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# **Analysis on Housing Loan Schemes Offered by Commercial Bank of India: SBI and PNB**

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**ABSTRACT:** India's growing housing demand has led to an increase in both public and private banks' home mortgage offerings. But rising asset prices and interest rates have rendered homeownership unaffordable for many. Because personal savings are sometimes insufficient, banking institutions offer crucial financing to those looking for safe home alternatives. Home finance is the preferred solution for the average person's housing needs since it includes a variety of agreements intended to purchase, build, renovate, or maintain homes. This study compares and contrasts customer reviews for SBI and PNB, two of the many home lending companies that are included of the analysis.

**KEY WORDS:** Home Loans, Housing Finance, SBI and PNB.

## **I. INTRODUCTION**

The house is an important factor in people's emotional and social growth. People's well-being and social standing are profoundly affected by where they live.

A house is a safe haven from the elements where people can live permanently. When people are at home, they are happiest and can spend time with their families. One of the best long-term investments a person can make is in a home. The purchase of a home is the single most significant investment we make in our lives.

The concept of a housing loan became widely accepted in India since it represents the greatest way for an individual to realize his aspiration to own a home. Having a safe and comfortable place to live can have positive effects on an individual's mental and emotional health.

One must put money into housing to provide a safe haven for himself and his family. A house also spelled "dwelling, "is an enclosure where one can feel safe being himself and where one can share in the company of one's family.

The standard of living is reflected in the condition of the homes available to the public. Improved habitat living, educational, social, and cultural standards that contribute to human capital accumulation are all indirect effects of housing.

As of the 1970s, housing's significance to economic expansion was widely acknowledged. This was true not only because the construction sector was a significant source of employment, but also because of the social and economic ramifications that the business had.

## **II. PROBLEM DISCUSSED**

India's federal and state governments have established numerous agencies and organizations, such as HUDCO and NHB, to regulate the housing finance sector and alleviate the country's housing shortage.

Several different types of banks, including HFCs, public sector banks, co-operative banks, old generation banks, and new generation banks, all play an important role in the home loan industry.

The interest rate, processing time, stages of loan sanctioning, facilities offered by banks, period of sanctioning loan, speed of communication, and loan extension facility offered by housing financial institutions all play a role in determining the feasibility of home loan schemes for potential borrowers.

Borrowers of home loans, on the other hand, consider the home loan policy of HFIs, the rate of interest, the amount of the monthly instalment (EMI), the speed with which the loan is sanctioned, the processing fee, the penal interest, the employees' behavior and attitude, the availability of the loan amount, the duration for which the loan is sanctioned, the facilities offered by HFIs, and the quality of the customer care services.

The house finance companies now active in different states in India each have their own strategy to entice potential customers.

### III. LITERATURE REVIEW

**On June 27, 2023, Aarti Singh, Haresh Kumar Sharma, and S. Majumdar:** discuss the significance of precisely calculating customer loan requirements in the Indian banking industry, especially in relation to home loans, to reduce the chances of late repayments. Traditional statistical techniques may not be as effective when analyzing qualitative data unless specific assumptions and extra information are taken into consideration. To address this issue, the research suggests utilizing the Dominance-based Rough Set Approach (D-RSA) to manage banking characteristics associated with home mortgages. It recommends using preference-based "if ... then" decision rules to classify customer attributes, helping decision-makers grasp loan risk factors for financial institutions.

**On 07 Mar 2023, Vimla Virparia, Nilam Panchal:** This study analyzes the financial activities of housing finance firms in India between 2018 and 2022, with a specific emphasis on liquidity, solvency, valuation, and profitability indicators. It emphasizes the importance of housing finance in enhancing economic growth, alleviating poverty, and enhancing living standards. The research highlights the decrease of the House Building Finance Corporation (HBFC) and the rise of domestic and international commercial banks and specialized institutions in the housing finance industry. The evaluation provides an understanding on the financial performance of specific housing finance firms and offers recommendations for improving their effectiveness.

**On 25 Feb 2022, S. V R, Avinash K:** This research explores the satisfaction and knowledge of home loan products provided by public and private banks in India. Primary data is gathered via a survey to examine the factors influencing housing demand, the development of mortgages, and their importance in India. Moreover, the research delves into various forms of housing mortgages and emphasizes the differences between public and private banks in offering these products.

**On June 22, 2020, Prabhat Khabar:** The newspaper discusses several factors that a customer should consider when planning to secure home loans from different banks. It specifically discusses the initiative of multiple public sector banks to offer home loans to different customers. The article also highlights reputable builders who partner with different banks to assist customers in securing home loans and achieving homeownership.

