Chapter – 2

Review of Literature and Research Methodology

Section-A  Review of Literature

Section-B  Research Methodology
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Section-A  Review of Literature

Before giving details regarding the research methodology used in the study, it is appropriate to present a brief overview of the research articles, case studies, and books written on this particular topic. The area of study may be within the country or outside the country.

Review of literature helps a researcher to get acquainted with his/her selected research problem and also may provide some guidelines in selecting a proper research methodology. It is also helpful in finding out the research gaps in the existing literature. This will help the researcher in fine-tuning his/her research problem and methodology. Another advantage of reviewing in the existing literature is that in cases where the research problems are similar, the conclusions and findings may be easily compared. This will help the researcher in determining whether his/her findings are possible or not.

The literature under review may be of two types: (i) concerning the conceptual and theoretical framework. (ii) the empirical literature dealing with the studies made in the past which are similar to the one that the researcher intended to undertake. The basic outcomes of such review will be the knowledge as to what data are available for analytical purposes, which will help the researcher to specify his/her own research problem in a more meaningful way. Thus, review of literature is helpful in formulating the research problem and also helps the researcher in deciding about the most appropriate methodology to be used. While comparing the results of the earlier studies with his/her own results, care must be taken to verify whether the objectives and methodology are similar.

While reviewing the earlier studies a researcher has to state the objectives of the study, describe the concepts and definitions used, the methodology employed and the
important findings and conclusions of the study. The researcher is supposed to make a critical review of methodology used by the earlier researcher of the methodology if any. The researcher should improve his methodology in light of this.

In the following paragraphs several similar studies undertaken earlier are reviewed keeping in mind, the following aspects: 1) The objectives, 2) Area of study with reference year, 3) Research methodology used and 4) Major findings and conclusions.

**A Research Article entitled “Housing Credit Situation in Eighties” by Lall Vinay (1984)**

He has focused attention upon ‘formal factor’ (Permanent Construction) which served mainly to the HIG and MIG, the loan meets only 47% of the price of the house, forcing the borrowers to make very large down payments. Also the price of a typical house was above 3 times the annual families’ income of the borrowers. In spite of, the entire system of housing allocation and credit the supply of affordable funds was much smaller than demand. Thus, large growth in urban population and the historically low priority given to housing, supply falls very short of demand and need. Therefore, not only that the volume of saving and investments should increase but also larger volumes of capital should flow into housing. Also, accessibility and terms and condition of housing credit will determine the long term redistribution performance in housing.

**The Research Study entitled “Housing in the New Millennium: A Home Without Equity is Just a Rental with Debt” by Joshua Rosner (2001)**

He studied the prospects of the U.S. housing / mortgage sector over the next several years. Based on his analysis, he believes that, there are elements in place for the housing sector to continue to experience growth well above GDP. However, he believes that there are risks that can materially distort the growth prospects of the sector. Specifically, it appears that a large portion of the housing sector’s growth in the 1990’s came from the easing of the credit underwriting process. Such easing includes:

- The drastic reduction of minimum down payment levels from 20% to 0%.
- A focused effort to target the “low income” borrower.
• The reduction in private mortgage insurance requirements on high loan to value mortgages.
• The increasing use of software to streamline the origination process and modify/recast delinquent loans in order to keep them classified as “current”.
• Changes in the appraisal process which has led to widespread overappraisal/overvaluation problems.

If these trends remain in place, it is likely that the home purchase boom of the past decade will continue unabated. Despite the increasingly more difficult economic environment, it may be possible for lenders to further ease credit standards and more fully exploit less penetrated markets. Recently, targeted populations that have historically been denied homeownership opportunities have offered the mortgage industry novel hurdles to overcome. Industry participants in combination with eased regulatory standards and the support of the GSEs (Government Sponsored Enterprises) have overcome many of them. If there is an economic disruption that causes a marked rise in unemployment, the negative impact on the housing market could be quite large. These impacts come in several forms. They include a reduction in the demand for homeownership, a decline in real estate prices and increased foreclosure expenses. These impacts would be exacerbated by the increasing debt burden of the U.S. consumer and the reduction of home equity available in the home. Although we have yet to see any materially negative consequences of the relaxation of credit standards, we believe the risk of credit relaxation and leverage can’t be ignored. Importantly, a relatively new method of loan forgiveness can temporarily alter the perception of credit health in the housing sector. In an effort to keep homeowners in the home and reduce foreclosure expenses, holders of mortgage assets are currently recasting or modifying troubled loans. Such policy initiatives may for a time distort the relevancy of delinquency and foreclosure statistics. However, a protracted housing slowdown could eventually cause modifications to become uneconomic and, thus, credit quality statistics would likely become relevant once again. The virtuous circle of increasing homeownership due to greater leverage has the potential to become a vicious cycle of lower home prices due to an accelerating rate of foreclosures.

