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## “TO STUDY OF HOUSING FINANCES SANCTIONING PROCESS AT PRIVATE AND PUBLIC SECTOR BANKS WITH REFERENCE TO NAGPUR DISTRICT”



Miss. Archana Vijayrao Dalvi<sup>1</sup> and Dr. R. S. Satokar<sup>2</sup>

<sup>1</sup>Researcher

<sup>2</sup>Supervisor , M.Com., M. Phil., B.Ed, Ph.D.

### ABSTRACT

Modern organisation's today are operating in an unprecedented highly competitive and turbulent business environment which is characterised by the globalisation of business. The Services sector is one of the most important segments of Indian economy in terms of its contribution to Gross Domestic product (GDP) in recent years. It has been at the fore front of the rapid grow of Indian economy, contributing nearly 55.2% of the GDP in 2010-2011. The sector has come to play an increasingly dominant role in the economy accounting for 5 4% of the overall average growth in GDP in the last ten years between 2001- 02 and 2010- 11. Apart from higher contribution to GDP, the sector has also been recognised globally as the prime driver of accelerated and diversified growth of the economy.



**KEYWORDS :** Modern organisation's, turbulent business environment.

### INTRODUCTION

Housing Finances in India are available for a number of purposes such as purchase, construction, expansion and renovation of house / Building. So, housing finance companies and Banks offer individuals with various alternatives to choose from, while taking a house Finances. They offer Finances for property investment like housing purchase, housing construction, housing improvement, housing extension, housing equity and housing conversion. Other housing Finances offered by them are land purchase Finances, stamp duty Finances, balance transfer Finances, refinance Finances etc., The housing sector plays an important role in the economic development of the country. Housing activity is considered as amongst the important lead indicators of economic activity, given its strong and substantial forward and backward linkages with other sectors of the economy. According to one estimate every rupee invested in housing adds 78 paise to the GDP.

Over 269 industries are directly or indirectly dependent on the housing sector. The last few years have seen the housing Finances market growing at a CAGR of over 30%. The growth has been mainly fuelled by certain fiscal, social and regulatory drivers. Even after this significant growth India's mortgage Finances-to- GDP ratio is low. According to ICRA Report on "Industry Outlook and Performance Review of Housing Finance Companies and the Indian Mortgage Finance Market for 2010-11", housing Finances as a percentage of GDP have remained at around 7 per cent, significantly lower than the levels achieved in most of the developed countries. It indicates the extent of opportunity for deeper penetration of such market. BCG-FICCI report estimates that the mortgage finance industry is expected to grow to Rs 40 lakh crore by 2020. This

translates to 24 per cent, compounded annually for the next nine years. Not only is the housing financing space expected to witness sharp growth, developer Finances are also expected to witness demand. The opportunities for housing Finances market in India include:

- Changes in demographic profile including increase in the rate of household formation due to structural shift from joint family system to nuclear family
- Ever increasing middle class, migration of population and increasing urbanization resulting in acute shortage of housing units
- Increase in disposable income levels due to IT and ITES related boom, decrease in marginal tax rates, and increase in total income levels and rise in disposable incomes.
- Tax benefits and other fiscal incentives announced in the Union Budgets. Attractive tax advantages for housing Finances make them ideal vehicles for tax planning for salary earners.
- Increasing affordability of housing property purchase due to declining interest rates and stable property prices
- Decline in the average house cost to annual income ratio to around 4-5 from 11-14 during the last decade resulting in an affordable EMI as a percentage of monthly income
- Aggressive lending by banks to the housing sector due to lower credit off- take by the corporate sector, attractive spread and lowers nonperforming assets. In fact with banking sector witnessing huge asset quality slippages elsewhere, the banks have begun to focus on housing Finances market. While this is a concern in the near-term, the long-term prospects for housing finance are promising due to under-penetrated nature of the market.
- Significant changes in laws, regulations encouraging housing development. In the recent years for example, the scrapping of the Urban Land (Ceiling & Regulation) Act by the Central Government, amendment of the NHB Act to provide for easy foreclosure and permission for foreign direct investment to make investments in real estate have provided an encouraging investment climate. Further reforms such as tax/stamp duty rationalization that provide a level playing field to the housing sector may need to be carried forward to tap the unmet demand for housing stock.
- Enabling regulatory framework for banks and other housing finance institutions, giving helpful prescriptions on risk weights for housing exposures and the benefit of compliance with the targets mandated for priority sector lending. Besides, housing Finances growth by financial institutions has been assisted by the comfort of relative safety of such assets given the tangible nature of the primary security and the comfort obtained from the SARFAESI Act, 2002.

