



(REVIEW ARTICLE)



## Comparative preference of loans provided by SBI and ICICI with reference to Coimbatore district

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### Abstract

The need for home loans arises not because property prices are heading upwards all the time but because home loans make great sense from a long-term savings perspective. The study is about comparison of service of SBI and ICICI. The main objective of the study is that to know about the socio-economic profile of the respondents availing home loan in SBI and ICICI Bank in Coimbatore city and to study on the customer opinion about services and the problems faced by them. The study was analyzed with descriptive research with 125 samples from ICICI and 125 samples from SBI were percentage analysis, chi square, descriptive statistics and factor analysis were used as tools for analyzing the data. The conclusion is that the service provided by ICICI is better than SBI based on the interest rate and both the banks have to implement new technology to reduce the process time of loans which leads to satisfaction of customers in future period of time.

**Keywords:** Loan; SBI; ICICI; Technology

### 1. Introduction

Home is an important fact of economic development; it is a basic need of a human being. It is a place where everyone can relax after returning home from day's tiring work. It is a place where everyone can give time to his/her family and spend beautiful moments with family members. It is a fundamental demand for living and one of the keys to peace and happiness.

Every creature yearns for a home. The first and the best training ground for human beings development of their varied facilities is home. It constitutes a very significant part of the social and physical environment where the individuals grow and mature as good citizens.

#### 1.1. Definition of home loan

Loan acquired from a financial institution to purchase a home. Home loans consist of an adjustable or interest rate and payment terms. Home loans may also be referred to as mortgage loans.

##### 1.1.1. History of home loan

Home loans came into widespread use in the United States in the year of the late 1800s. Since the average person usually cannot afford to pay cash for something as expensive as a home, lenders began offering loans for the difference between the purchase price of a home and the cash down payment supplied by the buyer.

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### *1.1.2. Statement of the problem*

Housing sector constitute the fundamental building block for any thriving economy. This sector happens to be one of the largest employment generator and housing loan also a direct impact on all the downstream industries especially in core sector via steel, cement. Due to this government of India has given top priority to housing finance through its direct assistance and has indirectly induced the commercial banks to provide housing loan to needy customers.

Commercial banks are aggressively marketing the housing loan product due to its aggressively marketing the housing loan product due to its attractive features like low risk weight age in calculation of compound annual growth rate (CAGR), backed by mortgage, lower default rate etc. The customers are also equally benefited with tax shelter on interest payment and easy access. In the past few years, the Indian banks have seen remarkable growth in the home loans portfolios. Credit off take in the home loans has seen a 25% annual growth for the past four years. Thus housing as an area of growth has caught the attention of commercial banks and has also brought in heavy competition in the housing loan market. Despite this, the future for housing finance seems to be impressive and the market is to be topped.

### *Objectives of the study*

- To know about the socio economic profile of the respondents availing home loan in SBI and ICICI Bank in Coimbatore city.
- To know about the type of home loan availed by the respondents.
- To analyze the factors that influenced respondents to choose the bank.
- To study on the satisfaction level of the respondents in utilizing the home loan.
- To study on the customer opinion about services and the problems faced by them.

### **1.2. Scope of the study**

The study aims to analyse the policies adopted by the banks in providing home loans. The study will help the banks to identify the preferences, expectations and satisfaction level of their home loan borrowers. Further the study will reveal the functional defects in the functioning of banks with regard to the home loan portfolio and the problem faced by their customers so as to take a positive step forward for modification and restructuring of their lending procedures.

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## **2. Research methodology**

Methodology is a way to systematically solve the research problem by appealing the various research techniques along with the logic behind the problem. Thus research methodology is a scientific way of solving the research problem.

### **2.1. Area of the study**

The area of the study is Coimbatore city only.

### **2.2. Period of the study**

The study is confined to the period of 3 months from Jan to March 2020.

### **2.3. Sampling design**

For the purpose of this study the data were collected from 250 respondents using convenience sampling technique.

### **2.4. Sampling size**

The sample size of the research is 250 respondents.

### **2.5. Source of data collection**

The data bases of the study consist of both primary and secondary data that helped the researcher in systematic frame work of the study.

#### *2.5.1. Primary data*

The primary data was collected through questionnaire .It was prepared and administered by taking a sample of 250 respondents, which contains different categories of respondents like male & female etc.

### 2.5.2. Secondary data

The secondary data were collected from books, journals and magazines. Periodical information from different websites was also used for the study.

### 2.6. Statistical tools and techniques

The collected data were analyzed by using appropriate statistical tools and techniques. The following tools were used for the study.

### 2.7. Percentage analysis

Simple percentage analysis is one of the basic statistical tools which is widely used in analysis and interpretation of primary data. It deals with the number of respondents response to a particular question in percentage arrived from the total population selected for the study.

