.

Keywords: Home Loans, Canara Bank.

1. INTRODUCTION

"A "home loan" is a credit to a consumer for the purchase or transformation of the private immovable property he owns or aims to acquire secured either by a mortgage on immovable property or by a surety commonly used in a Member State for that purpose. "A home loan requires you to pledge your home as the lender's security for repayment of your loan. The lender agrees to hold the title or deed to your property until you have paid back your loan plus interest. In simple words a home loan is a fund or the loan which the buyer has taken from any financial institution or bank to purchase a new home at an agreed rate of interest specified during the contract. Home loan is the finance borrowed from a bank or financial institution to buy or modify a residential real estate property. Any Resident or Non-resident individual who is planning to buy a house in India can apply for a Home loan. If you have decided to buy a property in the near future you can even apply for a loan before you select your property. Mortgage managers, banks, credit unions, brokers, insurance groups all offer a seemingly endless choice of loan options - introductory rates, standard variable rates, fixed rates, redraw facilities, lines of credit loans and interest only loans, the list goes on. But with choice comes confusion.

The section 5 (b) of the Banking Regulation Act 1949 defines Banking as, "Accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise and withdraw able by cheque, draft or otherwise.

2. REVIEW OF LITERATURE

Berstain David (2009)

Examined in his study taken from 2001 to 2008 that in this period there is increase use of home loans as compared to private mortgage insurance (PMI).he have divided his study into four sections. Section 1 describes why people are going more for home loans than PMI. the main reason for this that now home loans market provide Piggybank loans for those people who don't have 20% of down payment. Section2 tells the factors responsible for the growth of home loans and the risks on shifting toward home equity market without any PMI coverage. PMI can protect lenders from most losses up to 80% of LTV and the absence of PMI will result in considerable losses in an environment. Section 3 tells the measures in changes of type of loans.

For this he have taken the data from the 2001 and 2007 AHS a joint project by HUD and Census The results of this analysis presented in Table One reveal a sharp increase in the Prevalence of owner-occupied properties with multiple mortgages among properties with Newly originated first mortgages. Section 4 describe the Financial status of single-

lien and multiple-lien households and for this he have taken the survey of consumer finance and show that financial position is more weaker in multiple loans than the single loans.

Vandell, Kerry D (2008)

Analysis the sharp rises and than suddenly drop down home prices from the period 1998- 2008. changes in prices are for the reasons as such economic fundamentals , the problem was not subprime lending per se, but the Fed's dramatic reductions, then increases in interest rates during the early- mid-2000 , the housing —boom was concentrated in those markets with significant supply-side restrictions, which tend to be more price-volatile; he problem was not in the excess supply of credit in aggregate, or the increase in subprime per se, but rather in the increased or reduced presence of certain other mortgage products.

La courr, Michael (2007)

Analysis in his study the factors affected the increase in the level of Annual percentages rates (APR) spread reporting during 2005 over 2004. the three main factors are changes in lender business practices; (2) changes in the risk profile of borrowers; and (3) changes in the yield curve environment. The result show that after controlling for the mix of loan types, credit risk factors, and the yield curve, there was no statistically significant increase in reportable volume for loans originated directly blenders during 2005, though indirect, wholesale originations did significantly increase. Finally, given a model of the factors affecting results for 2004-2005, we predict that 2006results will continue to show an increase in the percentage of loans that are higher priced when final numbers are released in September 2007.

Lacour Michael (2006)

Examined the home purchase mortgage product preferences of LMI households. Objectives of his study to analysis the factors that determined factors their choice of mortgage product , is different income groups have some specified need to met particular product. The role pricing and product substitution play in this segment of the market and do results vary when loans are originated through mortgage brokers? For this they have use the regression analysis and the results are high interest risk reduce loan value. Self employed borrower chooses reduce documented loans than salaried workers.useof this product type seems to be more prevalent among borrowers with substantial funds for down payment and better credit scores. In case of pricing Multi families requires price premium and larger loans carry lower rate.

RESEARCH GAP:

On the basis of the answers from the customers and the information gathered from other sources prepare the report, mentioning the necessary changes require in the existing environment.

