

Customer Satisfaction in Home Loan Services: A Comparative Study of Public and Private Sector Banks in Karnataka

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ABSTRACT

The banking sector today faces intense competition, with customers having a wide range of options to choose from. In India, the demand for home loans has surged, with various housing finance institutions offering convenient, fast loan processing. This study aims to compare the level of satisfaction among home loan borrowers in Karnataka, focusing on those who obtained their loans from public and private sector banks. The research specifically examines borrowers from SBI and Canara Bank (public sector) and HDFC and ICICI (private sector). By analyzing key satisfaction variables, the study provides valuable insights for lending institutions to enhance their services in line with the evolving needs of home loan customers. Additionally, the findings can guide policymakers in updating home loan regulations. The results show that borrowers express generally high levels of satisfaction with both public and private sector banks, supporting the hypothesis that satisfaction is largely positive. Based on the study's findings, it is recommended that banks—both public and private—focus on offering competitive interest rates, affordable EMIs, and quicker loan disbursement to attract a larger customer base in the future.

Introduction

Housing is one in all the basic needs for people in general, ranking right up there with the necessities for food and clothes in terms of importance. The difficulty of where people should live are one amongst significant concern ever since the start of the mankind. Individuals' social and psychological growth is profoundly influenced by the environment of their childhood homes. The availability of adequate housing is crucial to the expansion and well-being of humans. It offers kith and kin a secure haven, protection, comforts, personal space, and other necessities for leading a decent life.

Additionally, housing is recognized as a very important component of the economy, which is a barometer of the country's overall economic health and level of life. Housing has evolved into a logo of social prestige further as a sign of social position today. It satisfies our aesthetic needs, moreover as our need for comfort, security, and emotional and mental fulfillment. The home loan is also used to finance the purchase of an old or new house, the building of a new house, the acquisition of a parcel of land, as well as the repairs, renovations, and extensions of an already existing house.

Additionally, it takes shape of paying back a loan that was previously obtained from one or more other home finance businesses or banks. The kind of interest rate that is applied to mortgage loans may be either fixed, variable, or a combination of the two. In most cases, the lowest period for a house loan is five years, and the maximum length is thirty years, if it is paid off before the borrower reaches the age

of seventy. Individuals or couples may apply for a house loan together, or they can do it on their own. Although the amount of the loan that is approved by the bank might vary from one institution to the next, in general, the maximum loan amount that an applicant can be approved for can range anywhere from 65–90% of the total cost of the property.

A brief profile of the sample banks chosen for study

On July 18, 1955, in accordance with the provisions of the State Bank of India Act, the State Bank of India was founded with the intention of taking over the operations of the Imperial Bank of India. The State Bank of India (SBI) is the biggest bank in the Indian subcontinent and is owned by the Indian government. The SBI Group is the world's second-largest financial institution. AWAAZ Consumer Awards has recognized SBI as "The Most Preferred Home Loan Provider." This honor was given to SBI. Under its environmental protection initiative, SBI home loans provide a reduction in interest rates for GREEN HOMES that qualify for the program. SBI provides 'SBI-optima' loans, which are extra house loans, as well as 'SBI-Home line' loans, which are specialized personal loans, to home loan customers who already have an existing SBI loan.

One of the major financial institutions that is part of the public sector and is owned by the government of India is Canara Bank. It has its main office in the city of Bengaluru. 1906 saw the birth of the organization in Mangalore, thanks to Ammembal Subba Rao Pai. It is one of the nation's oldest institutions belonging to the public sector. The bank operates more than 10600 automated teller machines and 6639 branches throughout the whole of India. It offers a housing loan to agriculturists, NRIs, Senior Citizens, Pradhan Mantri Awas Yojna (PMAY) etc.

On October 17th, 1977, HDFC was incorporated as a Public Limited Company. The Industrial Credit and Investment Corporation of India was the organization that helped HDFC get started. Housing is the primary focus of HDFC's financing activities in India. The corporation provides long term housing loans mainly to low- and middle-income individuals and corporate bodies. It has also provided a modest amount of construction finance to housing developers. ICICI Limited, an Indian financial organization that was responsible for the bank's first promotion. Customers, both corporate and retail, have access to a diverse selection of banking products and financial services offered by ICICI Bank via several different delivery channels and the bank's group businesses. It is the most important bank operating in India's private sector. ICICI Bank now operates 15,101 automated teller machines and 4,882 branches throughout the territory of India.

