Review of Literature
CHAPTER - IV
REVIEW OF LITERATURE

This chapter deals with the literature available on the topic of study.

**T.B. Kapali Associate Vice – President (Treasury) ING – Vysya Bank**
“Innovative banking”
He expressed an opinion that home loan has been the fastest growing segment for banks in India in the past couple of years and it is estimated to grow around 50% per annum. The market is huge and growing and there will be enough business for everybody. But as the market and business volumes grow more should be done to improve customer service, provide better information sharing both at the time of marketing and post loan disbursement and so on. Even at the early stage of the market’s development it is necessary to take a closer look at some micro issues in the mortgage market like the proportion of fixed to floating rate mortgages, the mechanism of adjustment in floating rate mortgages when the floating index rises or falls and so on.

**Aditya Puri. Managing Director HDFC**
“Take on the growth of home loan market”
In this article the author has expressed his views on the Indian house finance scenario over the last few years or so, the Indian Home Finance Industry has been growing at a CAGR of 30 – 32%. Consumers’ appetite for both home loans and loans against home, where the consumer gets the opportunity to consolidate the high cost debt against a residential or commercial property is encouraging. With growing double income families, more and more customers are investing in a second house. There is a huge gap between demand and supply for home finance with an estimated requirement of 41 million dwelling units in our country. This industry is funding the home loan market product by forging alliances with suppliers (builder / realtors) insurance companies (mortgage redemptions) and durable manufactures (brown and white goods) and packaging a comprehensive product, where the customer benefits through all the value addition and volume multipliers.

P.S. Shenoy, Chairman and Managing Director Bank of Baroda

“How banks are competing in the retail banking scenario?”

He is of the opinion that a retail customer selection of a bank depends on two criteria – convenience and relationship. Customers discontinue their transactions with a bank if it provides bad service, which is manifested by errors, long waits and inconsistent information. Banks are competing in the retail banking arena on the basis of product innovations, rationalization of service charges, competitive pricing, simplified procedure for documentation etc. Retail lending has become a focus area particularly in the financing of housing, consumer durables,
automobiles and educational activities. It contributes significantly towards improving non-interest income through service charges and other fees.

Mannil Venugopalan, Chairman and Managing Director, Bank of India

“How are banks differentiating themselves to compete better?”

In the competitive environment banks no longer offer plain Vanilla products. It has become imperative for them to introduce new innovative products to retain, if not increase their market share. The major thrust areas for growth under the retail finance umbrella are personal loans and housing loans. In our country people have a sentimental attachment to their house and do not want to lose it at any cost. That is the reason for the minimal NPAs in these loans. Personal loans are offered for marriage, repayment of an existing loan, holidaying and medical treatment etc. Vehicle loans also continue to be a thrust area as there are all kinds of cheap and convenient finance options from several players to choose. An increase in interest rates will definitely be a set back for retail lending. Housing loans are being offered with loans for purchase of furniture, interior decoration etc. Special discounts are offered by banks for the festival season. Branding is done by prefixing the name of the bank before the name of the product (eg) ‘Star home loan scheme’.
Keki M. Mistry, Managing Director, HDFC
“Risk management”

The main findings of the above article is boom in housing finance is based on strong fundamentals. There is no bubble. When it comes to residential properties, there is certainly a big demand and 99 percent of these are taken by actual users. The current phenomenon is due to rising incomes especially of the middle class. People are seeking bigger homes and are confident of repayment. Increasing affordability plays a key role. In 1995 one needed 22 times of one’s annual income to buy a house. Now it is just 4.5 times. An employment opportunity for a college student at a BPO or Information Technology Company immediately after education is a recent phenomenon. Seek proper titles plan approvals from authorities and important documents before handing over one’s life long savings to builders. There is no substitute for prudent credit norm. It is a measure to keep the NPAs at low level. Proper monitoring is essential. India has a low mortgage to GDP ratio of around 3 percent. There is enough scope to go upto 12 or 14 percent.

V. Vijay Duechar, Del Fin Analysis
“Role of GIS in retail business”
The Hindu Business Line, page 4, Sep 26, 2005

In this article the author has discussed the important role played by GIS in identifying the customers. Retail banking is growing rapidly in India. The triggers for innovation and growth have been rising income
levels, entry of new private banks, demographic change, low interest rates and widespread adoption of new technologies such as ATMs, the internet and mobile banking. Banks need to use information technology more intelligently to manage their retail businesses. Geographic Information Systems or GIS tools can help banks to identify customers and business successfully.