She concluded that public investment in and promotion of homeownership and the home mortgage market often relies on three justifications to supplement shelter goals: to build household wealth and economic self-sufficiency, to generate positive social-psychological states, and to develop stable neighborhoods and communities. Home ownership and mortgage obligations do not inherently further these objectives, however and sometimes undermine them. The most visible triggers of the recent surge in subprime delinquency have produced calls for emergency foreclosure avoidance interventions (as well as front-end regulatory fixes). Whatever their merit, she contend that a system of mortgage delinquency management should be an enduring component of housing policy. Furtherance of housing and household policy objectives hinges in part. On the conditions under which homeownership is obtained, maintained, leveraged, and in some situations exited. Given that high leverage or trigger events such as job loss and medical problems play significant roles in mortgage delinquency independent of loan terms, better origination practices cannot eliminate the need for delinquency management. In terms of analyzing this framework, it is tempting to focus on its impact on mortgage credit cost and access or on the absolute number of homes temporarily saved, but her proposed analysis is based on whether the system honors and furthers the goals of wealth building, positive social psychological states, and community development. Because those ends are not inexorably linked to ownership generally or owning a particular home, a system of delinquency management that honors these objectives should strive to provide fair, transparent, humane, and predictable strategies for home exit as well as for home retention.


In this article, the author has analysed the nature and distribution of the housing problem in Karnataka and examined how the state has addressed this issue. In particular, it considers the strategies adopted during the 90s and identifies a number of failures including the task force on housing. Some of the major weaknesses, pertaining to
incidence by type and by rural-urban areas, on approaches, on financial requirements and issue of development and redevelopment are examined to propose alternative policy strategies to effectively address the housing problem in the state. From the analysis it is found that Karnataka is not an exception to the general rule that housing strategies, which were evolved over decades, have not taken the direction expected. By and large, the sectoral policies pursued were only ad hoc without a clear focus. Lack of comprehensive policy to guide housing development on equity principle together with ad hoc approaches, have failed to deliver housing benefits and develop critical housing inputs on a sound footing with equal opportunities for all need based policy interventions hassle-free input delivery mechanism existing housing shortage and rural-urban disparities substantially. Unfortunately, this did not happen. Thus, policy issues like what policies are needed for the state of Karnataka to guide housing development, increasing the housing supply to the poorer and marginalized sections, mobilizing the needed financial resources and a host of other issues in addressing the housing problem emerge.

A study entitled “Performance of Housing Finance Companies” by Brar Jasmindeep et.al. (2005)

The objectives of this study were: to study the operational performance, and the financial performance of the selected institutions.

The study covers three institutions viz. HDFC, LIC & PNB. The study is based on secondary data that have been collected from the annual reports and web sites of the institutions selected under study. It covers the period from 1990-91 to 2002-03. The performance of the selected institutions has been studied by using percentages, compound growths rates and various ratios.

Findings of the study are:-

- HDFC comes at the top among all the institutions as far as loan sanctioned, disbursements and the loan outstanding are concerned, PNB has the last rank for both loans sanctioned and disbursed. However, the compound growth rate for the loan sanctioned, disbursement and outstanding has been highest in the case of LICHF. It stood at 26.49%, 30.89%, 36.16%. Against PNB showed the lowest compound growth rates of 18.62% and 19.90%, for the loan sanctioned and
disbursement over the same period. However, the compound growth rate of the loan outstanding in the case of PNBHF was higher than the growth rate of HDFC.

- The ratio of loan disbursed to loan sanctioned shows that the ratio of PNBHF showed the highest variations from 53.37% to 96.52% over the given period, followed by LICHF for which the ratio varied from 56.88% to 95.65%. On the other hand, the ratio for HDFC showed the lowest range of variation from 81.07% to 88.19 in the same period.

- Number of housing units assisted by the selected institutions and its percentage to the total units financed during the year showed that HDFC and PNBHF financed more than 64% and less than 3% of the total units financed during the entire period of the study, respectively.

- HDFC has provided the highest proportion of loans to individuals. The highest variation in the composition of loan outstanding has been in the PNBHF. The loan outstanding to individuals in the case of HDFC ranged from 66.89% to 81.99% whereas it ranged from 89.58% to 100% for LICHF for the same period.

- HDFC has been a major market share holder among the HFIs selected under study. PNBHF has disbursed less than 4% of the total loan disbursed by HFIs.

- It is found that during almost all the years under study, all the HFCs earned more than 80% of their interest income from the interest on housing loans.

- LICHF earned the maximum proportion of total income from the interest on housing loans. It was followed by PNBHF and HDFC.

- As far as ratio of interest expense to total expenses is concerned, it ranged from 89.15% to 93.13% for HDFC over the period 1990-91 to 2002-03. It ranged from 65.74% to 92.45% for PNBHF and from 83.39% to 94.31% in case of LICHF over the same period.

- PNBHF spent in the range of 0.63% to 4.57% of the total expense on establishment over the period of the study which was the highest among all the institutions. LICHF spent the lowest proportion ranging from 0.42% to 0.89% on establishment expenses during the same period and the ratio showed a declining trend in the case of HDFC cover the same period.
• The interest paid to loans funds showed much variation in the case of PNBHF. The ratio for HDFC increased in the initial period but decreased later on. Among all the institutions under study PNBHF paid the highest cost for raising loan funds.

• The assets of LICHF constituted the highest proportion of outstanding housing loans followed by PNBHF and HDFC.

