



## INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE AND MANAGEMENT

### CONTENTS

Sr. No.	Title & Name of the Author (s)	Page No.
1.	<b>OPERATIONS RISK MANAGEMENT IN CENTRALIZED PROCESSING UNITS THE NEED TO CREATE AN OPERATIONAL DIAGNOSTICS MODEL FOR INTERNATIONAL / OUTSOURCED / CENTRALIZED OPERATION UNITS</b> <i>GARIMELLA BHASKAR NARASIMHA RAO &amp; GABRIEL VIJAY PAUL HEDGE</i>	6
2.	<b>VALUE RELEVANCE OF ACCOUNTING INFORMATION: EVIDENCE FROM SRI LANKA</b> <i>CHANDRAPALA PATHIRAWASAM</i>	13
3.	<b>RECENT TRENDS AND DEVELOPMENTS IN APPAREL MARKETING IN INDIA</b> <i>DR. K. RAJESH KUMAR, MR.C.KANDASAMY &amp; N.MANJUNATH</i>	21
4.	<b>PERFORMANCE MEASUREMENT OF MUTUAL FUNDS IN INDIA IN THE POST LIBERALISATION ERA – AN ECONOMIC REVIEW (A STUDY BASED ON SAMPLE OF 100 ACTIVELY TRADED OPEN ENDED FUNDS WITH GROWTH OPTION)</b> <i>DR.BIMAL JAISWAL &amp; NAMITA NIGAM</i>	26
5.	<b>DETERMINANTS OF CAPITAL STRUCTURE: AN EMPIRICAL STUDY OF INDIAN COMPANIES</b> <i>DR. JAGANNATH PANDA &amp; DR. ASHOK KUMAR PANIGRAHI</i>	41
6.	<b>INFLUENCE OF STRESS ON IT PROFESSIONALS – THE GOLD COLLARS – AN INDIAN PERSPECTIVE</b> <i>BEULAH VIJI CHRISTIANA.M &amp; DR.V.MAHALAKSHMI</i>	55
7.	<b>A STUDY OF THE ISSUES OF BORROWERS AND COMMERCIAL BANKS IN SANCTIONING AND RECOVERY OF HOUSING LOANS</b> <i>DR. L. RAJANI &amp; PROF. P. MOHAN REDDY</i>	61
8.	<b>INVESTORS PERCEPTION ABOUT INTERNET STOCK TRADING - A CONSTRAINT ANALYSIS</b> <i>DR.V. SELVAM</i>	71
9.	<b>DUAL CAREER AND ITS EFFECT ON RELATIONSHIPS: A STUDY OF GOVERNMENT AND PRIVATE ACADEMIC INSTITUTES</b> <i>DR. HIMANI SHARMA</i>	76
10.	<b>INDIA'S INTERNATIONAL TRADE DURING GLOBAL RECESSION</b> <i>MRS. JAYASHREE PATIL-DAKE &amp; MRS. SWATI MATHUR</i>	83
11.	<b>DOES INDIAN EQUITY MARKET FOLLOW RANDOM WALKS? EVIDENCE FROM THE NATIONAL STOCK EXCHANGE</b> <i>P. SRINIVASAN</i>	88
12.	<b>NPAs IN HOME LOAN: A SURVEY (WITH SPECIAL REFERENCE TO SELECTED DISTRICTS OF ODISHA)</b> <i>DR. IPSEETA SATPATHY, DR. B.C.M.PATNAIK &amp; PRAKASH KUMAR PRADHAN</i>	95
13.	<b>WORD OF MOUTH MARKETING (WOMM): A CONCEPTUAL FRAME WORK</b> <i>DR. CH. VENKATAIAH</i>	106
14.	<b>WORKING CAPITAL MANAGEMENT: POLICIES AND PRACTICES AT SAREGAMA INDIA LIMITED</b> <i>DR T. KOTI REDDY &amp; RAGHAV BAHETI</i>	109
15.	<b>IMPACT OF FINANCIAL REFORMS ON BANKING SECTOR – EVIDENCE FROM INDIA</b> <i>HARESH BAROT</i>	120
16.	<b>AN OVERVIEW OF FINANCIAL RATIOS FROM 1900'S TILL PRESENT DAY</b> <i>MRS. SANOBAR ANJUM</i>	126
17.	<b>SOCIO-ECONOMIC CONTRIBUTION OF INDIAN DIASPORAS TO HOMELAND: EMPHASIS ON IT INDUSTRIES</b> <i>DEEPTI GUPTA &amp; DR. RENU TYAGI</i>	131
18.	<b>CONTRIBUTION OF HOFSTEDE'S CULTURE MODEL TO INTERNATIONAL BUSINESS</b> <i>DR. DEVINDER PAL SINGH</i>	136
19.	<b>MARKET SEGMENTATION IN FMCG: TIME TO DERIVE NEW BASIS FOR MARKET SEGMENTATION</b> <i>AMANDEEP SINGH</i>	140
20.	<b>EMPOWERMENT OF WOMEN THROUGH MICRO FINANCE: A BOON FOR DEVELOPMENT OF ECONOMY</b> <i>DR. SHEFALI VERMA THAKRAL, NITIMA UPPAL &amp; ESHA CHAWLA</i>	146
	<b>REQUEST FOR FEEDBACK</b>	151

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## A STUDY OF THE ISSUES OF BORROWERS AND COMMERCIAL BANKS IN SANCTIONING AND RECOVERY OF HOUSING LOANS

