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IJEMR Transactions, online available on 26th Dec 2022. Link

[:http://www.ijiemr.org/downloads.php?vol=Volume-11&issue=Issue 12](http://www.ijiemr.org/downloads.php?vol=Volume-11&issue=Issue 12)

10.48047/IJEMR/V11/ISSUE 12/83

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Volume 11, ISSUE 12, Pages: 658-663

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A CUSTOMER'S PERSPECTIVE ON PROBLEMS ENCOUNTERED IN OBTAINING HOME LOANS FROM BANKS

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ABSTRACT

Home is one of the most basic human needs. Everyone, whether they reside in the country or the city, deserves a secure and safe place to call home. Home loans were prevalent in the United States during the economic boom that petered out in the late 1800s. Mortgage lenders began giving loans to cover the difference between the sales price and the buyer's down payment since most consumers cannot afford to pay cash for a property. Banks will provide mortgages with lower interest rates to attract new customers. Customers' decision-making processes, including their goals, barriers, and familiarity with mortgage loans, are all taken into account. Finding out how Indian home loan borrowers and customers feel about the services offered by Indian banks is the major goal of this research.

Keywords: Home Loan, Housing, Finance, Knowledge, Mortgage

I. INTRODUCTION

A safe and secure place to live is one of humanity's most essential need. It has always been crucial to human progress for people to have a secure place to live that can also be used as an investment. After food and clothing, shelter is the next most important need for survival. Every individual needs to be able to develop and thrive in an environment that ensures their safety and security. Because it is often seen as an indicator of a country's standard of life and economic health, the real estate sector contributes significantly to GDP. Having one's own "proper house" is a status symbol and indication of one's social standing in most countries, particularly in developing nations. In addition, it fills one with feelings of happiness, contentment, and safety.

Getting a mortgage is a necessary step in the home-buying process. Instead of going to banks, most individuals have relied on personal savings and loans from loved ones to construct or purchase their own houses. Institutional housing finance and formal home loans serve customers who need access to equity funds for home construction, renovation, or development.

A mortgage is a lifelong financial commitment that has far-reaching consequences. Low-interest mortgage loans are available from a variety of reputable lenders. Everyone should be able to call home free from fear. However, substandard housing is a big problem in today's emerging nations. Not only does a robust housing market make it easier for individuals to find homes, but it also boosts the economy. New jobs are created in large numbers by the building sector. Studies have shown that the construction of a single house generates at least three new jobs in the related industries of construction, real estate, finance, and the related manufacturing and service industries.

An essential long-term commitment is a home loan. The demand for home loans has

skyrocketed during the last decade. The apparent causes of this growth include the change in mindset brought on by globalization and integration with Western economies (where mortgages reign supreme), income tax incentives in Union Budgets, and a large rise in the money-generating capability of Indian youth. This bodes well for the future of home loans, which are now experiencing a period of rapid growth. Mortgage loans with cheap interest rates may be found at a variety of financial institutions. There is a wide range of home loan options available from commercial banks and government agencies. Public sector banks are preferred by most home loan applicants because of their reputation for safety and the competitive interest rates they often provide. But private sector banks are sprouting up all across the country, and the services and perks they provide are changing the banking habits of young people. Before applying for a Home Loan, the customer should have a thorough understanding of every word associated to such loans.

II. REVIEW OF LITERATURE

Sajeesh T J, Dr. Swarupa R (2018) Every family needs a safe place to call home in order for society to function smoothly. A guy can no longer accumulate enormous assets one by one as the cost of living rises and his purchasing power decreases. Therefore, a guy has to apply for a home equity loan in order to fulfill this fundamental need. The option to lodge financial resources is a monumental one, requiring not only a massive capital investment but also a long-term obligation of 15–20 years' duration. This research is to examine the significance of premium payment rate, security and legal requirements, bonus cash, monthly installment (EMI) cost, convenience, and customer service when deciding on a mortgage lender. According to the findings, EMI and cash-flow differentials are the two most important factors. When it comes to maintaining a safe and respectable lifestyle, housing is right up there with food and clothing as crucial necessities. Each fresh-faced adolescent dreams of one day becoming a homeowner. The vast majority of people do not have the disposable income or savings to cover the whole expense. They seek information from both scholarly and anecdotal sources. relatives savings, aid from friends and relatives, gifts of property, a chitty or an opportune shop are all examples of casual sources of funding. Credits from commercial banks, housing financing companies, philanthropic endowments, charitable trusts, religious groups, fraternal organizations, and so on are examples of official sources. Business banks and private banks provide a variety of housing advances, including, but not limited to, house enlargement advances, home renovation advances, plot and development advances, development advances, and transformation advances. As a result of current low interest rates, banks are aggressively marketing home equity loans and other forms of consumer borrowing as a means of competing in the housing market.

Dr. Pratiksha & kavetekar (2019) Many speculators also see the purchase of a residence as a promising investment opportunity. The result is better economic growth and a boost to the Real Estate Industry. In the current economic climate, however, it might be challenging to save enough money to make a down payment on a home. To afford a house, most people get a mortgage and pay it off in monthly payments at a fixed interest rate. The major goal of this research was to compare public and private sector banks with regard to their customers'

perceptions of house loans. It's the major study article, and the data comes from a questionnaire and interviews with real clients. Considering the benefits and services offered by banks, the study's findings suggest that a growing number of people are willing to make a house purchase as an investment.