**On 01 Jan 2020, Subhasis Sen., Kannan Rajagopal:** Usha Thorat at the Indian Banking Conclave (Bancon) in Mumbai on January 12, Reserve Bank of India (RBI) deputy governor Usha Thorat warned against what she considers risky mortgage lending practices. "In the area of housing loans, teaser rates are increasingly being offered, which is a cause for concern," she said. "I hope banks are ensuring that borrowers are well aware of the implications of such rates and the appraisal takes into account the repaying capacity of the borrowers when the rates become normal."

### III. METHODOLOGY

The current study is descriptive and analytical and relies on both primary and secondary data. The primary data for the study is compiled from the 100 respondents who were the borrowers of home loans from SBI and PNB banks respectively using the snowball sampling technique. The secondary data for the study is collected from various published resources pertaining to both the financial institutions.

A review on the housing loan schemes of SBI and PNB banks

State Bank of India and Punjab National Bank are leading in the housing finance segment of the country.

Their vast range of home loan products and competitive interest rates can make it difficult for customers to take a pick.



Table 1: Housing loan structure of SBI and PNB

Category	SBI Home Loan	PNB Housing Finance
Purpose	Home purchase/ construction /renovations/ home extensions/ plot purchase	House/ flat construction/ purchase of house/ flat/ house additions/ repairs/ renovations/ furnishing/ plot purchase
Loan Amount	Rs.5 lakh - Rs.10 crore	Purchase of flat/house: Based on your eligibility Purchase of plot/ land: Up to Rs.1 crore Renovation/ repair/ alteration: Up to Rs.25 lakh
Maximum loan tenure	Up to 30 years	Up to 30 years
Interest type	Fixed/ Floating	Fixed/ Floating
Applicants	Salaried/Self-Employed Professionals and Non- Professionals	Salaried/Self-employed
Processing fee	Starts at 0.35% of the loan amount	0.35% of the loan amount (min.Rs.2,500; max.Rs.15,000) + Documentation charges of Rs.1,350
Interest rate	8.40% p.a. - 10.70% p.a.	8.55% p.a. - 9.70% p.a.
EMI per lakh	Rs.762	Rs.772
Age of the applicant	Minimum: 18 years Maximum: 70 years	Minimum: 18 years Maximum: 70 years

Prepayment charges	Nil	Nil
Pros	<ul style="list-style-type: none"> <li>• Lower interest rates for women borrowers</li> <li>• Interest calculated on daily reducing balance to maximise savings.</li> <li>• Loan also available as overdraft</li> </ul>	<ul style="list-style-type: none"> <li>• Lower interest rates for women borrowers</li> <li>• Some home loan products do charge any processing fees.</li> <li>• Loan also available as overdraft where surplus funds can be deposited</li> </ul>
Features	<ul style="list-style-type: none"> <li>• Low processing fees</li> <li>• Nil prepayment charges</li> <li>• No hidden fees</li> <li>• The choice to repay only the interest during the initial period.</li> <li>• Low interest rates</li> </ul>	<ul style="list-style-type: none"> <li>• Nil prepayment charges</li> <li>• Lower interest rates for women borrowers</li> <li>• No maximum limit on the loan amount (If prescribed LTV is maintained)</li> <li>• Tenure up to 30 years</li> </ul>
Residency type	Indian Resident/ Non-Resident Indians	Indian Resident/ Non-Resident Indians
Popular Home Loan products	<ul style="list-style-type: none"> <li>• SBI Regular Home Loan</li> <li>• SBI Balance Transfer of Home Loan</li> <li>• SBI NRI Home Loan</li> <li>• SBI FlexiPay Home Loan</li> <li>• SBI Privilege Home Loan</li> <li>• SBI Shaurya Home Loan</li> <li>• SBI Pre-approved Home Loan</li> <li>• SBI Realty Home Loan</li> <li>• SBI Home Top Up Loan</li> <li>• SBI Bridge Home Loan</li> <li>• SBI Smart Home Top Up Loan</li> <li>• SBI YONO Insta Home Top-Up Loan</li> <li>• SBI Corporate Home Loan</li> <li>• SBI Home Loan to Non-Salaried - Differential offerings</li> <li>• SBI Tribal Plus</li> <li>• SBI Earnest Money Deposit</li> <li>• SBI Reverse Mortgage Loan</li> <li>• SBI CRE (Commercial Real Estate) Home Loan</li> <li>• SBI Loan against Property (P-LAP)</li> </ul>	<ul style="list-style-type: none"> <li>• PNB Max Saver</li> <li>• PNB Pride Housing Loan for Government Employees</li> <li>• PNB Housing Loan for Public</li> <li>• PNB Gen-Next Housing Finance Scheme for Public</li> <li>• Housing Loan for Public - Pradhan Mantri Awas Yojana - Housing For All</li> </ul>

Source: Bankbazar.com

Analysis and discussion Personal Profile

Table 2: Personal Profile

Variables	Classification	SBI	PNB
Gender	Male	38	29
	Female	12	21
Age (In years)	Less than 35	16	18
	Between 35& 45	18	21
	More than 45	16	11
Area of Residence	Rural	24	23
	Urban	26	27
Education	Graduate	47	42
	Non graduate	03	08
Monthly income	Less than Rs.30000	12	14
	Between Rs.30001 and Rs.50000	28	31
	More than Rs.50000	10	05
Loan borrowed	Less than 10 lakhs	11	08
	Between 11 and 20 lakhs	19	17
	More than 20 lakhs	20	25
Repayment duration	Less than 10 years	04	05
	11 to 20 years	32	39
	More than 20 years	14	06

Source: Primary Data

The above table denotes the demographic profile of the respondents who are the respondents availed housing loans from SBI and PNB. It is clear from the table that.