Formula

$$\text{Percentage analysis} = \frac{\text{Number of respondents} \times 100}{\text{Total number of respondents}}$$

### 2.8. Chi-square analysis

The chi-square test procedure tabulates a variable into categories and computes a chi-square statistic. This goodness-of-fit test compares the observed and expected frequencies in each category to test that all categories contain the same proportion of values (or) test that each category contains a user-specified proportion of values. The chi-square test for independence examines whether knowing the value of one variable helps to estimate the value of another variable.

Formula

$$X^2 = \sum (O-E)^2 / E$$

Where,

O= observed frequency

E= expected frequency

### 2.9. Rank correlation

In statistics, a rank correlation is any of several statistics that measures the relationship between rankings of different ordinal variables (or) different rankings of the same variables, where a "ranking" is the assignment of the labels "first", "second", "third", etc to different observation of a particular variable.

### 2.10. Limitations of the study

- The study is applicable to Coimbatore city only and not to any other area.
- Due to limited period the study was analysed for six months only.
- The questionnaire was distributed only to the home loan borrowers and others are not taken for the study.
- The data was collected from only 250 respondents from sbi and ICICI bank and other bank customers were not taken for the study.

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## 3. Review of literature

Kulkarni (1995) in his study "Development Responsibility and Profitability of Banks" stated that while considering banks costs and profits, social benefits arising out of it cannot be ignored. He suggested that while meeting social responsibility banks should try to make developmental business as successful as possible.

Godse (1996) in his essay "Looking a Fresh at Banking Productivity" observes that productivity aspect is only at the Conceptualization stage in banking industry. He suggested improvement in productivity and procedures, costing of operations and capital expenditure etc.

Fanning (1997) in his study “The Demand For Home Mortgage Debt” while examining bank productivity of British banks observed that although the productivity of the UK clearing banks is improving, they are still heavily over manned as compared with similar banks else where.

Ojha (1998) in his paper "Modern International Caparison Of Productivity And Profitability Of Pubic Sector Banks Of India" making Comparison on the basis of per employee indicators and taking examples of state bank group and Punjab National bank noted that Indian banks are the lowest in all accounts. However such international comparison will not be fair for numbers of reasons.

Dr. Rangarajan C (1999)in his study “ A Simple Error Correction Model Of House Price”said that the financial system of India built a vast network of financial institutions and markets over times and the sector is dominated by banking sector which accounts for about two-third of the assets of organized financial sector.

Haavio, Kauppi (2000) in his study “Residential Lending to Low-Income Minority Families” stated that countries where a large proportion of the population lives in owner – occupied housing are experiencing higher unemployment rates. Than countries where the majority of people live in private rental housing, which might suggest that rental housing enhances labour mobility. In this paper, they develop a simple inter temporal two region model that allow us to compare owner occupied housing markets to rental markets and to analyze how these alternative arrangements allocate people in space and time. Announced that it will offer loans for Rs. 2-10 lakh at 12.5 percent the lowest rate offered by any housing finance provider, big brother SBI has taken the rate war in the home loans category to new heights. This is because, apart from the low rate, the interest on these loans is calculated on principal, which is reduced every month unlike other housing finance companies which calculate interest on annually reducing basis

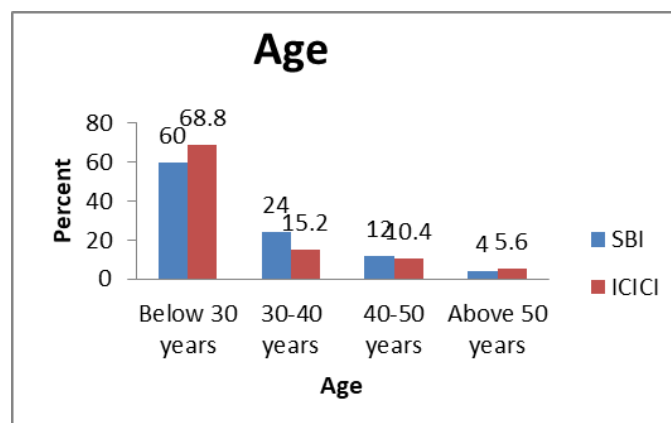
#### 4. Analysis and interpretation

It's observed from the above table that out of 125 respondents who have availed home loan from SBI, 60% were below the age group of 30 years, 24% of them were between the age group of 30-40 years, 12%of them were between the age group of 40-50 years and 4% of them were between the age group of above 50 years.