Dr. K. Shahar (2020) There is a lot of rivalry in the banking industry nowadays. Customers may choose from a large number of financial institutions. Financial institutions that focus on meeting customer needs tend to survive and thrive. There are a number of housing finance companies in India that provide quick and easy mortgages. As a result, mortgage loans are now quite common. Several different types of banks in Kerala, including public sector banks and private sector banks, provide mortgages to families. The goal of this research is to analyze the variables that affect satisfaction levels of public and private sector house loan borrowers in Kerala. SBI and Canara Bank, both from the public sector, and ICICI and HDFC, both from the private sector, are among the significant ones chosen for the study. The analysis will help mortgage lenders improve the services they provide in response to borrowers' evolving needs, and it will also provide policymakers a basis for periodic policy adjustments. The research found that borrowers are generally satisfied with the services provided by both public and private sector banks. The article suggested that in order to attract more customers in the future, private and public sector banks should speed up the pace at which they process mortgages and the amount and interest rate of EMI.

Jenifer, V. et al., (2022) Real estate is a terrific long-term investment in itself, but that's not the only reason why house loans are so important. The research compared and contrasted the services provided by SBI and ICICI. Coimbatore residents who have taken out a house loan from the State Bank of India or the Industrial Credit and Investment Corporation of India would be the primary subjects of this research. Both the ICICI and SBI samples (n = 125) were analyzed using descriptive research methods such percentage analysis, chi-square testing, descriptive statistics, and factor analysis. Looking at the interest rates, it's clear that ICICI provides superior service; nevertheless, both banks will need to deploy new technologies to speed up the loan approval process if they want to keep consumers happy in the long run.

III. RESEARCH METHODOLOGY

This investigation relied heavily on responses from a survey sent to recent mortgage borrowers. Data analysis is performed using SPSS. The sample size of the research was 250 participants. The procedure used to choose this sample was simple and fast to apply. Information on a certain group of people is the primary focus of this study. The Friedman test and percentages were used as analytical tools. This is where the results come from.

IV. ANALYSIS OF THE RESULTS

Table 1: Problems and preference related to home loan borrowers

Factor		Percent
Rate of interest	8.40% - 8.90%	62.0
	8.90% - 9.40%	24.0
	9.40% - 9.90%	9.0
	9.90% - 10.50%	5.0

Type of bank	Nationalized bank	43.0
	Private bank	48.0
	Other financial institutions	9.0
Recommendation of bank	Yes	78.0
	No	22.0
Approach home loan through	Direct approach	63.0
	Builder	9.0
	Agents	13.0
	Loan personal in bank	15.0
Reasons to avail loan	Investment	32.0
	Desire for home	52.0
	Income tax relief	8.0
	To receive rent income	8.0
Duration by bank to sanction	0 – 1 months	28.0
	0 – 2 months	36.0
	0 – 3 months	17.0
	More than 3 months	19.0
Source of knowledge about bank	Television advertisement	21.0
	Friends	43.0
	Relatives	21.0
	Bank call	14.0
Rate of interest preferred	Fixed rate of interest	72.0
	Fluctuating rate of interest	28.0
Problems faced	Lack of knowledge	30.0
	Procedural delays	34.0
	Non-cooperation	7.0
	Desired loan amount not being sanctioned	20.0
	Credit score issue	9.0

Most respondents (62%) want interest rates between 8.40% and 8.90%. The 9.50% to 10.90% range was the least desired. Mortgage loans are mostly obtained through private banks, with just a small percentage of borrowers using alternative lenders. Seventy-eight percent of respondents said they would recommend their preferred bank, while 22 percent said they wouldn't. Twenty-one percent of those polled said they got their news from TV, compared to 43 percent from friends, 22 percent from family, and 14 percent through calls to financial institutions.

Among those polled, 72% preferred the stability of a fixed interest rate over that of an

adjustable one. Thirty percent of respondents had trouble comprehending house loan information; thirty-four percent had trouble with procedural delays; seven percent had trouble with non-cooperation; twenty percent had trouble getting their preferred loan sanctioned; and nine percent had trouble with their credit score.

Table 2: Rank Table

Type of Home Loan	Mean Rank
Home improvement loan	3.02
Home extension loan	3.08
Loan to professional	3.30
Home equity loan	3.65
Loan against rent receivables	4.00
Loan to professional for non- residential premises	3.95

Table 3: Friedman Test

Chi-Square	26.230
Asymp. Sig.	.000

Home renovation loans are rated both lowest overall and highest in importance in the preceding table. The average evaluation of house enlargement loans is 3.08. With an average rank of 3.30, professional loan is the third most significant variable. The equity loan comes in at a distant second, 3.65 times as crucial on average. The non-resident loan comes in at number two and is given an average grade of 3.95. Loan against rent receivable is ranked last with a weighted average rating of 4.00..

V. CONCLUSION

House loans in India are a major driver of the residential real estate market. If they couldn't afford to purchase a house, many Indians would have to turn to renting instead. With this service, you may buy a house and feel like a real adult without having to save up a huge down payment right away. If a customer is unhappy with a service, they are still obligated to pay for it. The study had several limitations, but it was an effort to learn how people feel about house loans.

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