Literature Review

The topic of house loans has been the focus of several investigations that have been carried out by a variety of researchers. The following is a list with the specifics of some of the ratings and reviews: In the article "Customer satisfaction: A Comparative Analysis of Public and Private Sector Banks" written in 1999 by Meenakshi Malhotra and Sangeetha Aurora, the level of customer satisfaction that has become one of the primary targets of banks to increase their market share was demonstrated. This target has become more important in recent years. The private sector banks now have an advantage over the public sector banks in terms of attracting new clients since they can provide ongoing technological upgrades, pioneering customer care, and aesthetically pleasing bank environments.

The authors suggested a few different strategies to modernize the Public Sector Banks. Some of these strategies include proper training and development of bank staff, conducting market surveys to monitor the strength and weakness of the services that are rendered, and avoiding long queues inside the bank. In his thesis, K.L. Srinivasan (2000) concluded that the most important factors in the marketing of housing loan schemes by banks are the simplification of the documentation process, careful and friendly approach systems and procedures, good customer service, and non-insistence in collateral securities. Nirmaljeet Virk and Prabhjot Kaur Mahal (2012) investigated the expectations of customers and the degree to which they were satisfied with the services that were provided by public and private sector banks in India.

The State Bank of India (SBI), the Punjab National Bank (PNB), and the Oriental Bank of Commerce (OBC) were chosen from the public sector banks, while the ICICI, HDFC, and AXIS banks were chosen from the private sector. According to the findings of the research, client demand for housing finance

institutions varies depending on whether or not they want goods and services of the highest possible quality delivered in the shortest possible amount of time. Managers of private banks are farther along than those of managers of public sector banks when it comes to developing relationships with their clients and gaining the approval of those consumers. Private sector banks in India serve a far bigger customer base than public sector banks do in the modern era.

The private banking industry is far ahead of the public sector when it comes to the adoption of cutting-edge technology and employees who are proficient in its usage. For the purpose of the research, the banks State Bank of India (SBI) and ICICI, both of which belong to the new generation of private banks, were chosen. According to the conclusions of the research, the housing loan market, which has traditionally been SBI's territory, would no longer be the same since ICICI bank is gradually increasing its share of the market for home loans. This study was also helpful for other banks, both in the public and private sectors, when it came to drafting their policies on the introduction of new home loans. In their 2017 article, Saurabh Gupta and Shweta Awasthi described the step-by-step procedure that is followed by PNB in the sanctioning of home loans. Before extending credit, the bank considers the borrower's credibility, income, and assets (sometimes known as the "3 C's"). In addition to this, it examines the past report history, as well as the borrowers' internal and external credit ratings, etc.

Objectives of the study

1. To Spot the factors inducing customer satisfaction
2. To match the satisfaction of home loan borrowers of public and private sector banks.

Hypotheses

1. There is no significant difference within the opinions of home loan borrowers for customer satisfaction between public and private sector banks based on their home loan policy.
2. There is no significant difference within the opinions of home loan borrowers for facilities provided to their customers between public and private sector banks.
3. There is no significant difference within the opinions of home loan borrowers for customer satisfaction between public and private sector banks about the Behavioural attitude of employees.
4. There is no significant difference between public and private sector banks concerning the overall satisfaction of home loan borrowers.

Significance of the Study

Before applying for a mortgage loan, prospective borrowers sometimes find themselves unable to determine if it is better to work with a bank that is part of the public sector or the private sector.

Analyzing the amenities provided by these banks, like speed at which loans are sanctioned, the amount of the loan that is sanctioned, the amount of the EMI, recovery procedure of loans, the infrastructure facilities of banks, the technological advancements made by banks, the attitude of bank employees, and therefore the legal proceedings taken by banks against defaulters, among other things, can help one find the answer to the question. The borrowers themselves will choose the financial institution from which they will get a house loan by doing an analysis of all these criteria. The purpose of the current research is to evaluate and compare the levels of contentment experienced by individuals who have taken out a mortgage loan from one of these financial institutions.