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### **ABSTRACT**

*Food, clothing and shelter have always been considered a basic human need. Home has been the centre and instrument for mankind's moral and material progress ever since the advent of civilization. Since home life affects the very foundation of an individual's life. The house becomes an integral part of it. The present paper deals with various problems faced by both the sample borrowers in availing loans from the banks and the sample banks in sanctioning and recovering the loans from the borrowers. Besides, the satisfaction levels of sample borrowers and their opinions to overcome the problems faced by them are also highlighted.*

### **KEYWORDS**

Borrowing, Commercial Bank, Housing loan, Recovery

### **INTRODUCTION**

India is home to over 1.1 billion people. With about one in every sixth person in the world living in India, housing perforce assumes significant importance. Successive Indian governments have regarded housing as a primary need of the people. The need to provide affordable housing has been the reason behind State interventions in the sector. Housing policies, however, tended to be framed by the government from a social rather than economic perspective. Despite explicit recognition of the need for housing, dedicated programmes have only benefited from low public spending. Home has been the centre and instrument for mankind's moral and material progress ever since the advent of civilization. Since home life affects the very foundation of an individual's life. The house becomes an integral part of it. The first step in house construction is collecting money to own a house. These days one need not have ready cash to start house construction. There are many financing institutions which give a helping hand in fulfilling one's dream of owning a house. The present paper deals with various problems faced by both the sample borrowers in availing loans from the banks and the sample banks in sanctioning and recovering the loans from the borrowers. Besides, the satisfaction levels of sample borrowers and their opinions to overcome the problems faced by them are also highlighted.

### **OBJECTIVES**

The following specific objectives have been set for the study:

- to analyze the problems and experiences of customers availing housing loans ;
- to identify the problems of select commercial banks in the area of housing finance ; and
- to make relevant suggestions and recommendations towards effective and viable housing finance by commercial banks.

### **HYPOTHESES**

The present study intends to formulate the following hypotheses to bring out certain conclusions concerning the performance of commercial banks in housing finance.

- There are no significant differences in the select commercial banks in facing the problems regarding recovery of house loans.
- There are no significant differences in the awareness and satisfaction of the borrowers of housing loans from public sector commercial banks.

### **SAMPLE DESIGN**

The study confines to Housing Finance by Commercial Banks in Kadapa Corporation. Presently, the banking structure in Kadapa Corporation comprises 19 Commercial Banks, i.e., 15 Public Sector Banks and 4 Private Sector Banks. The study has adopted Multi-stage sampling technique taking into consideration the banks, branches and loanees.

**Stage I**

Out of total 19 public sector commercial banks functioning in the Kadapa Corporation, 11 under public sector and all the 4 under private sector are not actively involved in housing finance activity. So they are excluded from the scope of the study. As such, the remaining four public sector commercial banks: State Bank of India (SBI) ; Syndicate Bank (SB); Andhra Bank (AB) and Indian Bank (IB) which are actively involved in housing finance activity have been selected for the study.

**Stage II**

The branch network of the sample banks in Kadapa Corporation is SBI-3; AB – 3 ; SB – 3 and IB -1. From each of the select banks, one bank branch which is actively engaged in housing finance activity has been selected for an intensive study.

**Stage III**

The universe of the housing loan borrowers constitutes those individuals residing in the Kadapa Corporation who have availed loans from the four sample bank branches. The total housing loan borrowers are 1097 consisting 500 from SBI, 352 from AB, 179 from SB, and 66 from IB. Out of 1097 borrowers, 30 per cent borrowers are selected by applying the Random Sampling Technique. Thus, sample borrowers constitute 330 representing 150 from SBI, 106 from AB, 54 from SB, and 20 from IB.

The sample, therefore, finally constitutes 4 Public Sector commercial Banks, 4 bank branches and 330 sample housing finance borrowers.

**DATA BASE**

To achieve the set objectives, the study is based on primary data. Primary Data is collected from the sample respondents who have taken housing loans from the sample bank branches. Pre- tested schedules were developed and administered for the purpose. The managers and staff members of select commercial banks are interviewed and discussions held in detail regarding various aspects of housing finance.

**TOOLS OF ANALYSIS**

The data collected from the primary source have been analysed with the help of different analytical tools. Statistical tests are employed at appropriate contexts for arriving at meaningful inferences.

**PROBLEMS OF SAMPLE BORROWERS**

Sample borrowers of residential house builders are facing number of problems. The problems of the sample borrowers include preparation of documents, delay of sanction, surety and security, rules and regulations, incidental expenses, insufficient loan amount, insurance cost and prepayment burden.

**BANK-WISE PROBLEMS OF SAMPLE BORROWERS**

Problems of the sample borrowers while borrowing the loans from the banks are embodied in the Table 1.

**Table 1**  
PROBLEMS OF SAMPLE BORROWERS IN SELECT COMMERCIAL BANKS

Sl.No	Sample Bank	Total of borrowers	no.No. of total borrowers	ofNo.of total borrowers facing problems	Number of borrowers facing the problems of								Average No.of Problems per Borrowers*
					Preparation of Document	Delay of processing of loan application	inSurety loan	/Rules Regulations	&Incidental Expenses	In sufficient loan	Insurance	Pre payment	
1	SBI	150 (100.0)	78 (52.0)	72 (48.0)	22 (14.67)	31 (20.67)	72 (48.0)	64 (42.67)	68 (45.33)	39 (26.0)	34 (22.67)	10 (6.67)	4.72
2	AB	106 (100.0)	38 (35.85)	68 (64.15)	27 (25.47)	28 (26.42)	54 (50.94)	63 (59.43)	43 (40.57)	26 (24.53)	32 (30.19)	06 (5.66)	4.10
3	SB	54 (100.0)	25 (46.30)	29 (53.70)	12 (22.22)	09 (16.67)	22 (40.74)	28 (51.85)	25 (46.30)	16 (29.63)	28 (51.85)	04 (7.41)	4.97
4	IB	20 (100.0)	14 (70.0)	06 (30.0)	02 (10.0)	03 (15.0)	06 (30.0)	06 (30.0)	04 (20.0)	03 (15.0)	04 (20.0)	01 (5.0)	4.83
Total		330 (100.0)	155 (46.97)	175 (53.03)	63 (19.09)	71 (21.52)	154 (46.67)	161 (48.79)	140 (42.42)	84 (25.45)	98 (29.70)	21 (6.36)	4.53