GIS are computer systems used to store and process geographic data. There is a spatial dimension to many aspects of retail banking. Data is the Central resource of a GIS system. GIS has a specialty to present spatial relationships in a digital map form that is easy to visualise and understand. GIS systems process two kinds of data spatial and attribute. Spatial data gives the geographic location of a point of interest (e.g. Railway station, school, bank branch, ATM etc). Attribute data contains other characteristics of that point of interest. GIS vendors in the country have invested considerable resources in creating and updating spatial data. GIS applications in retail banking are site selection (helps in locating its new branch to see the branches of competitors, ATMs etc). How many customers are living or working within one Km of Branch X, identify which branches can be closed while minimising inconvenience to customers being shifted to other nearby branches in (M & A) activity demand estimation and performance measurements. Postal Index Number code areas of branches having deposits exceeding Rs.10 crore are shaded in red, those with deposits exceeding Rs.5 – 10 crore in blue, below Rs.5 crore in green helps in identifying potential areas for selling MFs, insurance etc. Performance evaluation of a branch can be better done in the branches located with a high concentration of other bank’s branches.
Thus, preventing the bank from taking expensive corrective action is unlikely to yield the desired results. Spatial interaction models can also make predictions about how the branch would perform if one or more of the competitors were not present.

**Credit appraisal**

Urban areas are usually segregated along socio economic lines. Borrowers in areas where negative socio-economic influences prevail, often display a higher propensity to default

**Home loans**

GIS is central to the real estate business. The geographical location of housing units is one of the most important determinants of market value. For most families, buying a residential site or apartment is among the most important decisions to make. GIS helps in identifying a suitable property in Indian fragmented housing market.

Banks have to manage credit risks associated with making real estate loans. The higher the loan to value ratio for a property, the greater the risk to the bank. Borrowers with negative home equity (when the property value falls below that of his liability) will like to have a higher propensity to default.

The location of housing relative to offices, school, hospitals, shopping and entertainments centres influences its market value. Attributes of the neighbourhood-quality of road, water and power supply, public transport, degree of congestion and other socio-economic factors
also influence its value. Smaller investments in analytical tools such as GIS will bring significant and tangible benefits much faster.

**Dr. Holger Kern Vice-President of Monitor Group and co-author of European retail banks**

“Deficiencies in retail lending”
Treasury Management, July 2003, page 15

He feels that the retail banks have not been responding adequately to the challenges of the market. They have been focusing on wrong issues, by offering customers a variety of product differentiations for which they have very little interest. Banks must focus on greater convenience and a broader range of services if they wish to compete with the non bank entrants that have been gaining prominence with the customers. Better segmentation, dynamic in adaptation, updating the standard spectrum on products will motivate the customers. Agility might become a key factor in shortening product cycles and improving the process efficiency of the banks.

**R.P. Chaubal.**

R.P. Chaubal – IBA Bulletin, Senior Faculty, Bank of Maharastra Staff College, Pune June 2003

In this article the author has discussed the importance of measuring risk. Measurement of risk is the critical stage in credit risk management. Credit
risk may arise in direct lending, Non fund business guarantees, LC, Treasury operations and securities trading. CRM helps in identifying measurement, monitoring and control of risk. Measure of credit risk involves quantification of expected losses (EL) probability of default (PD) Expected exposure at default, loss given default (LGD) maturity or tenor of the exposure, degree of diversification in a bank’s credit portfolio. If you can not measure the risk properly you can not manage and control the risk.

A study on Housing Loans: Challenges and opportunities was conducted by the staff training center SBI Trichy

The study has identified that India is witnessing a retail boom. Easy availability of reasonably priced products and ready credit facilities have fuelled the appetite for retail spending, be it on consumer goods, cars or houses. The growth on the house loan segment coming in the wake of Tax Sops announced by the Govt of India and poor off take of credit in the corporate sector resulted in an unprecedented growth in the home loan. Findings of the study are the top five Mumbai, Hyderabad, Bangalore, Chennai and Delhi put together distribute about 65 percent of the total housing loan advances of the bank. Loans below Rs.5 lakhs constitute about 72 percent of the total housing loans in SBI. The financial institutions prefer only salaried individuals.
Retail Credit will it Rattle Banks

Vinay Gupta, Vice President Global Trust Bank, Hyderabad

Though banks have been in the business of housing finance for a long time, the real action in the housing finance began only about five years back. Similar position holds good in the case of other consumer finance.