Scope of the Study

Both private and public banks have been forced to enter the house financing industry because of the increasing demand in the housing sector. Today, practically all financial institutions have joined this market, and they are vying with one another to provide home loans at interest rates that are competitive, along with speed and accuracy, enough amounts, and other desirable characteristics. In relation to these issues, the consumer's behavior about the house loan offered by various banks may be influenced by a variety of circumstances. The lending institutions will find the research beneficial in improving their services because of the study are based on an analysis of the perspective of loan applicants regarding the home lending policies of these institutions.

Research methodology

The descriptive research design was selected as the appropriate method for this investigation. Data from original sources as well as secondary sources were gathered. Home loan borrowers in Karnataka provided the source information for this study's primary data collection. The state is divided into three areas for the purposes of data collecting, and from each of those regions, one district is chosen. The banks chosen for the study are SBI and Canara bank from the public sector and ICICI and HDFC from the private sector. 120 respondents from both kinds of banks in each of the three districts were chosen to participate in the study. Both the regions and also the banks have an equal voice within the representation process.

To acquire the necessary information, a structured questionnaire was used. The questionnaire consists of statements pertinent to gauge the home loan borrower's satisfaction. The most important statistical methods that were used for the study were the Independent Sample test and the Percentage Analysis.

Table 1. Sample Respondents

Banks Districts	Public sector		Private sector		Total
	SBI	Canara Bank	HDFC	ICICI	
Bengaluru Urban	40	40	40	40	160
Belagavi	40	40	40	40	160
Mysuru	40	40	40	40	160
Total	120	120	120	120	480

Source: Primary Data

Reliability and Validity Testing

For the scale evaluation, reliability and validity testing are generally applied. Reliability testing is vital for the validation of the scale. The reliability of a research instrument concerns the extent to which the instrument yields the same results on repeated trials. It was tested by using Cronbach's Alpha Reliability Coefficient.

Table 2. Reliability Statistics

Cronbach's Alpha	No. of Items
0.914	21

Source: Primary Data

Table 2 shows that the Cronbach alpha (0.914) is above the standard value 0.7. Hence, it is proved that the measurement scales have internal consistency and scale is reliable.

Validity

The validity means the ability of the measurement scale to measure what it is supposed to measure (Bajpai, 2011). In this study, validity is determined by consulting various experts and academic professionals in the field and ensuring that all the questions are relevant and suitable for fulfilling the research objectives.

To find out the normality of the scale used for measuring the difference in customer satisfaction about home loan policy, facilities provided to its customers, behavioural attitude of employees and satisfaction of home loan borrowers between private and public sector banks, One-Sample K.S test is used. The result of the test shows a p-value (0.130) greater than 0.05, hence it was concluded that the measurement scale is normal.

Result of the Analysis

The analysis and interpretation are based on the response given by home loan borrowers of Karnataka through a structured questionnaire.

Table 3: Demographic Profile of the Respondents

	Public Sector		Private Sector			Public Sector		Private Sector	
	No. Respondent	%	No. of Respondent	%		No. Respondent	%	No. of Respondent	%
Gender					Amount of loan				
Male	63	52.5	78	65	Up to 10 lakh	77	64.2	59	49.2
Female	57	47.5	42	35	10-20 lakh	37	30.8	56	46.7
Total	120	100	120	100	20-30 lakh	5	4.2	4	3.3
Age (in years)					Above 30 lakhs	1	0.8	1	0.8
Below 30	11	9.2	8	6.7	Total	120	100	120	100
31-40	60	50	60	50	Period of loan				
41-50	46	38.3	41	34.2	Up to 10 years	30	25	46	38.3
above 50	3	2.5	11	9.2	10-15 years	58	48.3	55	45.8
Total	120	100	120	100	15-20 years	28	23.3	17	14.2
Area of residence					Above 20 years	4	3.3	2	1.7
Rural	73	60.8	65	54.2	Total	120	100	120	100
Urban	47	39.2	55	45.8	Purpose of loan				
Total	120	100	120	100	Purchase house	22	18.3	28	23.3
Income group of respondents (annual)					Construct new house				
Up to 5 lakh	17	14.2	20	16.7		89	74.2	77	64.2
5lakh-10lakh	73	60.8	59	49.2	Repair old house	4	3.3	10	8.3
Above 10 lakh	30	25	41	34.2	Purchase land	5	4.2	5	4.2
Total	120	100	120	100	Total	120	100	120	100
Type of interest									
Fixed rate	37	30.8	48	40					
Floating rate	69	57.5	66	55					
Hybrid	14	11.7	6	5					
Total	120	100	120	100					

Source: Survey Data

The demographic profile of respondents from two different sectors of the banking industry in Karnataka is shown in Table 3. According to the findings, most people who take out house loans are men, and this holds true for both the public and the private sectors. The average age of borrowers for house loans in both the public and private sectors banks are within 31 – 40 age groups. Homebuyers in our nation now have the opportunity to invest in their ideal house at an earlier age thanks to higher levels of disposable income and an improving job landscape.