Chi – Square Value X2 - calculated value 11.6

Level of Significance (%) - 5

degrees of Freedom - 3

Critical Value of Chi-Square - 7.815

Note : Figures in the parentheses indicate percentage to total

\*Multiple responses

Source: field survey

Out of 330 sample borrowers, 175 have been facing different kinds of problems. It may be said that the magnitude of the problem is slightly pronounced in AB when compared to other select banks. About 64.15 per cent of the sample borrowers opined that they have problems in dealing with the bank. Very least per cent i.e., 30.0 per cent borrowers said that they faced problems in IB. It indicates that the IB is providing more facilities as customer friendly with other banks. The intensity of the problems varied from bank to bank.

Of all the sample borrowers, the sample borrowers of SB face more problems as of 29 sample borrowers face on an average of 4.97 number of problems and the least is recorded with AB with its 68 sample borrowers, on an average face 4.10 number of problems. Thus, it is observed that the problem of rules and regulations is more in all the select banks.

*Hypothesis formulated and tested*

It is presumed that 'there are no significant differences between select public sector banks and problems of sample borrowers'. The calculated value of Chi – Square Value (X<sup>2</sup>) is 11.6. The critical value at 5 per cent level of significance for 3 degrees of freedom is 7.815. The calculated value is more than the Table value. Thus, a null hypothesis is rejected.

**INCOME-WISE DISTRIBUTION OF SAMPLE BORROWERS FACING PROBLEMS**

The intensity of problems varies from borrower to borrower in relation to their income level as shown in Table 2.

Table 2  
INCOME - WISE DISTRIBUTION OF SAMPLE BORROWERS FACING PROBLEMS

Sl.No	Monthly Income (Rs)	Total number of borrowers	No. of borrowers facing problems	No. of borrowers facing problems	Preparation of Documents	Delay in processing of loan applications	Surety & Security	Rules & Regulations	Incidental Expenses	Insurance	Prepayment	Average No. of problems per borrowers *
1	Upto 17000	17 (5.15)	13 (76.47)	04 (23.53)	-	01 (6.67)	03 (20.0)	03 (20.0)	02 (13.33)	02 (13.33)	-	4.12
2	10000-15000	140 (42.42)	83 (59.29)	57 (40.71)	19 (13.38)	23 (16.20)	52 (37.14)	48 (33.80)	42 (29.58)	21 (14.79)	22 (15.49)	4.04
3	15000-20000	99 (30.00)	10 (10.10)	89 (89.90)	33 (33.33)	38 (38.38)	78 (78.79)	87 (87.88)	77 (77.78)	54 (54.55)	64 (64.65)	4.95
4	Above 20000	74 (22.42)	49 (66.22)	25 (33.78)	11 (15.07)	9 (12.33)	21 (28.76)	23 (31.50)	19 (26.03)	9 (12.33)	10 (13.70)	4.50
Total		330 (100.0)	155 (46.97)	175 (53.03)	63 (19.09)	71 (21.52)	154 (46.67)	161 (48.79)	140 (42.42)	84 (25.45)	98 (29.70)	4.53

Chi – Square Value X<sup>2</sup> - calculated value 75.93

Level of Significance (%) - 5

Degrees of Freedom - 3

Critical Value of Chi-Square - 7.815

Note : Figures in the parentheses indicate percentage to total

\* Multiple responses

Source : Field survey

Total sample borrowers are divided into four categories based on their monthly income viz., upto Rs.10000; Rs.10000-Rs.15000; Rs.15000-Rs.20000; and more than Rs.20000. Borrowers in the lowest income group having upto Rs.10000 income are 15, but only 4 of them accounting for 26.67 per cent in the group faced the problems with sample banks. About 40.71 per cent and 89.90 per cent of the borrowers are experiencing the problems with select banks in income group of second and third categories respectively. But, sample borrowers with more than Rs.20000 monthly income are 25 forming 33.78 per cent of the total sample group. They are also experienced the problems in taking the loan from sample banks. Almost all income groups of sample borrowers are experiencing the problems equally.

*Hypothesis formulated and tested*

It is presumed that 'there are no significant differences between income level and problems of sample borrowers'. The calculated value of Chi – Square Value (X<sup>2</sup>) 75.93 is greater than the critical value at 5 per cent level of significance for 3 degrees of freedom is 7.815. Hence, a null hypothesis is rejected.