Consumer finance portfolio takes time to build up. Though it has attracted a lot of public attention due to heavy advertising and promotion resorted to by banks and other finance companies in the recent years the size of the consumer portfolio still remains relatively small. Only a handful of banks can claim consumer finance portfolio of more than 20% of total advances. It is a highly diversified portfolio which helps in reducing the risk of large scale defaults as a proportion of total portfolio. Housing finance, which forms a major proportion of consumer finance for a majority of the banks, is a secured product with an industry default rate of less than 1.0%.

Retail credit is a volume driven game. The ability of any bank to have a follow up on the large number of retail credit depends on the following factors.

1. **Credit assessment capability.** If it is good, the need for follow up reduces considerably.
2. **Tight documentation.** If it is water tight, follow up is reduced considerably.
3. Ability to process large volume of transaction

4. Ability to follow up from the date of first default
   The earlier we start, the earlier it is to recover money.

5. **Technological supports**
   It supports the bank in credit assessment, duplicating records.
   Identifying black listed customers, credit scoring post dated
   cheques management, regular follow-up age wise MIS and
   classification of follow up cases in soft and hard buckets.

6. **Sufficient manpower**
   Based on the volume of business, there is a threshold level of
   manpower which must be in place.

   Housing loans granted by banks have registered a growth of 38.4%
   during 2001 – 02 and account for 11.6% of the total bank credit. Personal
   loans in the non priority sector have risen from 4.9 to 10% of the total
   bank credit. Thus retail credit constitutes over 21.6% of the bank credit.
   Banks are still competing with each other to further argument retail credit

**Source IBA bulletin**

Pramod Gupta. Office (Foreign Exchange Dept)
The Bank of Rajasthan Ltd., New Delhi

   Housing finance is still at the nascent stage in India. If we compare
   it to China where housing loan market is around Rs.5,00,000 cr, the
   Rs.80,000 cr market of India is too small. While the growth of housing
   loan market in India, which is around 32% CAGR (compounded annual
growth rate) is impressive, it is still less than 113% CAGR in China. It may take another ten or more years to reach the level of Chinese housing loan markets.

The consumer finance is picking up in India at an impressive growth rate of ground 30% p.a. but is still a low percent to GDP compared to U.S, where it is around 50% of the GDP. In the present scenario, it is imperative that the banks should expose themselves to housing finance and other consumer finance.

**Retail loans have tripled to $477 Bn in BRIC survey**

Retail loans have more than tripled to $477 billion between ’01 – 05 in Brazil, Russia, China and India fuelling a banking sector boom in these countries according to a report by Standard & Poor’s. The rating agency expects that loans to individuals will continue to grow by at least 20 – 30% in the medium term. In developing countries around the world retail lending has been booming ahead, driving a banking sector boom since the beginning of the decade. Retail loans consist of loans to individuals for housing, car purchases and other consumer spending. But in mature countries like Germany loans to individuals alone account for $1.7 trillion in 2005.

The speed of the expansion and enormous potential in emerging markets are remarkable and BRIC retail loans will grow to $1.8 trillion by the year end 2009.

The trend has truly been globalised with double digit growth (in real terms) characteristics in retail lending in the banking sectors of
Central and eastern Europe, the Middle East, Latin America and South east Asia.

The individuals getting tax breaks on home loans will be in a position to continue to claim an income tax deduction upto Rs.1 Lakh on the principal amount paid on home loans in the coming fiscal aswell.

In the case of public provident fund, Equity Linked, Savings Scheme (ELSS) and Employees Provident Fund EPF, which qualify as financial savings instruments fall under EET scheme. But the principal amount paid towards a home loan cannot be taxed at maturity as this is not a pure financial savings instrument. Besides, under tax breaks on home loans under section 80c, an individual is also entitled to tax breaks on the interest component of the housing loan. Interest upto Rs.1.5 lakh on a housing loan is tax deductible. Interest rates across retail loan segments are set to rise as banks will see their cost of funds go up in consequence of the 25 basis point reverse repo hike. Interest rates on segments like car loans are likely to see an impact soon.

ICICI Bank - the lender with the country’s largest retail loan portfolio feels that rates will rise ‘in the medium term’.