More than sixty percent of the total number of people who take out house loans live in rural areas. The income of the borrowers is an essential component that plays a crucial role in the quantity of loans that may be obtained. Over sixty percent of those who participated in the survey had yearly incomes that fall anywhere between five and ten lakhs. Most respondents had selected a variable rate of interest out of the three different forms of interest that were offered to choose as an option for the borrowers. Most respondents from both sectors of banks only took out loans for sums up to 10 lakhs, even though banks are giving higher amounts. Most people who have taken out house loans from either public or private banks have selected a repayment term that is no more than 15 years. Most people who take out home equity loans do so with the intention of building a brand-new residence for themselves.

Home loan policy

Borrowers' levels of contentment are significantly impacted by a variety of factors, one of which is the home loan policy of banks. The choices made by the government and the rules established by the RBI directly influence the home loan policies developed by the banks. The interest rate, the calculation of

the EMI, the length of the loan, eligibility for a house loan, collateral security on loan, switch overcharges, grievance resolution, tax advantage on loan, and other aspects of loans are reviewed and revised on a quarterly basis by banks. It can be different at different banks. The following tables provide the results of a survey that asked borrowers about their thoughts on the home loan policies of several banks.

Table 4: Descriptive Statistics and T test statistics regarding home loan policy

T-test for Equality of Means							
Factors	People having account with Banks		Mean Difference	t	Sig. (2-tailed)	Std. Dev.	Std. Error Difference
	Public	Private					
Home loan policy of banks	3	3	0.107	3.145	0.007	0.659	0.139
Facilities provided by banks	3.984	3.789	0.195	4.225	0.000	0.668	0.265

Source: Primary Data

The results of the descriptive statistics are shown in Tables 4, and the results of the t-test on independent samples show that the significant value of 0.007; hence, we do not accept the null hypothesis. When it comes to the terms of house loans, the home lending policies of public sector banks and private sector banks are significantly different from one another. Both private and public sectors of banks are giving the required quantity of loans at different interest rates that are within the borrower's means, expedited loan processing and disbursement, and ample time for the loan's repayment to attract borrowers for house loans.

Facilities of Banks

Another significant factor that plays a role in determining whether borrowers are happy with their experience is the amenities offered by banks to their clientele. Among the most important of these aspects are the opening and closing times of banks, terms and conditions of loans that are easy to understand and negotiate, simple paperwork requirements, the physical infrastructure of banks, and the locations of banks that are convenient for consumers. The outcome may be seen in the tables that are provided below. Table 4 represents that the significant result for the t-test is 0.000, which is less than 0.05, hence do not accept the null hypothesis. When it comes to the services and amenities offered to clients, public sector banks and private sector banks are different in every essential respect. Customers of both types of banks report a different level of satisfaction with the conveniences offered to them by their financial institutions.

Behavioural attitude of employees of banks

The way in which workers at a financial institution treat their customers is a significant factor that determines how many clients choose to do business with that institution. The individual care and attention of bank officials, the helping mentality of bank's staff, the efficiency of bank employees to resolve grievances, enough employees at branches, the experience of bank employees, skilled and professional expertise of employees, etc. are all variables that are considered when attempting to measure the attitude of employees. The results are shown in the tables that follow.

Table 5: Descriptive Statistics of the attitude of bank employees

T-test for Equality of Means							
Factors	People having account with Banks		Mean Difference	t	Sig. (2-tailed)	Std. Dev.	Std. Error Difference
	Public	Private					

Attitude of bank employees	3.792	3.780	0.012	.486	0.207	0.789	0.174
Overall satisfaction customers	3.882	3.807	0.075	.480	0.219	0.984	0.125

Source: Primary Data

As a result of the findings in table 5, which showed that the significant value for the t-test was 0.486 and was higher than 0.05, we have decided to accept the null hypothesis. Therefore, the conclusion is that there is not a substantial difference in the attitudes of employees working for public sector banks and those working for private sector banks in Karnataka's relationship with their clients. Borrowers of home loans from these two types of banks express happiness with the helpful and accessible manner of workers working there.