Problem of Documentation

Documentation is an important factor at the time of applying for house loan in sample banks. The applicants have to submit the loan application along with required documents to select banks. The details of documents to be submitted for housing finance are listed as under:

- Duly filled in application , Proof of employment and salary certificate for self , spouse (if employed) / Balance sheet for last 3 years in the case of professionals, businessmen and self employed persons;
- Income Tax/Wealth Tax returns for the past 3 years, Proof of other sources of income like rent, interest on investment, if any;

- Copy of Agreement of Sale/Sale Deed of the property ,Demand Draft/Chalan towards payment of (1) processing fees (2) legal charges and (3) administration;
- Duly filled in guarantor forms and Estimated of the proposed construction certified by the qualified engineer/authorities;
- No objection certificate from the revenue authorities and LIC policy certificate on hand, NIL Encumbrances Certificate for 13 years and approved building plan;
- Parent documents for 30 years , Title deed and Inspection report from qualified civil engineer/architect;

All sample banks insist on similar type of documents. Out of 330 sample borrowers from all sample banks, 63 sample borrowers feel difficulty in the preparation of document for sanction of the housing loans. Out of 63 sample borrowers experienced the problem in preparation of loan documentation, while the highest of 27 sample borrowers (25.47 per cent) in recorded in AB, the lowest of 2 borrowers (10.0 per cent) in IB. Next to AB, 22 borrowers of SBI and 12 loanees of SB could feel the problem concerning the preparation of loan documentation (see Table 6.1).

#### DELAY IN SANCTION OF LOANS

Owing to delay in the sanction of loans, the select borrowers experienced the problems. In general, select banks after taking borrowers loan applications they will sanction the loans in different time lags. Data with regard to these lags involved in select banks are portrayed in Table 3.

Table 3  
DISTRIBUTION OF SAMPLE BORROWERS ACCORDING TO TIME INVOLVEMENT IN THE SANCTION OF HOUSE LOAN

Sl. No.	Time taken sanctioning loans (in days)	No. of Borrowers in SBI	AB	SB	IB	Total
1	Upto 15	38 (25.33)	29 (27.36)	19 (35.18)	06 (30.0)	92 (27.88)
2	15-30	45 (30.0)	37 (34.91)	26 (48.15)	09 (45.0)	117 (35.45)
3	30-45	33 (22.0)	09 (8.49)	06 (11.11)	-	48 (14.55)
4	45-60	26 (17.33)	25 (23.58)	03 (5.56)	03 (15.0)	57 (17.27)
5	Above 60	08 (5.33)	06 (5.66)	-	02 (10.0)	16 (4.85)
Total		150 (100.0)	106 (100.0)	54 (100.0)	20 (100.0)	330 (100.0)

Note: Figures in the parentheses indicate percentages to the total

Source: Field Survey

It is evident that about 35.45 per cent of total sample borrowers are sanctioned loans in 15–30 days; 27.88 per cent of in 15 days; 17.27 per cent in 45-60 days; 14.55 per cent in 30-45 days; and 4.85 per cent after 60 days of application date. There is wide variation of delay in sanctioning loans among the banks under study. About 10.0 per cent of the sample borrowers in IB are receiving loans in more than 60 days. The maximum number of sample borrowers have taken loans for housing construction in 15-30 days in all the select banks. Further, it is significant to note that with in the sample banks, SB sanctions loans more quickly. As large as 35.18 per cent of its borrowers are sanctioned loans within 15 days while none of its customers got loans after 60 days.

#### PROBLEM OF SURITY AND SECURITY

Another great hurdle that the sample borrowers faced at the times of receiving the loans from select banks is adhering to surity and security conditions. For analysis, surity and security is classified into three aspects namely, (i) Title of the property (ii) Guarantee and (iii) Collateral security.

Table 4  
DISTRIBUTION OF SAMPLE BORROWERS FACING SURITY AND SECURITY PROBLEM

Sl. No.	Problem of borrower	No. of borrowers				Total
		SBI	AB	SB	IB	
1	Title of the property	28 (18.67)	19 (17.92)	08 (14.81)	02 (10.0)	57 (17.27)
2	Guarantee	36 (24.0)	29 (27.36)	11 (20.37)	03 (15.0)	79 (23.94)
3	Collateral security	08 (5.33)	06 (5.66)	03 (5.56)	01 (5.0)	18 (5.46)
4	Total 1+ 2+ 3	72 (48.0)	54 (50.94)	22 (40.74)	06 (30.0)	154 (46.67)
5	Borrowers not facing the problem	78 (52.0)	52 (49.06)	32 (59.26)	14 (70.0)	176 (53.33)
Total sample 4+ 5		150 (100.0)	106 (100.0)	54 (100.0)	20 (100.0)	330 (100.0)

Chi – Square Value X<sup>2</sup> - 3.88

Level of Significance (%) - 5  
 Degrees of Freedom - 3  
 Critical Value of Chi-Square - 7.815

Note :1. Figures in the parentheses indicate percentages to the total.  
 2.X2calculated for the problems regarding surety and security and problems faced by the sample borrowers in select commercial banks.

Source : Field Survey

Table 4 focuses on the problems regarding surety and security in the select commercial banks. It is clear that out of 330 sample borrowers from all select banks, 154 (46.67 per cent) experienced the problem and 176 not faced the problem of surety and security. Among all the select banks, the problem of surety and security is high in SBI, followed by AB, SB and IB. In all the select banks, problem of guarantee is more pronounced with 23.94 per cent when compared to other surety problems such as title of the property and collateral security. Problem of guarantee is also more in AB when compared to other banks. The reason is that banks demand their customers to arrange guarantee for 5 to 20 years. It is becoming hurdle on the part of the customers to arrange that much of guarantee to get the house loan.

*Hypothesis formulated and tested*

It is presumed that 'there are no significant differences between the problems of borrowers regarding surety and security in select commercial banks'. It is evident that the calculated value of Chi-square is 3.88 and the critical value is 7.815 at 5 per cent level of significance for 3 degrees of freedom. The calculated value is less than the Table value. Hence, the null hypothesis is accepted.