• During the period, investments comprised less than 25% of the total assets for all the institutions. LICHF has a comparatively low ratio of investments to the total assets the ratio of HDFC has been the highest over the same period. PNBHF showed a considerably increasing trend in the earlier years but it declined in the later years.

• The net profit margin of PNB was higher than that of LICHF in the initial years, but the ratio of LICHF shows improvement over PNBHF in the later period. In the case of HDFC the net profit margin was in the range of 11.32% to 23.20% over the period of study.

• Return on net worth: - The ratio had considerable variation in the case of PNBHF from 49.23% to 40.26%. The ratio also showed a comparatively little variation and was at a reasonable level for both HDFC and LICHF during the period of the study.

A Paper entitled “Retail Banking – Emerging Issue in Home Loan” by Rao K. N. et.al. (2005)

In this paper the authors revealed that during 2002-03 housing loans by banks grew at a hefty growth rate of more than 100%. The factors that contributed to this aggressive growth in the portfolio of housing loans of banks and HFC are: Tax intensives on repayment of principal and interest, rising income level of middle class, falling interest rate, stable real estate prices, easy availability of housing loans, low returns on the investment opportunities available in the market. They also concluded that although there is strong growth in housing loans by financial situations in India, we are still behind the developed countries in terms of housing loans to GDP ratio. In India it is around 2.5% compared to 57% in the UK and 54% in the US. It shows that there is a vast scope for
housing loans in India. One economist has argued that every rupee spent on the housing sector will increase the GDP by more than 75 paise. It also creates a labour intensive. Despite the immense growth in housing loans there are certain challenges that the banks might face in the time to come, e.g. falling rate of interest, rising mismatch in the assets and liabilities of the bank, rising NPA in the housing loan portfolio, etc.


This article gives the measures for the housing loan frauds in banks. The author concluded that housing for all envisaged 2 million houses every year out of which 0.7 million are in the urban sector. Government provided certain relief under Income Tax Act. It motivated many people to avail housing loan. The author thinks that different frauds committed on various banks can be divided into the following two categories. i.e. Pre sanction and Post Sanction. KYC related due weakness in pre inspection, Benami A/c, forged title deeds, by selling same flat to different people, inflated salary certificate, filing of IT return for the last three years in one lot and particularly by paying a nominal amount of tax, valuation of the property is manipulated to manage margin money are post sanction fraud.

The precautions may be taken at the bank level to avoid the assurance of fraud i.e. KYC norms be followed, main salary A/c should be verified, loan should be granted against the flat / houses built by reputed builders only. An undertaking from the builders for not been sold to any other person, search report of property to be conducted by the advocate, original title deeds, property tax, electricity bill, kept on records. Disbursement of loan should be made after spot verification, title deed should be scanned through ultra violet ray machines before mortgage and bank should independently verify the report and no middle man should be involved in the process and entire KYC. So the author points out that above mentioned precautions will enable the bankers to curb frauds and public money can be saved.

According to Rao, housing finance is a long term proposition involving many risks for the lenders, borrowers and even for the economy in general. As housing finance is a long term game, it requires proper asset-liability management strategy, the borrowers also face interest rate risk, especially when they are locked in fixed rates when interest rates are falling and floating rates are rising. The author mentions in this article that home loans have been registering exponential growth in India during the last six years. Easy liquidity conditions, low interest rates, availability of tax shelters on repayment of principal and interest surging demand from middle income group borrowers, lower regulatory capital, the comfort of tangible security have all collectivity contributed to the spurt in home loans. HDFC, ICICI and SBI are the major players in disbursement of home loans. These banks sanction upto 85% of the cost of the property as home loan for a maximum period of 20 to 30 years. In US, GSE that are instrumental in the high percentage of home ownership. These two enterprises enjoy implicit government guarantee and consequently raise long term funds globally at low interest. Consequently, the interest rates on home mortgage loans have become relatively cheaper and affordable for middle and low income groups. Europe has a very advanced mortgage market. In Italy foreclosure will fructify in 120 months whereas it takes just 6 months in Sweden and 9 months in the Netherland. Securitization route is employed by banks essentially to raise finance securitization process have given tremendous thrust to housing finance in countries like the US and Europe. It is a process of selling homogeneous loans for cash by the financing banks, to a special purpose vehicle. The SPV in turn collects money by selling bonds, which have the security backing in the form of home mortgages. Chinese banks do not have any significant exposure to housing loans. The Latin American countries do not have an efficient institutional mechanism for disbursing housing loans.


The study revealed that disbursement of home loan increased at increasing growth rate during the growth rate of disbursement in 2000-01 compared to the earlier year was 13.7% which increased up to 76% in 2002-03. The reasons behind the growth in housing loans are,
(i) Easy availability of housing loans
(ii) Growing population
(iii) Nuclear family system
(iv) Newer segments for finance
(v) Urbanization of Indian economy
(vi) Shortage of dwelling units
(vii) Declining of cost of house to income ratio etc and,
(viii) Tax benefits.

The study revealed that banks have also concentrated on housing loans because the housing loans are totally secured as the mortgage on the property securities the loan. Also the capital adequacy requirement for general lending is at 100% for housing loans.