OBJECTIVES:

- ❖ To analyze Indian home loan market and its growing trends.
- ❖ To analyze various methods of operating a home loan.
- ❖ To gain knowledge about various home loan products.
- ❖ To understand the various Rates available in-home loans in different banks

3. RESEARCH METHODOLOGY

Need For the Study

Retail banking has been popular segment to enter into for many banks. In the retail banking, housing sector has been most promising segment which is promising a Comprehensive growth rate of about 30 per cent for the next five years. With the government keen on infrastructure development and announcing various tax Sops housing loan segment has been a tempted area for many banks to enter into housing sector can be bifurcated into organized and unorganized segments with the unorganized segments accounting for over 75 per cent of the housing units constructed.

During the past 4 – 5 years the housing sector helped by the growing housing finance industry has witnessed significant developments.

Scope Of The Study:

The Indian housing finance industry has grown by leaps and bound in few years. Total home loans disbursements by banks has raised which witness's phenomenal growth from last 5 years. There is greater number of borrowers of home loans. So by this study we can find out satisfaction level of customers.

The Indian housing finance industry has grown by leaps and bound in few years. Total home loans disbursements by banks have raised which witness's phenomenal growth from last 5 years. There is greater number of borrowers of home loans. So by this study we can find out satisfaction level of customers and problems faced by them in obtaining home.

Methodology

Research is defined as a careful consideration of study regarding a concern or a problem using scientific methods. According to the American sociologist Earl Robert Babbie, "Research is a systematic inquiry to describe, explain, predict and control the observed phenomenon. Research involves inductive and deductive methods."

Research methodology is a way to systematically show the research problem. It may be understood as a science of studying how research is done scientifically. It is necessary for the researcher to know not only the research methods but also the methodology. This Section includes the methodology which includes. The research design, objectives of study, scope of study along with research methodology and limitations of study etc.

- To know the Customers perceptions about home loans of Canara Bank
- To study the satisfaction level of customers about home loans.
- To study the problems faced by customers in obtaining the home loans.

4. RESEARCH DESIGN

This project is based on exploratory study as well descriptive study. It was an exploratory study when the customer satisfaction level was studied to suggest new methods to improve the services of Canara Bank in providing home loans and it was descriptive study when detailed study was made for comparison of disbursement of home loans by commercial banks.

SOURCES OF DATA

To fulfill the information need of the study. The data is collected from primary as well as secondary sources-

PRIMARY SOURCE

Primary data collection method because our study nature does not permit to applies observational method.

In survey approach we had selected a questionnaire method for taking a customer view because it is feasible from the point of view of our subject & survey purpose. We conducted 100 sample of survey in our project to judge the satisfaction level of customers which took home loans.

SECONDARY SOURCE

It was collected from internal sources. The secondary data was collected on the basis of organizational file, official records, news papers, magazines, management books, preserved information in the company's database and website of the company.

SAMPLING

Sampling refers to the method of selecting a sample from a given universe with a view to draw conclusions about that universe. A sample is a representative of the universe selected for study.

SAMPLE SIZE

Large sample gives reliable result than small sample. However, it is not feasible to target entire population or even a substantial portion to achieve a reliable result. So, in this aspect selecting the sample to study is known as sample size. Hence, for my project my sample size was 100. The Sample Size consists of both the Professional and Business class people. IT peoples, Doctors, Jewelers, Timber Merchants & Real estate Agents are taken as Sample.

SAMPLING TECHNIQUE

Random sampling technique was used in the survey conducted.'