#### RULES AND REGULATIONS

Usually banks follow some rules and regulations to grant housing finance. These rules and regulations do not help to finance the total cost of the plot, repayment schedules, plinth area criteria, not considering the future/other income and built area criteria. Table 5 contains the data relating to the problems faced by the sample borrowers regarding the rules and regulations of sample banks. It is evident that among 330 sample borrowers, 51.21 per cent of borrowers in all the select banks do not suffer with the problem of rules and regulations.

Table 5  
 DISTRIBUTION OF SAMPLE BORROWERS FACING THE PROBLEMS OF RULES AND REGULATIONS

Sl. No.	Problem of borrower	No. of Borrowers				
		SBI	AB	SB	IB	Total
1	Total cost of plot not financed	24 (16.0)	23 (21.70)	11 (20.37)	04 (20.0)	62 (18.79)
2	Repayment Schedule	12 (8.0)	10 (9.43)	08 (14.81)	01 (5.0)	31 (9.39)
3	Non-consideration future income	10 (6.67)	08 (7.55)	04 (7.41)	01 (5.0)	23 (6.97)
4	Plinth area criteria	12 (8.0)	12 (11.32)	03 (5.56)	-	27 (8.18)
5	Built area criteria	06 (4.0)	10 (9.43)	02 (3.70)	-	18 (5.45)
6	Total 1+2+3+4+5	64 (42.67)	63 (59.43)	28 (51.85)	06 (30.0)	161 (48.79)
7	Borrowing not facing the problem	86 (57.33)	43 (40.57)	26 (48.15)	14 (70.0)	169 (51.21)
Total sample 4+5		150 (100.0)	106 (100.0)	54 (100.0)	20 (100.0)	330 (100.0)

Chi – Square Value X<sup>2</sup> - 10.08  
 Level of Significance (%) - 5  
 Degrees of Freedom - 3  
 Critical Value of Chi-Square - 7.815

Note :1. Figures in the parentheses indicate percentages to the total.  
 2. X<sup>2</sup> calculated for the problems regarding rules and regulations and problems faced by the sample borrowers in select commercial banks

Source: Field Survey

Out of 161 borrowers, who encountered with this problem in all the sample banks, 64 borrowers are from SBI and 63 borrowers from AB. It means that the intensity of this problem is more or less equal among the borrowers of SBI and AB. Very less number of borrowers of IB experienced with this problem. Banks believe that recovery of loan would be perfect from the borrowers those who could acquire plot on their own. Banks fix the repayment schedule by considering the monthly income, period of service and family size.

*Hypothesis formulated and tested*

It is proposed that 'there are no significant differences between problems regarding rules and regulations faced by the sample borrowers in select commercial banks'. The calculated value of Chi –Square Value (X<sup>2</sup>) is 10.08 and the Table value is 7.815 at 5 per cent level of significance for 3 degrees of freedom. The calculated value is much greater than Table value. Thus, the null hypothesis is rejected.

#### INCIDENTAL EXPENSES

At the time of sanctioning the loan, sample borrowers have to pay a fixed per cent of amount to sample banks for official expenses. They are processing expenses, legal expenses, and registration charges, stamp duty, administration expenses and the like. But along with above expenses, selected sample borrowers will agree to pay some incidental expenses also.

Table 6 depicts the number of sample borrowers have been faced by problems of incidental expenses from select banks in constructing houses. It is clear that out of 330 sample borrowers of select banks, 42.42 per cent of borrowers have faced the problem of incidental expenses. Among all the select banks, 79 borrowers paid incidental expenses upto 1 per cent of their loan sanctioned, 42 borrowers paid 1-2 per cent of the loan and 19 borrowers paid above 2 per cent of the loan sanctioned. The third category borrowers paid it for loan approval. Among all the select banks, the problem of incidental expenses is more in SBI, followed by AB, SB and IB.

**Hypothesis formulated and tested**

It is hypothesized that 'there are no significant differences between problems faced by the sample borrowers with regarding to incidental expenses and select public sector commercial banks'. The calculated value of Chi-Square (X<sup>2</sup>) is 5.74 and Table value at 5 per cent level of significance for 3 degrees of freedom is 7.815. The calculated value is less than the Table value. Thus, a null hypothesis is accepted.

**Table 6**

**DISTRIBUTION OF SAMPLE BORROWERS FACING THE PROBLEM OF INCIDENTAL EXPENSES**

Sl. No.	Incidental expenses (In percentage over sanctioned of loan)	No. of Borrowers				Total
		SBI	AB	SB	IB	
1	Upto 1	32 (21.33)	28 (26.42)	16 (29.63)	03 (15.0)	79 (23.94)
2	1-2	26 (17.33)	08 (7.55)	07 (12.96)	01 (5.0)	42 (12.73)
3	Above 2	10 (6.67)	07 (6.60)	02 (3.70)	-	19 (5.76)
4	Total (1+2+3)	68 (45.33)	43 (40.57)	25 (46.30)	04 (20.0)	140 (42.42)
5	Borrowers not facing the problem	82 (54.67)	63 (59.43)	29 (53.70)	16 (80.0)	190 (57.58)
Total sample 4+5		150 (100.0)	106 (100.0)	54 (100.0)	20 (100.0)	330 (100.0)

Chi – Square Value X<sup>2</sup> - 5.74

Level of Significance (%) - 5

Degrees of Freedom - 3

Critical Value of Chi-Square - 7.815

- Note :1. Figures in the parentheses indicate percentages to the total  
 2. X<sup>2</sup> calculated for the problems regarding incidental expenses and problems faced by the sample borrowers in select commercial banks

Source: Field survey

**INSUFFICIENT LOAN AMOUNT**

Insufficient loan amount is another problem being faced by the sample borrowers from the banks. This problem is different from borrower to borrower and from bank to bank.