The processing and documentation of housing loan is very easy due to extensive utilization of technology. But there are also some common frauds occurring in housing finance like an individual’s inflate their income statement, manipulate the income tax returns, inflate the value property, lack of appraisal & follow up etc. The researcher has also explained the new concept of NPL (Non-performing loan). The housing finance has been associated very low risk. But empirical evidence suggest that non-performing loan in the Indian housing finance sector are much higher than in a developed market. NPL rise in India because of willing defaulters and an emerging population of fraudsters. This is also a reflection of industry’s aggressive marketing and some inadequacies in appraisal standards and system. Such high NPL have two-fold impact i.e. they depress yield and entail a credit cost in the form of provisioning and write-off. The researcher also found that the NPL of housing finance companies are higher than the banks. The suggestion given by researcher is that if the banks have not taken the prudential norms for housing loans they have to conduct recovery mela instead of present loan mela.

A Research Article entitled “Housing Finance in India – A Case Study of LIC Housing Finance Limited” by Singh Fulbag et.al. (2006)

In this paper, the authors have studied the housing finance in India. Housing, as one of the three basic needs of life, always remains on the top priority of any person, economy, government and society at large. In India, majority of the population lives in
slums and shabby shelters in rural areas. From the last decade, the Government of India has been continuously trying to strengthen the housing sector by introducing various housing loan schemes for rural and urban population. The first attempt in this regard was the National Housing Policy (NHP), which was introduced in 1988. The National Housing Bank (NHB) was set up in 1988 as an apex institution for housing finance and a wholly-owned subsidiary of Reserve Bank of India (RBI). The main objective of the bank is to promote and establish the housing financial institutions in the country as well as to provide refinance facilities to housing finance corporations and scheduled commercial banks. Moreover, for the salaried section, the tax rebates on housing loans have been introduced. The paper is based on the case study of LIC Housing Finance Ltd., which analyzes region-wise disbursements of individual house loans their portfolio amounts and the defaults for the last ten years, i.e., from 1995-96 to 2004-05 by working out relevant ratios in terms of percentage and the compound annual growth rates.

**A Research Article entitled “Housing Loan Frauds: Are they Avoidable?” by Padhi Manohar (2007)**

This article addressed the key issues of housing loan frauds. Aggressive growth in housing finance by the banks is for the reasons of Tax incentives on repayment of principal and interest, rising income level of the middle class, affordable interest rate, completion amongst banks and housing finance institutions, low returns on other investments, low incidence of NPA, and housing as priority sector lending for banks. Housing loans as a percentage of GDP, is 57% in UK, 54% in USA and it is only 2.5% in India. It shows vast scope for housing loans in India. Increased focus of banks in housing finance is also not free from fraud. Fraud is one of the reasons for turning the housing loan account to NPA. The main reason for housing loan turning NPA are loss of job, closure of the factory/company, illness of the borrower, dispute between builder and borrower, over-finance to the borrower, agents approaches the bank for section of housing loans in bunches, sections of loan on fabricated documents without proper verification (Benami A/C, submission of fake title deeds of immovable property, colored Xerox copy of the title deed, subject of fake income certificate etc.) but the precautionary measures prevent the frauds in housing finance like – pre-sanction appraisal,
documentation and creation of charge and post-sanction follow-up. The other preventive measures like Identification of Borrower, Guarantor and Branch should insist opening of bank A/C as per KYC Norm, pre sanction verification report, site verification, existence of property, valuation of property photo of the immovable property, approval of map and cost-estimate, scrutiny of title, end-use verification of amount disbursed. Pay order should be issued in the name of banker, cross verification with balance sheet document of title should be in DEMAT form, in case of large value of loan bank approach sub-registrar’s office to verify, Bank should develop in-house expertise etc.


A reverse mortgage is a home equity loan offered to senior citizens that permits them to convert home equity into cash while they retain ownership. A reverse mortgage works like a traditional mortgage loan, only in reverse direction. A borrower does not make regular payments to a lender; instead he/she receives payments from the lender. The first reverse mortgage loan launched by Dewan housing in 2006. Reverse mortgage product name was “Saksham”. Then ICICI and NHB launched a new product of reverse mortgage. Reverse mortgage can provide a valuable income source for seniors who own property but lack liquid assets. So it is mainly meant for home-rich senior citizens who are otherwise cash-poor. This is precisely the scenario where reverse mortgage products can be a boon to senior citizens and a business for the lenders.


The objectives of the study were:

1) To review the housing advances of commercial banks in Kerala.

2) To compare the performance of different bank groups in respect of housing advances.

The study covered a period of seven years from March 2000 to March 2006 and the secondary data are used in the study. For the purpose of the study, commercial banks are grouped into four categories. The study revealed that there is no significant difference
in the growth rate of housing advances by different bank groups in state. Kruskal Wallis (H-Test) was applied to arrive at this conclusion. The amount of housing loan disbursed by RRB which was 6.09 crore in 1999-2000 rose to 236.35 crore in 2005-06 showing a CGR of 85% which was the highest amount of all categories.