#### **OBJECTIVE:-**

1. To study the perception of public & private sectors bank customers regarding housing Finances.
2. To study the facilities provide by public & private sectors bank to housing Finances customers.
3. To study the perception of housing Finances customers regarding processing charges taken b1y bank.

#### **HYPOTHESIS:-**

H1. Agents play important role in sanctioning the Finances cases at both private and public sector banks.

#### **RESEARCH METHODOLOGY:-**

Primary data for the present research study was collected through unstructured interviews of the employees and observation. Besides, secondary data was collected through various research journals & papers on the same topic. Information regarding new approaches and strategic development in the field was collected from the internet and reference was taken from the books of some renowned authors as well in order to get a deeper insight into philosophy.

#### **IMPORTANCE OF HOUSING FINANCES:-**

1. The need for housing Finances arises not because property prices are heading upwards all the time but because housing Finances make great sense from a long-term savings perspective. Not only are housing Finances a handy tool for the common man to own a roof over his head but they also help save money in the long run.

2. With skyrocketing real estate prices, people are increasingly opting for housing Finances to acquire their dream housing. Interest rates are coming down all the time and the banks and the housing finance companies are literally falling over each other to lure the prospective housing-seekers.
3. Notwithstanding the tax breaks and generous lending rates, a lot of people still cannot arrange resources for the down-payment, which comes out to be at least 15 per cent of the property value. Taking cognizance of the situation, Banks are coming up with housing Finances products called 'zero down payment Finances' wherein 100 per cent funding is provided for select properties. These lucrative offers are other major reasons for why people are opting for Finances.
4. Even if one can afford to buy a housing with one's own money, housing Finances should be availed because they act as good savings instrument. According to industry estimates, the long term average return in investing in a housing is about 20% p.a. while the average cost of borrowing funds in the market today is about 7% p.a. (considering all tax breaks).
5. For salaried employees, housing Finances are the best way to avail of tax benefits. Many people simply go for the housing Finances in order to avail these benefits. Interest payments up to Rs. 1.5 lakh on housing Finances are deductible from the taxable income and there is a further deduction of taxable income maximum up to Rs. 1 lakh against repayment of principal portion per annum. In case a person stays in a rented house, the cost of the Finances will be nearly zero per cent since he will be saving a decent amount on rent.

All the banks offer many types of Finances and advances to the customers like retail Finances, term Finances, working capital finance, overdraft, export import finance and project finance.

**Table 1: Sources of information of Finances (Bank)**

The information about source of information (bank) of customers of public as well as private sector bank is shown in following Table.