Overall satisfaction of home loan borrowers

The level of overall satisfaction experienced by respondents from two distinct sectors of the banking industry is evaluated and compared by adding together all the relevant characteristics. Borrowers choose for themselves, based on the overall performance of the bank as a whole and the approach taken by bank officials, which category of the bank will be most acceptable to them for their future business operations. The explanation for the finding may be found down below.

A significant value of 0.219 was found to be larger than 0.05 because of the use of the t-test, which indicates that the null hypothesis was correct all along. When it comes to the overall satisfaction of borrowers, there is no discernible difference between banks that are part of the public sector and those that are part of the private sector.

Findings

Men make up most home loan borrowers in both the public and private banking sectors of the economy. Between the ages of 31 and 40, borrowers of house loans from public and private sector banks make up fifty percent of the total. More than sixty percent of the total number of people who take out house loans live in rural areas. Over sixty percent of those who participated in the survey had yearly incomes that fall anywhere between five and ten lakhs. The majority of those who participated in the survey went with a variable interest rate. Respondents from both the retail and commercial banking sectors expressed an interest in applying for loans of up to 10 lakhs. The overwhelming majority of people who have taken out mortgages from either commercial or retail banks have chosen to finance their homes over a term of no more than 15 years. The overwhelming majority of individuals who took out home loans from either private or public banks did so to build a brand-new residence for themselves.

When it involves scoping with house loans, the government and the RBI are putting pressure on housing financial institutions to comply with certain norms and regulations. The house loan policy of banks helps to resolve topics regarding to the interest rate, the amount of the EMI, the resolution of grievances, the tax advantage on the loan, and other similar problems. Borrowers from both the public and private sectors have said that they are content with issues pertaining to these items, as can be seen in the previous sentence.

There are contests to offer numerous services, including as parking areas, drinking water, restroom facilities, and convenient locations of branch locations, etc., so as to entice customers to bank with a certain institution. Through the process of analyzing the findings of the survey, it became clear that the borrowers of both sorts of banks are completely content with the services and perks that are made available to them.

It is generally accepted that the behavioural attitude of workers working in financial institutions is an important aspect that influences and attracts members of the public. According to the findings of this study, home loan borrowers are pleased with employees working in both the public and private sectors in terms of their helping mentality, skill and professional expertise, experience and efficiency,

approachable and friendly attitude of employees, etc. The overall satisfaction of home loan borrowers is assessed and evaluated by taking into consideration all the variables together.

The findings demonstrated that borrowers of house loans in both private and public sectors are pleased with the home loan policy, the facilities supplied by banks, and the way bank workers conduct themselves.

Conclusion

According to the findings of the research, there are a spread of elements that contribute to the satisfaction of house loan borrowers in Karnataka's public and private sector banks. Only some of the numerous aspects that contribute to the happiness of borrowers were taken into consideration, despite the fact that there are an enormous number of such factors. The scope of the survey was limited to the areas of home loan policy, facilities offered by banks to their clients, the behavioural attitude of bank personnel, and overall consumer satisfaction with various aspects of financial institutions. It is reasonable to draw the conclusion that both public sector and private sector banks in Karnataka actually merit to hold the titles of the foremost successful banks within the home loan sector of the state.

Suggestions

- The process of approving consumers for house loans at banks have to be made as simple and user-friendly as possible.
- As a result of the extreme rivalry among the banks, it is imperative that customer satisfaction levels at the banks be raised.
- Employees of banks who interact with customers should work on maintaining a positive demeanor and displaying a pleasant approach toward those consumers.
- Both the amount of efficiency with which work is completed and therefore the amount of personal attention offered to consumers should be raised.
- Both public sector banks and private sector banks need to have more competitive interest rates, and the speed with which they handle loans ought to be increased.
- The client should be furnished with appealing marketing regarding the various home loan programs offered by public sector and private sector banks to extend their knowledge of those options.