The author stated that housing has always been an important agenda for the Government of India. It generates national income by creating employment and helps the individuals in their socio-economic development. It gives impetus to the economy by enhancing capacity utilization of related industries such as steel, cement, transportation, etc. The home loan sector in India is on a boom. The new class of young buyers, whose affordability is high, is spending a little more on paying EMI rather than spending huge amounts on the rents, thereby owning a house. The government is also encouraging this sector by allowing tax benefits. The housing finance sector shows an exponential growth as compared to the other areas of credit. The annual growth rates (in %) of direct housing finance disbursals by the Primary Lending Institution during 2001-02, 2002-03, 2003-04 and 2004-05 were 25, 76, 29 and 32 respectively. While housing finance is experiencing exponential growths, the menace of bad loans cannot be ignored. These loans required better monitoring, fair assessment of property and compliance with end-use principles and because of the Securitizations Act, banks are now able to overcome the problem of non-performing Assets e.g. In 2004-05, percentage of NPA in housing finance was only 1.4 compared to 2.80% in case of banks’ total retail credit. Once the loan is sanctioned the job of the lender is not over. He has to exercise vigilance and monitor the payments of installments by the borrowers. It is advisable to make periodical review of the borrower’s financial position to ensure his capabilities of prompt payments of installments. The researchers suggest that the industry has been constructing stories on a safe foundation. It will continue to thrive so long as it plays safe averting NPAs. Necessary measures like takeover of bad loans, fair assessment of property and employee morale may be taken by the financial institution by improving their performance and avoiding NPAs.

The author has analyzed the factors affecting risk and suggests that real estate financing will be the order of the day in a new age bank / Institution lending in the interest of the development of the country. Real estate financing is no longer “untouchable” as it used to be before 1990’s. It is also a fact that this sector contains a higher order risk of “default” and lower order scope of eventual recovery since the fate of real estate is interwoven with macro-economic fundamentals and volatility of asset prices. The researcher has given the following suggestions to avoid risk factors in real estate financing.

- Land records at the land registration offices have to be streamlined and brought under the contemporary technology support system.
- Bank/Financial institutions should create a special cadre of credit investigation offices who need to perform like private detectives to ascertain the track record of the borrowers.
- No loan/advance should be granted by way of equitable mortgage but a simplified registered mortgage system can be devised with provision for low registration fee for loans against any real estate.
- ‘Title Insurance’ system should be devised to enable lenders to obtain insurance cover from any approved insurance company.
- At the Corporate head quarters of each banks/financial institution there should be a cell known as “Real Estate Financing Cell” which should be involved in the entire cycle starting with sanction and disbursement of such loan to periodical monitoring and recovery thereof.


The data released by the census of India on house, households, amenities and assets for 2001, indicate that total number of household in rural area is 138.27 million as against the availability of 135.05 millions house of which nearly 11.14 million house were non-serviceable kuchcha/temporary houses needing replacement. Thus, they
consider the requirement of houses in rural area is about 14.6 million units. There is also regional imbalance in rural housing in India. Most of North Eastern states have achieved better performances in housing production and have successfully mitigated the problem of housing shortage to a very large extent. Apart from this, Tamilnadu, Bihar and Andhra Pradesh have also successfully mitigated the housing shortage programmes by 2001. However, unfortunately housing problem has either become aggravated or has remained unchanged in states like Gujarat, Haryana, Himachal Pradesh, Madhya Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Uttar Pradesh and West Bengal. Another serious dimension of housing problem is related to housing amenities like drinking water, sanitation, lighting and drainage connection. The number of rural household deprived of all four amenities has increased from 73.1 to 78.5 million although the deprivation percentage was reduced to 56.80 from 65.53. Priority should be given to rural area while allocating resources as they represent country’s worst housing situation. Institutional finance at affordable rate is one of the prerequisites for accelerating the availability of housing finance. However government also adopted many strategies but it has not reached interior and most needy part of the country. So all-round efforts and developments as well as from people to achieve the goal of housing for every household with sustainable manner is the need of the hour.


The objective of the study was to analyse the trend in the growth and structure of LICHFL in Chennai city and to evaluate the relative performance of LICHFL in providing housing loans in Chennai city. One hundred respondents have been selected on the basis of random sampling technique. Researcher used conventional statistical tools like percentage and average for analyzing perception of the borrowers about the LICHFL. Linkert scaling test was used. The study revealed that in Chennai, 34% of the respondents have reported that the institution provides loan at low rate of interest, 33% have reported easy installments, 31% reported that they approached for simple procedure and formalities and only a negligible 2% of the respondent represents located near to their house. The other findings of the study are:
45% of the respondents have bought loan for purchase of house, 37% of have bought the loan for purchase of flat, 16% for construction of house and remaining 2% for other reasons.

93% of the sample respondents preferred the flexible type rate and 7% preferred fixed rate of interest.

The researchers suggest that the deposit of title deed is the most required document at the time of getting loan from the institution. The study shows that 54%, 36% and 10% of the respondents preferred the repayable period of more than 10 years, more than 15 years and more than 5 years respectively. So, the majority of the respondents preferred more than 10 year to settle their loan amount.