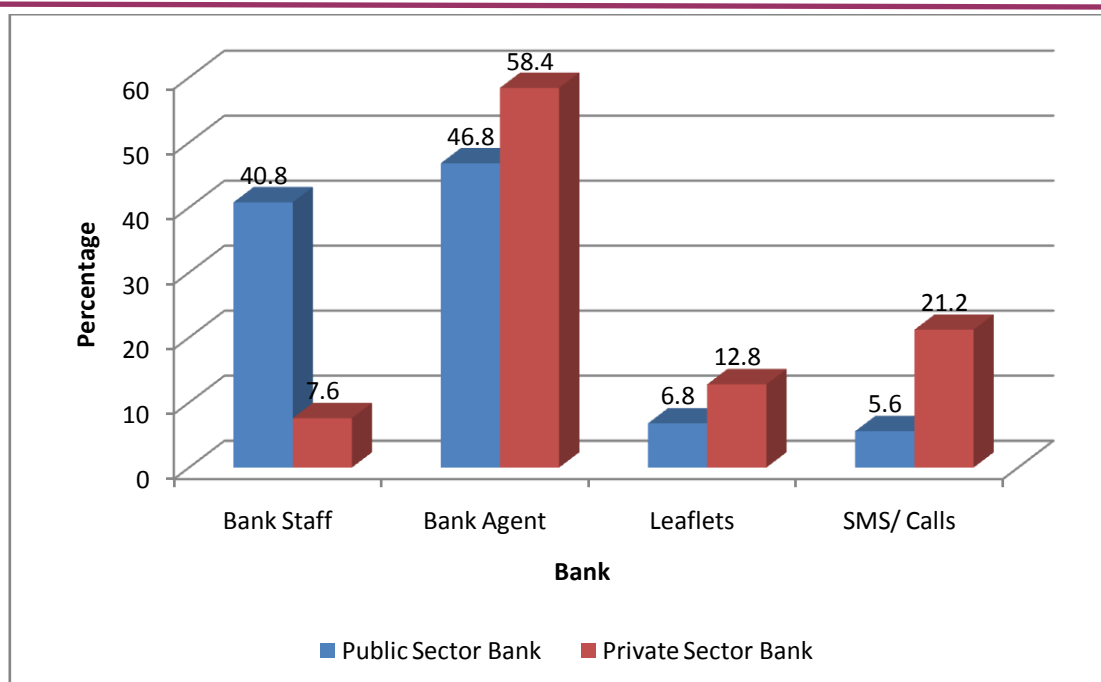
Source of Information (Bank)	Public Sector Bank		Private Sector Bank		Z	P
	N	Percent	N	Percent		
Bank Staff	102	40.8	19	7.6	8.666	<0.05
Bank Agent	117	46.8	146	58.4	-2.597	<0.05
Leaflets	17	6.8	32	12.8	-2.256	<0.05
SMS/ Calls	14	5.6	53	21.2	-5.120	<0.05
Total	<b>250</b>	<b>100</b>	<b>250</b>	<b>100</b>		

**Source: Survey Data**

It is observed that out of total 250 respondents taking Finances from public sector bank 102(40.8%) respondents know regarding housing Finances through bank staff, whereas no. of respondents became aware of housing Finances through bank agent, leaflets and SMS/Calls was 117(46.8%), 17(6.8%) and 14(5.6%) respectively.

It is also observed that out of total 250 respondents taking Finances from private sector bank 19(7.6%) respondents know regarding housing Finances through bank staff, whereas no. of respondents became aware of housing Finances through bank agent, leaflets and SMS/Calls was 146(58.4%), 32(12.8%) and 53(21.2%) respectively.

There is considerable ( $P < 0.05$ ) difference among the customers of public and private sector banks with respect to bank agent as a source of information of housing Finances; however it is observed that private sector banks make more use of leaflets and SMS/Call to provide information regarding housing Finances to customers whereas majority of public sector banks customers received information regarding housing Finances from bank staff.



**Fig. 1: Sources of information of Finances (Bank)**

**Table2: Responses of customers about hiring agent for sanctioning Finances from bank.**

Responses of public and private sector bank customer about hiring agent for sanctioning Finances from bank are shown in following Table.