**Table 1** Age of the respondents

Age	SBI	%	ICICI	%
Below 30 years	75	60.0	86	68.8
30-40 years	30	24.0	19	15.2
40-50 years	15	12.0	13	10.4
Above 50 years	5	4.0	7	5.6
Total	125	100.0	125	100.0

Source: primary data



**Figure 1** The age and percentage of the respondents

Its observed from the above table that out of 125 respondents who have availed home loan from ICICI, 68.8% were below the age group of 30 years, 15.2% of them were between the age group of 30-40 years, 10.4% of them were between the age group of 40-50 years and 5.6% of them were between the age group of above 50 years.

It's concluded that most of the respondents are from the age group of below 30 years in both SBI and ICICI.

**Table 2** Gender of the respondents

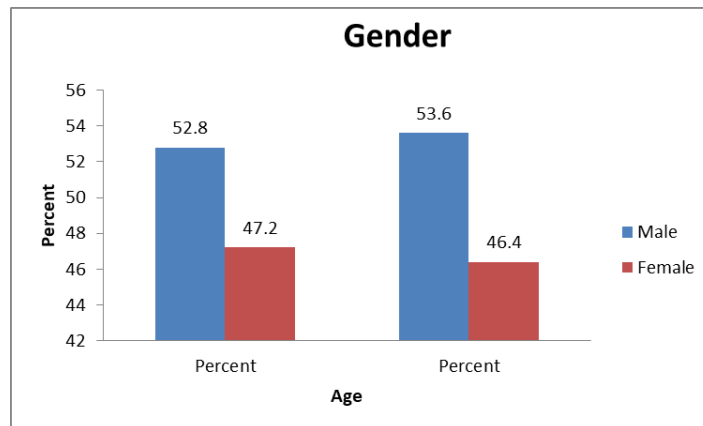
Gender	SBI	%	ICICI	%
Male	66	52.8	67	53.6
Female	59	47.2	58	46.4
Total	125	100.0	125	100.0

Source: primary data

Its observed from the above table that out of 125 respondents who have availed home loan from SBI, 52.8% of them were male and 47.2% were female.

Its observed from the above table that out of 125 respondents who have availed home loan from ICICI, 53.6% of them were male and 46.4% were female.

Its concluded that that most of the respondents are male in both SBI and ICICI.



**Figure 2** Age Vs Level of satisfaction in ICICI

H0: There is no significance relation between age and level of satisfaction

**Table 3** The gender of the respondents

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Counseling and guidance given by the officials	15.698	12	.205
Period taken to sanction loan from the date	5.605	9	.779
Prepayment of home loan and its interest rate	28.143	12	.005
Courtesy	4.926	6	.553
Promptness in attending enquiries	23.548	9	.005
Flexibility offered	19.435	12	.079

#### 4.1. Interpretation

Its observed from the above table that shows about the relationship between age and other variables were there is no significance between age and the factors Counselling and guidance given by the officials at 0.205, Period taken to sanction loan from the date at 0.779, Prepayment of home loan and its interest rate at 0.005, Courtesy at 0.553, Promptness in attending enquiries at 0.005, and Flexibility offered at 0.079 which is greater than 0.05.

#### 4.2. Educational qualification Vs Level of satisfaction in ICICI

H0: There is no significance relation between Educational qualification and level of satisfaction

**Table 4** Chi-Square Tests

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Counseling and guidance given by the officials	26.885	16	.043
Period taken to sanction loan from the date	11.114	12	.519
Prepayment of home loan and its interest rate	31.987	16	.010
Courtesy	8.809	8	.359
Promptness in attending enquiries	12.335	12	.419
Flexibility offered	26.245	16	.051

#### 4.3. Interpretation

Its observed from the above table that shows about the relationship between educational qualification and other variables were there is a significance between educational qualification and Counselling and guidance given by the officials at 0.043 and Prepayment of home loan and its interest rate at 0.010 and there is a significance between educational qualification and Period taken to sanction loan from the date at 0.519, Courtesy at 0.359, and Promptness in attending enquiries at 0.419 which is greater than 0.05.

##### 4.3.1. Suggestions

The repayment period is high in both SBI and ICICI which shows that there is a possibility of non repayment of loan when the time period is high and it will get effected in NPA of the banks. So the bank can try to reduce the repayment period to the lowest possible time.

According to the respondents they are neutral on the service provided by the bank which shows that they not having that much of awareness on the banks and its services. So the banks can try to educate the customers to create awareness on the service provided by the banks.

In case of interest rate the satisfaction is high and ICICI and they are neutral in SBI which shows that the bank have to increase the level of satisfaction on interest rate in SBI.

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## 5. Conclusion

The conclusion is that the service provided by ICICI is better than SBI based on the interest rate and both the banks have to implement new technology to reduce the process time of loans which leads to satisfaction of customers in future period of time.

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## Compliance with ethical standards

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*Disclosure of conflict of interest*

The authors declare that they have no conflict of interest.

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