53%, 27% and 14% of the respondents were paying their loan amount through ECS, through postdated cheque and through the collecting bank respectively. So, it may be concluded from the above result that majority of the respondents preferred to pay their loan amount through the Electronic Clearing System.

A large majority i.e. 75% of sample respondents reported that there is delay in sanction and disbursement of loan amount.

A Paper entitled “Whether Today’s Customers are satisfied? – A Study with Banks”
Authored by Ashok Kumar M. et.al. (2009)

The objective was to rank the banks on the basis of customers satisfaction and to find out the problems faced by the present day customers with the banker and to make suggestions for better working of the banking services. The study is restricted to Coimbatore headquarters only. Only 105 customers were considered as sample for the study which was conducted during the months of May and June, 2008. SBI and its associate bank were taken for the study. The findings of the study are:

42.86% of the respondents are in the age group of 31-40 years. 68-57% are married, 42.86% have post-graduate education, 36.19% are businessman, and 35.24% are employed. 37.14% respondent’s income range between `1,000 to `15,000.
With infrastructure 51% of the respondents were found to be satisfied. With regard to location of the bank, 25% of their customers are highly satisfied.

Regarding attitude of the bankers toward its customers, only 59% are found to be satisfied and only 6.7% were found to be highly satisfied.

Regarding investment opportunities, 35% of the respondents are satisfied

16.19% of the respondents were dissatisfied regarding advice towards investment.

51% of the customers are satisfied with the banks the behaviour towards customers by the bank employees.

Regarding Evening Banking services, phone banking services & Sunday banking services there were 33%, 18% and 11% dissatisfied customers respectively.

With regards to the core banking service only 28.9% of the respondents were aware of the functioning of CBS, with regards to online banking services 70% and the functions of smart card, digital cash and e-purse 69% respondents are satisfied.

80% of the customers are satisfied with the proximity of the ATM.

41% are satisfied regarding the approach of banks towards redressal.

Overall rate compared to age and income was found to be significant whereas rest of the factors considered do not have significant influence on the other. The researcher suggested that,

- The facilities of the bank should be made more convenient for customer comforts.
- The ATM services should be extended with few more cabins.
- Customer meets should be organized at reasonable intervals so that they can establish better rapport with the customers and educate them about the latest advancement made in the bank.
- Additional branches can be opened to reduce the burden of work on the existing branch.
- The banks should improve the working performance of operations.

Institutional provision of home loans is a societal compulsion and, as such, is a full scale national priority of emerging economy like India. The existing regulatory and institutional framework in India for meeting the growing needs of the people “to own their nest” is fairly adequate and should continue. But recent reports from various sources indicate that some home loan borrowers have been playing foul with banks in offering mortgage of the same property to a number of banks by providing false ownership deeds/documents. Usually this type of fraud appears because Banks, generally, prefer to obtain simple deposit of title deeds i.e. (mortgage by deposit of title deeds) but it was found that title deeds of some property were offered by having multiple registrations of the property, false income details, credit officer not investigating properly borrower’s income level, genuineness of title deeds etc. Bank lending the loan before accepting mortgage of landed property as a security cover, title scrutiny and non-encumbrance report from bank’s approved lawyer. Generally, the lawyer goes through the ownership records of the house for the past 30 years and submits his reports but in practice, lawyers generally scrutinize only of photocopies of title deeds so, the recent incidents of fraudulent mortgage practices need to be dealt with firmly. For this purpose, an external protection for banks by way of title insurance is an immediate necessity. Skilled and experienced officials may be entrusted to handle home loan account. Only registered mortgage should be accepted. In the light of increasing credit risk in home loan accounts, repayment period should not go beyond 10 / 12 years. If in the process, the quantum of loan is not found justified in consideration of income level, the applicant should go in for lower-cost home or alternatively raised unsecured funds. This is the suggestion made by Bagchi in his article. Safe, sound and healthy loan portfolio in a bank is the product of a robust credit risk management system duly aided / supported by regulatory supervision and control.

The objectives of the study were:

(i) To Study the customer’s views on housing finance offered by HDFC in Varanasi, and

(ii) To know about the relative performance of HDFC in providing housing loans in city.

The sample of the study was selected on the basis of random sampling techniques. For analyzing the perception of the borrowers, Likert scaling test was used. The study reveals that,

- 42%, 32%, 22% and 4%, opted for loans because of low interest rate, easy installment scheme, simple procedure and other reasons respectively.
- 26%, 34%, 38%, and 2% respondents have borrowed loans for purchase of flats, purchase of house, construction of house and other reasons respectively.
- 100% respondents made the repayment in equated monthly installments.
- 43% respondents knew about the interest rate.
- 92% respondents preferred floating interest rates and 8% respondent preferred fixed interest rates.
- 72%, 18% and 10% respondents came to know about bank through print and electronic media, friends and relatives and Builders/Developers respectively.
- 50%, 24%, 20% and 86% respondents have reported of mortgage of finance through property, gold and others insurance policy equal to the loan sanctioned, deposit for the title deed and additional collateral security respectively.
- 58%, 28% and 14% respondents opted for more than 15 years, 5 years and 10 year as the term of loan, respectively.
- 40%, 38% and 18% respondents repaid their loan amount through postdated cheques, through ECS and through salary deduction and 4% were paying directly to the bank.
- 70% respondents agreed that there is a delay of loan approval that there is a delay of loan approval and disbursement.
The researcher suggested that,