The increase in rates across retail loan segments would however differ. Car loans rates are likely to be the first to rise by 25 – 50 basis points. Newer cars which have hit the market and the upper end of the car segments are likely to face the brunt more. This is the opinion of Kotak Mahindra Bank, Head, retail assets.
Tamal Bandyopadyay, studied the home mortgage market in India. The major players in the field are State Bank of India ICICI Bank, HDFC, LICHF holding about 65% of the Indian mortgage markets. The Indian market has grown from around Rs.15,000 cr in 1997 to Rs.60,000 at the end of 2002. The numbers of borrowers have increased from 50 lakh to Rs.2 crore. But it is only 32% compared to China where it has grown from Rs.10,000 cr (smaller than India) to Rs.5,00,000 Lakh Cr, nearly 113% CAGR in five years.

He compared Indian market with Chinese market. In China, the lending rates have fallen from 13.5% in 1996 to 5.5% now-a fall of about 5%. Where as in India the slope is from 17 to 9%. And in both the cases, the home loan rates have fallen more sharply than the rate on corporate loans.

Both China and India offer tax breaks to deepen the market. Here, the tax break is given on the interest payment upto Rs.1.5 lakh a year. Now in the recent budget, sectoral caps on investment are also lifted. This is going to reduce the effective rate of interest and real interest rate.

The players can sustain this low rate because the sourcing cost is lower in home loans compared to car loans. The average period of a home loan is 12 to 15 years while the average shelf life of a car loan or any personal loan is around three years.
In the absence of growth in corporate loans, building home loan portfolio at 8 to 9% rate seems a better option than deploying money in government bonds.

Home loans attract only 50% risk weightage as compared to 100% risk weightage of a corporate loan.

According to him the mortgage market can only grow bigger. But as the rates drop further, the smaller housing financiers (HFCs) may have to close shop. Only the strong HFCs and deep-pocketed fed banks will rule the market and for them even the sky is not the limit.

According to BIS 73rd Annual Report unlike corporations, households in the advanced industrial countries continue to borrow and spend during the recent phase of the cycle, despite a notable weakening in the euro area. As a result, household indebtedness continues to increase more rapidly than income in 2002. This trend was especially marked in those countries where lower nominal interest rates led to higher demand for housing and also induced households to refinance old mortgages. This process generated funds for increased household spending and was reinforced by substantial rise in the cost of house.

With the exception of Japan, the average ratio of household liabilities to wealth in the G7 countries has remained almost stable around 15% for many years. None the less outstanding liabilities disposable income in the G7 countries, are almost 15 points higher than in the early 1990s.
Although the overall household sector is protected to a significant degree by locked in long term mortgage rates, it could still be vulnerable to underestimate the real burden of future debt repayments.

Tax cuts have allowed US households to improve their savings position somewhat. However, the equilibrium level of household saving is likely to have declined over the past two decades because of rising net wealth.

Structural changes in financial markets have increased the availability of credit and enabled households to take on more debt. Another supporting factor is real estate values, which continued to rise strongly in 2002 and even accelerated in some countries, providing a source of liquidity for households. The upswing in property prices seems to have partly offset equity market losses in particular in North America, the United Kingdom and some countries in continental Europe. In those countries, heightened competition and innovations in mortgage markets have given home owners a greater opportunity to borrow against unrealized capital gains on their homes. Moreover, the transaction cost of refinancing loans has fallen, allowing borrowers to benefit more easily from lower interest rates.

Shivom Chakvavarti, Economic Time intelligence group

Consumers are betting on higher property price and more bullish stocks. The consumer confidence index survey is based on the responses of urban consumers. In fact, most of the recent service sector growth has been more or less confined to urban Indian. This has led to an influx of
people and multinational institutions into urban India thus putting an upward pressure on the demand for property in cities. As the supply of land and residential houses is fixed or limited, the growing demand for land and supply shortage has in turn led to an appreciation in land and residential prices. Deployment of non-food credit in the housing sector by banks has increased 55.8% and real estate loans have increased by 159.7% in August '05. Real estate optimism is spread across all the different cities, age groups, genders, working status, town types and zones.

While household items may not be high on the agenda for a majority of consumers, buying a house is however becoming a priority. There has been a noticeable increase in the percentage of respondents planning to purchase a house from 2.8% in the last quarter to 4.5% in the quarter ended December '05. This is mainly attributed to the broad expectations of an upward bias in interest rates. Moreover 10% of the respondents in Cochin plan to invest in a house much higher than the all India average of 4.5%.

**Working group on ‘customer services in banks’ appointed by the Government of India**

In April 1975 it identified the following causes for the low level of customer satisfaction.