**Table 7**

**DISTRIBUTION OF SAMPLE BORROWERS FACING THE PROBLEM OF INSUFFICIENT LOAN AMOUNT**

Sl. No.	Reasons	No. of Borrowers				Total
		SBI	AB	SB	IB	
1	Below Estimated cost	11 (7.33)	09 (8.49)	04 (7.41)	01 (5.0)	25 (7.58)
2	Future and other income not considering	18 (12.00)	12 (11.32)	08 (14.81)	02 (10.0)	40 (12.12)
3	Plinth area criteria	10 (6.67)	05 (4.72)	04 (7.41)	-	19 (5.76)
4	Total 1+2+3	39 (26.00)	26 (24.53)	16 (29.63)	03 (15.0)	84 (25.45)
5	Borrowing not facing the problem	111 (74.00)	80 (75.47)	38 (70.37)	17 (85.0)	246 (74.55)
Total sample 4+5		150 (100.0)	106 (100.0)	54 (100.0)	20 (100.0)	330 (100.0)

Chi – Square Value X<sup>2</sup> - 6.09

Level of Significance (%) - 5

Degrees of Freedom - 3

Critical Value of Chi-Square - 7.815

- Note :1. Figures in the parentheses indicate percentages to the total  
 2. X<sup>2</sup> calculated for the problems regarding insufficient loan amount and problems faced by the sample borrowers in select commercial banks

Source: Field survey

Table 7 shows the details of the distribution of sample borrowers facing the problem of insufficient loan amount. It is evident that out of the total sample borrowers of all select commercial banks only 25.45 per cent of borrowers faced this problem. About 50 per cent of borrowers who suffered with insufficient loan amount are mainly due to the reason of 'future and other income not considering', followed by low estimated cost and plinth and built areas. Among all the select commercial banks, more number of borrowers from SBI has suffered with insufficient loan amount due to all the three reasons when compared to other banks.

*Hypothesis formulated and tested*

It is presumed that 'there are no significant differences between problems of insufficient loan amount in select commercial banks'. The calculated value of Chi-Square ( $X^2$ ) is (6.09) less than the Table value (7.815) at 5 per cent level of significance for 3 degrees of freedom. Thus, the null hypothesis is accepted.

**INSURANCE COST**

Insurance cost is another problem faced by the sample borrowers. The select public sector commercial banks generally cutoff a fixed amount from the sanctioned loan towards insurance cover/cost. Table 8 indicates the distribution of sample borrowers facing the problem of insurance cost.

Table 8

DISTRIBUTION OF SAMPLE BORROWERS FACING THE PROBLEM OF INSURANCE COST						
Sl. No.	Reasons	No. of Borrowers				
		SBI	AB	SB	IB	Total
1	Loan cover	28 (18.67)	26 (24.53)	16 (29.63)	03 (15.0)	73 (22.12)
2	Term assurance	06 (4.0)	06 (5.66)	12 (22.22)	01 (5.0)	25 (7.58)
3	Total 1+2	34 (22.67)	32 (30.19)	28 (51.85)	04 (20.0)	98 (29.70)
4	Borrowing not facing the problem	116 (77.33)	74 (69.81)	26 (48.15)	16 (80.0)	232 (70.30)
Total sample 3+4		150 (100.0)	106 (100.0)	54 (100.0)	20 (100.0)	330 (100.0)

Note : 1. Figures in the parentheses indicate percentages to the total

2.  $X^2$  calculated for the problems regarding insurance cover and problems faced by the sample borrowers in select commercial banks

Source: Field survey

It is clear that out of 98 borrowers from all select commercial banks, highest of 34 borrowers encountered the problem of 'insurance cost'. This problem is very less with IB. Only 4 borrowers out of 20 have suffered with this problem. Most of the borrowers from all the select commercial banks under study experienced that loan cover is the major problem than the term assurance. Borrowers of SBI, AB and SB have experienced with the problem of insurance cost more or less equal.

*Hypothesis formulated and tested*

It is hypothesised that 'there are no significant differences between problems of insurance cover/cost in select commercial banks'. The calculated value of Chi-Square ( $X^2$ ) is 17.21 and the Table value 7.815 at 5 per cent level of significance for 3 degrees of freedom. The calculated value is more than the Table value. Thus, the null hypothesis is rejected.

**Pre-Payment**

Another problem of the sample borrowers is pre-payment. It is obvious that some borrowers are willing to pay the installment amount before the repayment period. In this connection, instead of reducing the interest for early repayment, select commercial banks are taking 2.0 per cent of penal interest from the outstanding balance. The problem of pre-payment of loan is presented in Table 9.

Table 9

DISTRIBUTION OF SAMPLE BORROWERS FACING THE PROBLEM OF PRE - PAYMENT					
Sl. No.	Name of the Bank	Total Borrowers	Total No. of Borrowers Faced the Problem	Total No. of Borrowers Not Faced the Problem	
1.	SBI	150 (100.0)	10 (6.67)	140 (93.33)	
2.	AB	106 (100.0)	06 (5.66)	100 (94.34)	
3.	SB	54 (100.0)	04 (7.41)	50 (92.59)	
4.	IB	20 (100.0)	01 (5.0)	19 (95.0)	
Total		330 (100.0)	21 (6.36)	309 (93.64)	

Note : Figures in the parentheses indicate percentages to the total

Source: Field survey

It is evident that out of 330 sample borrowers, only 6.36 per cent of borrowers faced the problem of pre-payment of loan. The problem is more with SBI followed by AB, SB and IB. In IB, very least number i.e., only one borrower experienced this problem. More number of borrowers cleared the loan in advance in SB when compared to other commercial banks.