- Option of repayment of EMI in monthly, quarterly or half yearly basis should be given.
- To win the confidence of customers and bring transparency in all the transactions, it is necessary that the details of their loans accounts should be available online.
- Most of the customers suggested that the loan processing / sanctioning time should be reduced.
- Customers suggested that the bank should provide online approval of application.
- As far as the opinion of respondents about various facilities and policies of the bank is concerned, it is found that:-
  - 72% of the respondents opined that the government is encouraging the housing sector
  - Only 50% said that the officials of the institutions were helpful.
  - Only 28% of them reported that they were getting entire cost of flat as a loan.
  - Only 40% of the respondents felt that rate of interest charged by the institutions is reasonable.
  - Only 42% of them were satisfied with the existing facilities for obtaining loan.
  - Above half of them (52%) stated that the loan also covered life or fire insurance benefit.
  - Only 42% reported that repayment period is adequate.
  - 48% respondents stated that they were regular in making prompt payments.

Thus, by and large, opinion of the respondent is not very much in favor of the institutions, because except in two cases in all the remaining cases a favorable opinion was expressed by less than 50%. Similarly, regarding various problems faced by the customers, it was found that more than half of the respondents either strongly agreed or agreed with the statements about delay in approval and disbursement, inadequate
guidelines, tedious procedure lack of interest on part of officials, difficulty in getting security, inconvenience in paying EMI, irrelevant securitization, illogical approach and insufficient amount sanctioned. Thus, majority of the respondent’s face most of the problems listed above.


He has examined the exact nature of housing microfinance in India, it’s problems and prospects and particularly deterrents to its growth, with a view to suggesting suitable remedial strategies for its faster development; based on an empirical study of “Bhavanshree”. The Objectives of this study were:

- To make an overall study of the housing microfinance initiatives the world over their performance track record, trends and patterns.
- To critically study the extent and nature of housing problem in India, and to examine the need for alternative financing models.
- To make an empirical study of activities of “Bhavanshree”.
- To identify the major problems of existing “Bhavanshree” Schemes and also suggest suitable strategies for its fast and healthier growth.

The study is based on primary and secondary data. Primary data were collected using two separate interview schedule viz. for the ‘Bhavanashree’ beneficiary and respective bankers for the ‘Bhavanashree’ unit concerned. Secondary data were collected from various publications. This study concluded that in spite of various shortcomings of the housing microfinance scheme ‘Bhavanashree’ sponsored by the Government of Kerala, has got immense potential to come up if suitable strategies are adopted. Due to the wide range of microfinance activities currently being undertaken by ‘Kudumbashree’ and the excellent nexus with banks, initiating productive housing scheme and obtaining better terms from banks like fixed rate loans appear to be quite feasible.

The objectives of the study were:

- To know the overall satisfaction and dissatisfaction levels of bank customers with respect to four-dimensional banking services – Loan services, deposit scheme services, Insurance services and value added services.

- To know the customer’s opinion and preferences about various supporting factors of four dimensional banking services.

For this purpose, 300 customers of two major cities of Coimbatore and Erode were selected at random and the study period was for nine months. (August 2009 to April 2010). Chi-square test was used to analyze the data.

The important findings of the studies were:

- As far as overall satisfaction is concerned out of the 172 bank loan customers i.e. 50% of customers were satisfied and the remaining 50% dissatisfied due to poor services, penalties for late payment, fear of threats, interest rate confusion, hidden cost, unknown deduction etc.

- Overall satisfaction on bank deposit schemes resulted positively.

- Banking insurance services still need to be given attention by focusing on customer issues.

The study reveals that new innovative schemes, strategies to cater to non-users of insurance services have to be adopted, in value-added services. Customers preference for net banking was least ranked and if the bankers wish to increase net banking traffic, bankers should take maximum efforts to educate the consumers by offering online training instead of handing out instruction manuals. The researchers suggest that if the banks want to sustain customers on a long-term basis, bankers should work towards 100% customer’s satisfaction.
Section-B  Research Methodology

- **Importance of the Study**
  This section explains the research methods, procedures and analytical framework of the present study. The research methods have been designed to fit the main objectives of the study. Since not much research work has been done in the area of housing finance provided by various types of bank from the customers’ point of view, it was decided to undertake one such study in Surat city which is the fastest growing city in India, as per the latest census data. It was decided to select one nationalized bank namely; Bank of Baroda and Co-operative bank namely The Surat Peoples Co-operative Bank Ltd., so that a comparative analysis can be undertaken.