STATISTICAL TOOLS USED

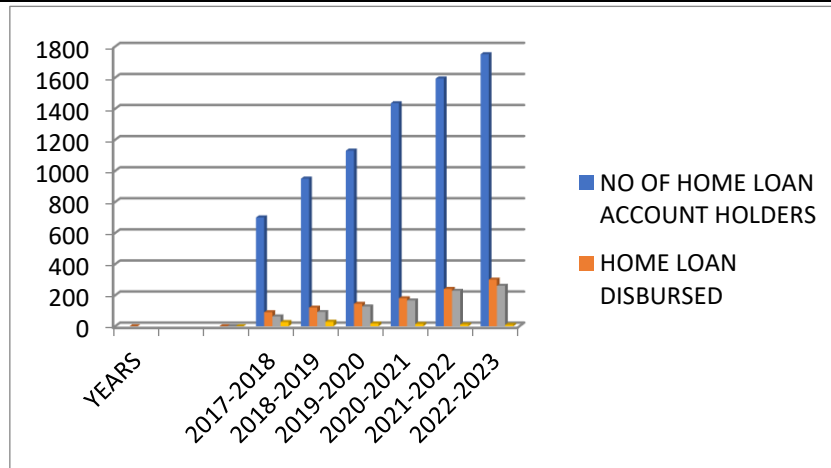
Statistical tools used in the project study are: Graph

5. DATA ANALYSIS & INTERPRETATION

Disbursement of Home loans by different banks Canara Bank

| YEARS | NO OF HOME LOAN ACCOUNT HOLDERS | HOME LOAN DISBURSED IN CRORES | | |
|-----------|------------------------------------|----------------------------------|------------|----------|
| | | distributed | discovered | balanced |
| 2017-2018 | 700 | 90.07 | 63.05 | 27.02 |
| 2018-2019 | 950 | 120.00 | 91.20 | 28.80 |
| 2019-2020 | 1130 | 144.67 | 127.31 | 17.36 |
| 2020-2021 | 1435 | 180.33 | 165.90 | 14.43 |

| | | | | |
|-----------|------|--------|--------|-------|
| 2021-2022 | 1594 | 240.00 | 228.12 | 11.18 |
| 2022-2023 | 1750 | 300.00 | 260.12 | 9.05 |

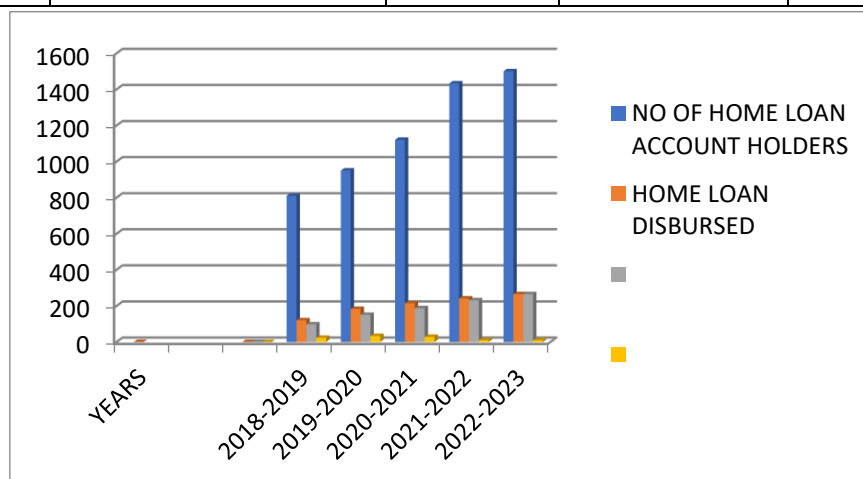


Interpretation:

On the above table, it is evident that there are increase in No. of account holders from 700 to 1594 in the year 2021-22. The loan amount distributed among home loan account holder has also increased from Rs.90.07 crore in 2017-18 to Rs.240 crore in 2021-22. The recovery procedure for home loans is also strengthening due to increment in recovered amount, i.e. Rs.63.05 crore to Rs.288.12 crore. So it nut shall there are upward trend in number of accountholders and disbursement of home loans.