#### OPINIONS OF THE SAMPLE BORROWER

The sample borrowers have experienced with certain problems at the time of taking loan from select commercial banks. Regarding the problems of the sample borrowers, their opinions were elicited to overcome these problems. The opinions of the sample borrowers are given in the Table 11.

**Table 11**

OPINION OF THE SAMPLE BORROWERS TO OVERCOME THE PROBLEMS

Sl. No.	Opinion of the borrowers	Borrowers				Total
		SBI	AB	SB	IB	
1	The purchase cost of the plot should be financed by sample banks	52 (34.67)	48 (45.28)	23 (42.59)	04 (20.0)	127 (38.48)
2	Salary deduction	41 (27.33)	12 (11.32)	11 (20.37)	08 (40.0)	72 (21.82)
3	Removing the Insurance facility	32 (21.33)	17 (16.04)	06 (11.11)	01 (5.0)	56 (16.97)
4	Waiving off penalty to prepayment	19 (12.67)	20 (18.87)	07 (12.96)	05 (25.0)	51 (15.45)
5	Encourage the non-salaried class	6.00 (4.0)	09 (8.49)	07 (12.96)	02 (10.0)	24 (7.27)
Total sample		150 (100.0)	106 (100.0)	54 (100.0)	20 (100.0)	330 (100.0)

Chi – Square Value  $X^2$  - 26.9

Level of Significance (%) - 5

Degrees of Freedom - 12

Critical Value of Chi-Square - 21.026

- Note :1. Figures in the parentheses indicate percentages to total  
2. The most significant opinion of the borrower is considered and included in the table.

Source: Field survey

Out of the total 330 sample borrowers, 127 sample borrowers representing 38.48 per cent opined in favour of banks providing sufficient loan to purchase house plots, 72 sample borrowers representing 21.82 per cent have expressed that the installment should be stable as far as possible. 56 sample borrowers representing 16.97 per cent viewed that the banks should not change insurance premium at a time. About 51 sample borrowers representing 15.45 per cent opined that banks while 24 sample borrowers representing 7.27 per cent suggested that the encouragement should be made to the non-salaried categories by the select commercial banks should not collect pre-payment charges. Within the four select banks, the highest percentage (45.28 per cent) of sample borrowers are from AB who have suggested that the purchase cost of the plot should be financed by sample banks. It may be said that the problems of borrowers of housing loans differ from one commercial bank to other.

#### Results of Hypothesis Tested

It is observed that the calculated value of Chi-Square value ( $X^2$ ) is 26.9 greater than the Table value is 21.026 at 5 per cent level of significance for 12 degrees of freedom. It is concluded that 'there are no significant differences between the opinions/awareness of the sample borrowers of housing loans from public sector commercial banks'. Thus the null hypothesis is rejected.

#### SATISFACTION LEVEL OF BORROWERS IN RESPECT OF THEIR LENDING BANKS

In a competitive environment, the prospects of any commercial bank depend on customer satisfaction to a large extent. Therefore, it is quite relevant and useful to assess customer's satisfaction. Sample borrower's satisfaction levels are shown in the Table 12.

**Table 12**

SATISFACTION LEVEL OF THE SAMPLE BORROWERS

Sample Bank	Satisfaction Level			Total
	Highly Satisfied	Satisfied	Non- Satisfied	
SBI	30 (20.0)	111 (74.0)	09 (6.0)	150 (100.0)
AB	22 (20.75)	77 (72.64)	07 (6.60)	106 (100.0)
SB	32	19	03	54

	(59.26)	(35.19)	(5.55)	(100.0)
IB	12	07	01	20
	(60.0)	(35.0)	(5.0)	(100.0)
Total	96	214	20	330
	(29.09)	(64.85)	(6.06)	(100.0)

Chi – Square Value X<sup>2</sup> - 43.32

Level of Significance (%) - 5

Degrees of Freedom - 6

Critical Value of Chi-Square - 12.592

Note : Figures in the parentheses indicate percentages to total

Source: Field survey

Out of 330 sample borrowers 214 constituting 64.85 per cent are satisfied with their lending banks, while 96 sample borrowers constituting 29.09 per cent are highly satisfied. And, 20 sample borrowers constituting 6.06 per cent are not satisfied with their banks. Thus, it is clearly understood that the majority of sample borrowers are satisfied with their lending banks. It is clear that out of the total 150 sample borrowers of SBI, as many as 111 representing 74.0 per cent expressed that they are satisfied with the services rendered by the bank. About 30 borrowers are highly satisfied while 9 borrowers are satisfied. In AB 77 borrowers constituting 72.64 per cent are satisfied with the customer services rendered by it. Among 54 sample borrowers of SB, 32 borrowers forming 59.26 per cent expressed that they are highly satisfied with the services rendered by the bank. The satisfaction level in IB sample group is almost similar to that of SB. In respect of all the four select public sector banks, more than 95 per cent of their borrowers feel satisfied with their services.