(i) Delay and in accuracy in putting transaction

(ii) Delay and inadequacy in correspondence

(iii) Delayed, faulty and unhelpful decision making
(iv) Absence of elementary discipline  
(v) Undue emphasis on rules and procedures  
(vi) Lack of uniformity in bank charges  
(vii) Customer being viewed as faceless and lack of meaningful relationship between banker and the customer.  
(viii) General attitude of unconcern and apathy for clients  

It was stated in the report that banks must continuously assess and reassess how customers perceive their services, what is the new and emerging consumer expectation and how this can be satisfied on an ongoing basis.  

The National Institute of Bank Managements (NIBM)  

Survey in 1974 evaluates the quality of customer service in commercial banks in Bombay. (i) to provide an empirical evidence using all rigorous research in regard to the extent of customer satisfaction and dissatisfaction in the industry (ii) identifies specific areas of bank operation where customers’ dissatisfaction is high so that action strategies could be developed around such areas. The findings of the survey are  

(i) There is an inordinate delay in encashment of cheques, collection of cheques, issue of passbook, issue of drafts and sanction of advances etc (ii) Customers are dissatisfied with the employees’ behaviour and attitude towards them (iii) Customers rarely come to know the details of bank services through the employees. Their only source reported was costly medium of advertising.
Report on ‘customer service in Banks’

A Survey was conducted by Department of Banking operations and Development, RBI

(i) Opening and closing of bank counters in time. (ii) Time taken for encashment of cheques, drafts and also for issue of cheque books and drafts. (iii) Collection of instruments drawn on outstation centres. (iv) Delay in credit of telegraphic transfer remittances (v) Rendering statement of accounts and (vi) Posting of passbooks in time.

There was an inordinate delay on the part of the banks in rendering the above services. So RBI has advised the banks in the following manner

(a) Immediate credit to outstation cheques for value not exceeding Rs.25,000/-

(b) Payment of interest at savings bank rate for delay in collection of instruments beyond 14 days.

(c) Introduction of nomination facility for deposit accounts

(d) Display of time norms at bank branches for rendering routine services

(e) Balances in the accounts of deceased customers upto Rs.25,00 to be paid to successor / successors without insisting on succession certificates and on the basis of indemnity / guarantee

(f) Setting apart a specific day in the month as customer service day for meeting the customers directly to ascertain their problems.

Jorgarsen N.O. studied the effective demand for housing and other factors such as market price, rental value, location, appearance, infrastructural services and the availability of finance. He stated that an
important aspect of the demand for housing is often overlooked. It is income inelastic as family income, risk, expenditure on housing does not increase proportionally. This is particularly true for low-income strata where demand for food and clothing is sometimes reduced below normally acceptable levels in order to secure a roof over one’s head. At higher income level also housing demand is inelastic.

**John G. Gurley and Edward S.S.**

Cedric pugh Housing and urbanisation sage publication 32M, block market Grat kailash New Delhi Chapter III housing Finance. The Economy and Housing welfare PP.71 to 73.

**John G. Gurley and Edward S.S.** have analyzed the Housing Finance system and the economy through, size, scope and efficiency. They narrate that it is very difficult to attain a satisfactory rate of growth in real output. Such a growth rate may not be achieved for a number of factors (reasons).some social, Psychological political and economic. What is significant here is that the rudimentary economy, places severe financial restraints on the growth of real output. An immature financial system is in itself an obstacle to economic growth.

**Cedric Pugh** in his text discusses and indicates the following,about Housing Finance and its potentials

[I] The housing capital market and Government stand as intermediaries between production – consumption process in the economy on the one hand and the housing system on the other.
Housing System in the developing country is inequitous reflecting the prior inequality in the ownership of capital and earnings from work in the production – consumption economy. In countries such as India the inequality will be very conspicuous with contrast between life in a villa, in a leaf suburb and life on a city pavement.

Urban development creates assets which in total represent enormous economic and social value. From the reformist view we can perceive the potentials here to add urban investments and to use housing policy as a means of extending property rights to households in the income range below the eightieth percentile. Households above this will be able to exercise their housing choices largely without Government economic assistance – incentives.

Housing and land policies are to be co-ordinated to ensure that land price escalation is curbed. If they are not co-ordinated in such a way that abundant supplies of housing and affordable land are forthcoming various economic problems will arise.