Disbursement of Home loans by different banks Punjab National Bank

| YEARS | NO OF HOME LOAN ACCOUNT HOLDERS | HOME LOAN DISBURSED IN CRORES | | |
|-----------|---------------------------------|-------------------------------|------------|----------|
| | | distributed | discovered | balanced |
| 2018-2019 | 810 | 120.15 | 97.28 | 22.87 |
| 2019-2020 | 950 | 183.26 | 150.00 | 33.26 |
| 2020-2021 | 1120 | 213.65 | 186.86 | 28.05 |
| 2021-2022 | 1433 | 240.87 | 231.07 | 9.80 |
| 2022-2023 | 1500 | 265.15 | 265.05 | 9.10 |

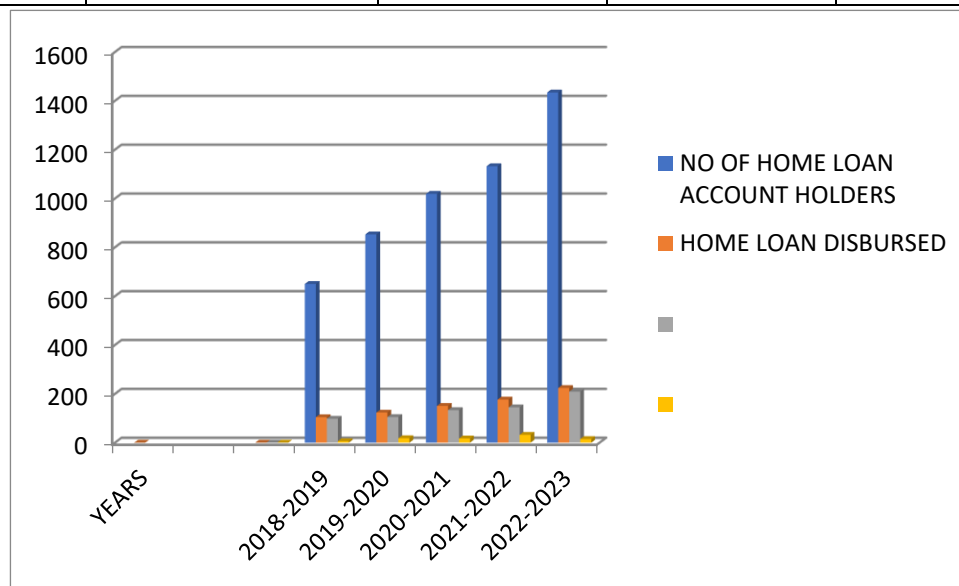


Interpretation:

The Punjab National Bank is Public sector Bank. It comes second after State Bank of India in its branch location and expansion. From the Table, the figures show that there are increasing trend in customer base from 810 in the years 2018-19 to 1500 in the year 2022-23. The bank also show enhancement in loan amount up to Rs.265.15 crore in the year 2022-23. The recovery process of loans in past is slow but now it is increasing.

Disbursement of Home loans by different banks ICICI Bank

| YEARS | NO OF HOME LOAN ACCOUNT HOLDERS | HOME LOAN DISBURSED IN CRORES | | |
|-----------|---------------------------------|-------------------------------|------------|----------|
| | | distributed | discovered | balanced |
| 2018-2019 | 650 | 104.33 | 98.12 | 6.21 |
| 2019-2020 | 853 | 123.24 | 105.00 | 18.24 |
| 2020-2021 | 1019 | 150.65 | 133.46 | 17.19 |
| 2021-2022 | 1132 | 176.65 | 144.65 | 32.10 |
| 2022-2023 | 1434 | 224.00 | 209.16 | 14.84 |



Interpretation

The amount reveals that there is tremendous increase in Home loan accountholders. The amount distributed as home loan is also increased from Rs. 104.33 in 2018-19 to Rs. 224 crore in 2021-23. But the recovery mechanism of the Bank is not so good that's why the outstanding amount shows fluctuating trend.

6. CONCLUSIONS

In my study we came to know that many people are interested to take a home loan from Canara Bank to construct their homes. Home loans have long period when compare to other personal loans another loans. So peoples are confused to take a home loan. Even though the interest rates are high peoples are willing to take a loan from Canara Bank due to certain reasons. The loan sanction process is low when compare to other banks. Finally the whole research was carried out in a systematic way to reach at accurate results. The whole research and findings were based on the objectives. However, the study had some limitations also such as lack of time, lack of data, non-response, reluctant attitude and illiteracy of respondents, which posed problems in carrying out the research. But proper attention was made to carry out research in proper way and to make accurate conclusion for the Canara Bank which may beneficial for banks to enhance their customer base.

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