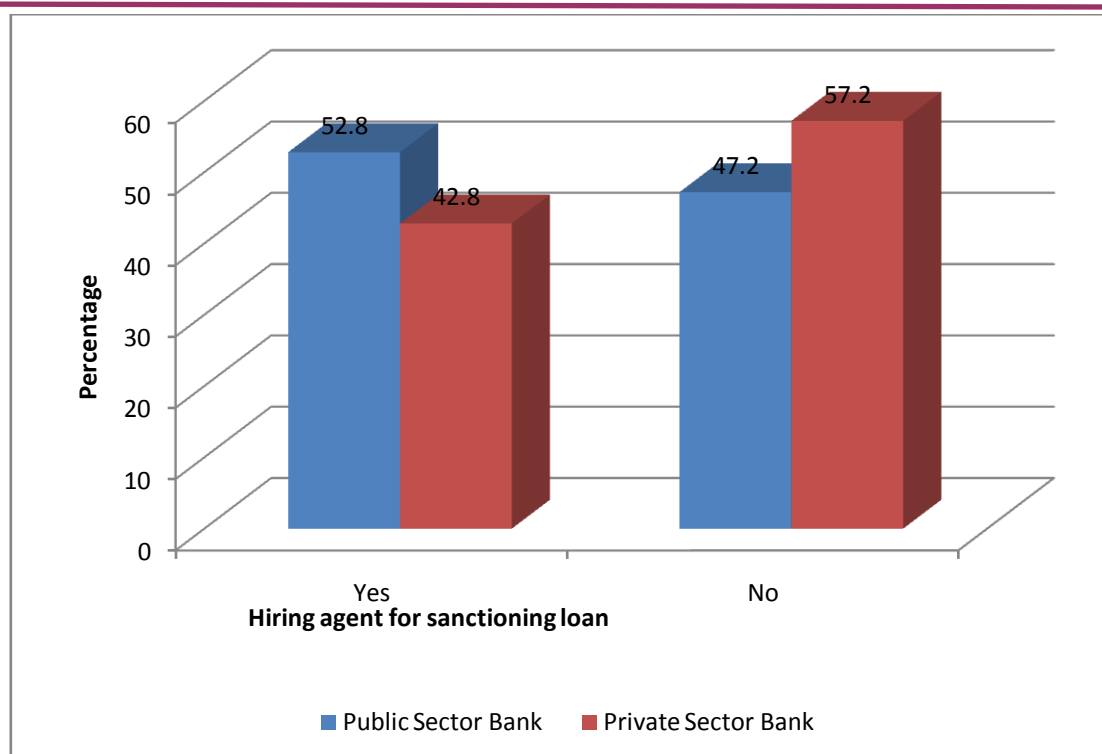
	Public Sector Bank		Private Sector Bank		Z	P
	N	Percent	N	Percent		
Yes	132	52.8	107	42.8	2.238	<0.05
No	118	47.2	143	57.2	-2.238	<0.05
<b>Total</b>	<b>250</b>	<b>100</b>	<b>250</b>	<b>100</b>		

**Source: Survey Data**

It is observed that out of total 250 respondents taking housing Finances from public sector bank 132(52.8%) respondents hired agent for sanctioning Finances, whereas 118(47.2%) customers did not hire agent for sanctioning Finances.

It is also observed that out of total 250 respondents taking Finances from private sector bank 107(42.8%) respondents hired agent for sanctioning Finances, whereas 143(57.2%) customers did not hire agent for sanctioning Finances.

There is considerable ( $P < 0.05$ ) difference among the customers of public and private sector banks with respect to hiring agent for sanctioning housing Finances. Hence it is evident that in majority of public sector bank customers hired agent whereas majority of private sector bank customers did not hire agent for sanctioning housing Finances.



**Fig.2: Responses of customers about hiring agent for sanctioning Finances from bank**

It is evident from the result of table 1 and 2 that there is considerable ( $P < 0.05$ ) difference among the customers of public and private sector banks with respect to hiring agent for sanctioning housing Finances. It is observed that in majority of public sector bank customers hired agent whereas majority of private sector bank customers did not hire agent for sanctioning housing Finances still the no of private bank customers hiring agent for sanctioning Finances is not negligible. Hence, **hypothesis is accepted**.

### CONCLUSION:-

There is considerable difference among the customers of public and private sector banks with respect to tenure of housing Finances taken by customers. Majority of housing Finances customers in public sector banks take Finances on 5 to 10 years tenure, whereas majority of housing Finances customers in private sector banks take Finances on 10 to 15 years tenure. The customers of public and private sector banks with respect to entertaining and solving complaints made by them through bank. Hence it is clear that majority of public sector bank did not entertain and solved complaints made by customers whereas majority of private sector bank entertain and solved complaints made by customers.

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