- Most of the respondents are male comprising at the count of 38 and 29 in SBI and PNB respectively.
- A total of 18 and 31 respondents as a majority are aged between 35 and 45 years in SBI and PNB respectively.
- The majority of the respondents have their residence in urban regions comprising of 26 and 27 in SBI and PNB respectively.
- 47 and 42 respondents are graduates in in SBI and PNB respectively.
- Most of the respondents on both the banks have their income spread between Rs.30001 and Rs.50000 at the count of 28 and 31 respectively.
- A maximum of 20 and 25 respondents have borrowed more than rs.20 lakhs in SBI and PNB respectively.
- The majority of the respondents at a count of 32 and 39 have their loan repayment duration of 11 to 20 years in SBI and PNB respectively.

Table 3: Opinion of respondents on the Housing loan: Rank

Statements	SBI		PNB	
	Mean Rank	Rank	Mean Rank	Rank
Amount of loan sanctioned	4.26	5	3.99	3
Speed of sanctioning the loan	4.57	2	4.18	1
Period of loan allowed	4.61	1	3.96	4

Operating hours of banks	3.42	10	3.43	9
Services provided after availing the loan	4.13	6	3.95	5
Individual care taken by officials of the bank	3.07	16	3.10	13
Location of the bank	3.01	17	3.21	12
Documentation procedures	4.51	3	4.02	2
Willingness of employees to help	3.10	15	3.02	15
Efficiency of employees	3.41	11	3.04	14
Number of employees	3.38	12	2.71	17
Experience of employees	3.16	14	3.35	11
Knowledge and professional skill of employees	3.94	7	3.56	8
Physical infrastructure of the bank	3.55	9	3.38	10
Flexible loan repayment options	4.47	4	3.77	6
Response to mail/telephone calls/quarries	3.20	13	2.96	16
Speed of complaint settlement	3.62	8	3.64	7

Source: Primary Data

The table above presents the ranks of opinion of various constructs pertaining to the housing loan function of SBI and PNB. The construct Period of loan allowed is ranked first based on mean value in SBI and the construct Speed of sanctioning the loan is ranked first in PNB bank based on mean value.

#### Analysis of association between the opinion and the personal profile of respondents

H<sub>0</sub>: The association between the opinion and the personal profile of respondents is insignificant.

Table 4: Chi-Square Analysis

S.No	Dependent Variable	Independent Variable	$\chi^2$	Sig. value	Hypothesis
1	Opinion	Gender	16.39	.05*	Rejected
2		Age	12.82	.02*	Rejected
		Residence	9.12	.59	Accepted
3		Education	12.08	.00**	Rejected
4		Monthly Income	1.11	.01**	Rejected
5		Loan	1.87	.04*	Rejected
6		Repayment duration	6.45	.02*	Rejected

Source: Primary data

\* Significant at 5%. \*\* Significant at 1%

The above table depicts the chi-square analysis between opinion and the personal profile. It is clear from the table that the hypothesis is rejected for all the variables except residence at 5% and 1% respectively. Hence, it is conferred that the association between the opinion and the personal profile do exist significantly via, gender, age, residence, education, monthly income, loan, and repayment duration.

#### IV. SUGGESTIONS

From the opinion of the customers, the banks have to improve the:

1. Physical facilities and infrastructure.
2. Improve the speed of complaint resolution in public sector banks.
3. Improve customer care services to make them more user-friendly.
4. Improve loan application processing speed.
5. Bank officials should prioritize opening new branches in rural areas of the region.
6. Bank workers should provide individual care and attention to customers.

## V. CONCLUSION

According to the Investment Information and Credit Rating Agency of India Limited (IICRA) study, housing financing is a relatively new concept in India when compared to other commonly available financial services. For the majority of people, obtaining a home loan to build or purchase their ideal home is a practical and enticing alternative. Housing finance is a service industry, so only organizations that prioritize customer satisfaction can flourish. The study gave light on SBI and PNB's housing lending programs and examined customer attitudes toward these organizations. The study's findings would also provide light on how consumers' opinions can change based on how each bank operates. Where the research and study of the project say that the SBI provide the better facilities to the customer then PNB.

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