- **Sources of Data**
  The study is based on primary as well as secondary data.

  a) **Collecting Primary Data**
  Primary data are collected through the responses of the customers through questionnaires which were specially prepared for this study. The questionnaire contained questions regarding the general and socio-economic characteristics of the respondents such as age, religion, educational qualification, etc. and also about their reason for taking home loan, term, rate of interest, procedure etc. I conducted the pilot study by selecting five respondents each banks including HDFC bank. On the basis of their responses, some questions were modified and the modified questionnaire was finally canvassed among the 100 selected respondents. A sample size of 100 respondents is taken for detailed study because it is not possible to cover the whole universe consisting of all the customers. Among these 100 respondents 50 respondents were selected from the Bank of Baroda and another 50 respondents were selected from The Surat Peoples Co-operative Bank Ltd. Primary data also included information collected by personal interview with managers of Bank of Baroda and The Surat Peoples Co-operative Bank Ltd.
• **Sampling Technique**
  The sample was selected using a convenient sampling.

b) **Collecting Secondary Data**
  There was extensive use of secondary information in the form of books, articles published in magazines, journals, newspaper, reports of Bank of Baroda and The Surat peoples co-op Bank Ltd., websites, circulars, pamphlets of the banks, clippings etc.

• **Period of study**
  The questionnaires were filled up during the period of September 2009 to February 2010.

• **Statistical Techniques**
  The collected data were scrutinized and edited. The edited data were analyzed using the software “Statistical Package for Social Sciences” (SPSS) and meaningful conclusion were arrived by constructing simple and two-way tables and by using statistical techniques like chi-square test. Simple table were constructed for analysing the general information of the sample. Two-Way table were constructed for the comparative analysis and to know the relationship between two factors. At last the associations between different variables were tested by using the chi-square test.

• **Objectives of the Study**
  Objectives of the study are as under:
  1) To study the concept of Home Loan /Housing Finance in today’s scenario.
  2) To examine types of retail loan in India.
  3) To study government policy regarding to the Housing Finance in India.
  4) To examine the procedure of Housing Loan.
  5) To know the reasons for taking the home loan in Surat city.
  6) To study the customers` satisfaction levels towards banks in Surat city.
7) To understand why customers preferred the BOB/SPB for home loan in Surat city.

8) To conduct a Comparative study of the Bank of Baroda and the Surat Peoples Co-op Bank Ltd in respect of the various aspects of the home loans in Surat.

9) To understand about polices and practices of banks for home loan.

- **Hypotheses**

Some of the Hypotheses that are tested in this study are as follows:

1) There is no association between Age, Educational Qualification, Profession, Yearly Income, Type of Banks and Various Reasons for Home Loan.

2) There is no association between Age, Yearly Income, Type of Banks and Amount of Loan Sanctioned.

3) There is no association between Utilization of Various types of Bank Services, Age, Mode of Repayment and Type of Banks.

4) There is no association between Education, Profession of the Respondents and Mode of Repayment.

5) There is no association between Reason for Selecting Bank and the Type of Banks.

6) There is no association between Type of Banks (Nationalized or Non-Nationalized) to which respondents would like to switchover, if he is asked to do so and Type of Banks.

7) There is no association between Age, Educational Qualification, Profession, Yearly Income of Respondents and the Amount of Loan Applied for.

8) There is no association between the Age, Yearly Income, Profession, Educational Qualification of Respondents and Sanctioned Loan Amount.

9) There is no association between Days taken for Sanctioned Loan and Type of Banks.

- **Limitations of the study**

- This research study was time bound and due to this only a few aspects of the problem were taken up for study.
• This research study was taken in a limited area only (i.e. Surat city) and findings may vary if the area of study is changed.

• Some of the respondents might have been biased in their responses and as such the analysis and conclusion based on it could vary to some extent.

• Some of the conclusions also depend upon secondary data. To the extent these data are reliable, the conclusion derived from them are valid.

• This research study was limited only to nationalized and co-operative banks due to non-availability of data on private banks.

• **Chapter Planning**

  The entire study is divided into five chapters as follows:

  **Chapter – 1 Introduction**

  This chapter gives the detailed information about housing, loan, principles of good lending, Global Trends in Housing and Housing Finance Market, Banking structure in India, Housing Finance, Structure of Housing Finance, Growth in Housing Finance Disbursement, Government Policy for Housing Finance in India, Role of HUDCO and NHB etc.

  **Chapter – 2 Review of Literature and Research Methodology**

  In this chapter an attempt is made to review the past studies and thereafter detailed methodology for this study is provided.

  **Chapter – 3 Home Loans**

  This Chapter focuses on Importance of Home Loan, Types of Home Loan, Basic Process for Home Loan, Determination of EMI (Equated Monthly Installments), Calculation of Interest Rate and Types of Interest Rate, Home Insurance, and Tax Benefits on Home Loan. This chapter also gives the detailed information of Bank of Baroda and Surat Peoples Co-operative Bank Ltd.
Chapter – 4 Analysis and Interpretations of Collected Data

In this chapter the collected data are analysed by using the statistical software SPSS. This chapter is divided into three sections. The first section is Analysis of Simple Table, the second section attempts to make a comparative analysis of the two banks through two-way tables and the last section covers the hypothesis testing by using the chi-square test.

Chapter – 5 Summary of Findings, Conclusions and Suggestions

The last chapter of this study is the summary of the findings, conclusions and suggestions. This chapter is also divided into three sections. The first section is summary of conclusions arrived at through analysis of simple tables and two-way tables. The second section provides the results of hypothesis testing and in the last section some important suggestions and recommendations are spelt out.