Girappa, S

According to him the construction firm and building societies have become major institution in housing system specializing in Housing
Finance market. Apart from commercial banks, Insurance company, local authorities and other financial institutions and building societies have been increasingly significant in recent years. They contribute to more than 90% in many developed countries. In the developing countries however their role has been hither to somewhat handicapped. While being freely competitive the housing market may exhibit some monopoly or scarcity condition during recession and times of emergencies.

**Lal A.K.**

Hand book of low cost Housing New Age international (p) limited. publishers Daryaganj
New Delhi –100 002. PP. No.7

**Lal A.K.** says “The Informal sector on the other hand contributes to the housing finance through various sources. These include sale of personal assets such as personal savings in cash and kind, assets such as Jewellery, land and agricultural property and borrowings from friends, relatives and informal money lenders / credit union”.

**Desai D.L.**

The Indian construction magazine Builders Association of India, Commerce centre J. Dadaji Tardeo Road, Mumbai. Oct. 2001, PP. No.13

**Desai D.L.** argues that appropriate technological support in the form of new cheaper building material such as engineering plastic in lieu of steel, heat and waterproof plastic door and window, cheaper blended cement etc., Necessary legal reforms in respect of Rent control Act, simplification of builders Bye laws and National standards and codes.
Easy availability of Housing loan facilities at lower interest rates Government of the day has not only to act as facilitates but bring about desired legal and administration changes, so that Housing Activity can propel economy to higher growth path.

**Hille**


**Hille** has emphasised the importance of answering the e-mail given by customers. E-mail management as a channel for customer interaction has become a competitive necessity. Ten key issues for large globally attributed organization are to be considered when proposals for an E-mail response management solution have been presented.

Anonymous, “Generational customer service

The study has stated that community Bankers are already known for their customer services since they know, serve, return and attract customers even better, by understanding some basic generational qualities. The different approaches that appeal to different age generation due to their differing experience and world views have been discussed and it was eventually concluded that carefully thought out market plans be designed for each generation for quality customer service.
Sunoo Brenda Paik


Sunoo Brenda Paik states that within the present banking industry has changed from single transaction to multiple services, and banks establish a performance driven culture by stepping up training and development. Improving employee benefits and accelerated intrude customer service for a uniquely diverse population, then customers and their profitability will improve. The present day expects sophisticated knowledge on banking transaction.

Lian Tanja

Lian Tanja has observed that the banker think of sales interms of clearly communicating the benefits of their products and service helping customers who truly want financial advice and presenting themselves as valuable long term resources to the customer”. He concluded that the selling experience should not only be willing but rewarding.

Kirby Liza

Kirby Liza – Banks should create a marketing database which will include all their customers, the products they use and all the products
features to enable them to calculate customer level profitability. By monitoring customer statistics on a periodical basis to track the migration of customers into and out of the best customer segment, the performance of the best customer programs and other marketing efforts can be traced.

**Caroline Wilson** found that many banks have launched their “portals” which serve as a jumping off point for consumers in the worldwide web. Customers will use the bank as their starting point to access the internet. To enable this effectively, banks must leverage their customer databases to know what kinds of information then customer wants from their portal.

**Bill Stoneman**


According to **Bill Stone man** serving customers over the internet is full of promise for the banking business. Customers would think long and hard about switching banks after going to the trouble of configuring software to pay bills electronically. Banks would face the problem of losing customers to other finance service providers if they are not cautious.
Diane Brady

He offered that as time goes on the service gap between top customers and the rest is wide due to increasingly rare customer service. He concludes by saying that technology is creating a radical new business model that alters the whole dynamics of customer service.

Focus of the present Study

The present study is conducted in retail banking in India with special reference to home loan market in Tiruchirappalli District. Retail banking consists of loans offered to individuals such as home loans, educational loans, car loans and personal loans. Home loan is the main driver in retail banking segment. The growth of home loan market is understandable from the loan portfolio of all ASCBs. The study attempts to present a picture of the variation in home loan market in different states of India, which is greatly influenced by the consumer expectation prevailing in different states regarding the future movement of real estate prices, real interest rate, employment market development and their sentiment towards taking a loan. In Trichy, the city has witnessed a rapid growth of residential construction boom for the past few years. Banks in and around Trichy had home loan market in their sales talk and arrange frequent loan melas to attract the prospective customers. The residents of Trichy had shed their apprehensions in taking a loan and it is a common trend to see a person with home loan on the liability side and a house as
an asset reflecting his social status on the asset side. The researcher focuses its attention on the opinion of the borrowers in the market and the comparison between LICHF and Banks.