#### Results of Hypothesis Tested

It is evident that 'there are no significant differences between the satisfaction level of the sample borrowers of housing loans from public sector commercial banks' as the calculated value of Chi-Square value (X<sup>2</sup>) is 43.32. Table value at 5 per cent level of significance for 6 degrees of freedom is 12.592. The calculated value is greater than the Table value. Hence, a null hypothesis is rejected.

#### PROBLEMS OF THE SELECT COMMERCIAL BANKS

Like borrowers, the banks are also facing some problems. Problems of sample Banks, State Bank of India (SBI), Andhra Bank (AB), Syndicate Bank and Indian Bank are analysed separately. Problems like gap between sanctions and disbursements and recovery of installments are analyzed in this connection. The analysis is based on the information provided by the managers and officials of these four sample commercial banks.

#### RATE OF RECOVERY OF LOAN INSTALLMENTS

The main problem of any select public sector banks is the recovery of installments from its borrowers. The success of any commercial bank is purely depending on its capability of recovering sanctioned loans from the borrowers. Table 6.19 depicts the details of recovery of loan installments by select banks.

On analysis, it is observed that there are fluctuations in the recovery of loan installments in the select public sector banks. SBI has recorded the highest rate of recovery with 100.0 per cent in the year 2002-03 and for the rest of the years its recovery rate varied between 93.0 per cent and 99.0 per cent. In case of AB, the highest recovery rate was 98.16 per cent in 2005-06 and for the rest, recovery rate varied between 84.0 per cent and 97.54 per cent. SB has recovered 98.35 per cent during 2005-06 and in other years its recovery rate range between 86.25 per cent and 95.64 per cent. And, IB has recovered 85.0 per cent in 2002-03 year and between 81.62 per cent and 84.30 per cent in the rest years.

On comparing the rates of recovery of sample commercial banks, it is highest in State Bank of India followed by Syndicate Bank and Andhra Bank. Comparatively, the recovery performance of Indian Bank lags behind the other sample commercial banks.

Table 13

YEAR	RATE OF RECOVERY OF LOAN INSTALLMENTS IN SELECT BANKS			
	RECOVERY PER CENT			
	SBI	AB	SB	IB
1999-2K	93.26	84.28	86.25	83.41
2000-01	98.02	96.24	92.36	82.71
2001-02	99.0	93.55	86.25	81.62
2002-03	100.0	86.54	95.26	85.0
2003-04	97.36	96.65	94.48	81.98
2004-05	96.25	97.54	95.64	82.37
2005-06	95.11	98.16	98.35	84.30
Calculated 'ANOVA' Value - 18.63				
Level of Significance (%) - 5.000				
Degrees of Freedom (n1-1, n2-1) - 3, 24				
Critical Value of 'ANOVA' - 7.08				

Source : Field survey

Results of hypothesis tested

The calculated value of 'ANOVA' (18.63) is greater than the critical value of 'ANOVA' (3.01). Hence the hypothesis, 'there are no significant differences in the select commercial banks in facing the problems regarding recovery of house loans' is rejected.

## CONCLUSION

Out of 330 sample borrowers, 175 borrowers constituting 53.03 per cent have experienced one problem or the other. And the remaining borrowers constituting 47.27 per cent have not experienced any problems from any select public sector commercial banks. Of all the problems faced by the borrowers, the major problem is rules and regulations followed by surety and security and paying the incidental expenses. Other problems such as insufficient loan amount, delay in processing, insurance cost, prepayment and preparation of documents are experienced by lesser number of borrowers. In the case of period of loan sanctioned, only a few applications took more than 60 days while more applicants were sanctioned within 30 days. Most of the borrowers opined that instead of deducting in one go (lump sum). Insurance cost can be collected in installments. Simultaneously, it would be reasonable to cut certain percentage month wise. Majority of the sample borrowers opined that the cost of the plot needs to be considered by commercial banks for financing. Other views expressed by them in order of weightage include introducing salary deduction facility for repayment of house loan installments, removing insurance cost, waiving of prepayment charges and encouraging the non-salaried class groups. In respect of all the four select public sector banks, more than 95 per cent of their borrowers feel satisfied with their services. It may be concluded that the select commercial banks have been successful in maintaining goodwill among their borrowers to a large extent. With regard to disbursement of housing loans, all the four commercial banks have no problems. Most of the sanctioned amount is utilized by their borrowers for house construction. The recovery performance is better in SBI as against other sample banks.

## RESULTS OF HYPOTHESES TESTED

The null hypothesis that '*there are no significant differences in the select commercial banks in facing the problems regarding recovery of house loans*' is rejected.

The null hypothesis that '*there are no significant differences between the opinions/awareness and satisfaction of the sample borrowers of housing loans from public sector commercial banks*' is rejected.

## SUGGESTION

The commercial banks shall guide the borrowers in the preparation of the estimated cost plans to get quick sanction of housing loans from the banks.

Public sector banks should reduce time to process the documentation and should try to sanction the loan within 15 to 20 days from the date of application for loan.

The public sector commercial banks should minimize the processing and administrating charges to improve the clientele.

Inordinate delays in sanctioning of loans shall be avoided. Even in the case of non-salaried income loanees, the cumbersome procedure prevalent shall be simplified while sanctioning the loans.

The loan amount shall be estimated based on the latest prices of the inputs to make it more adequate for the purpose of sanctioning loan.

Processing of verification and documentation should be made simple. Specifically, the number of documents to be submitted for house loan shall be minimized.

While recovering the loan amount from the beneficiaries, banks should avail the facility of deducting the dues from the salary at source to save time and expenditure of the borrowers and banks.

Insurance cost should not be deducted in one lumpsum. It should be better if it is added to the monthly installments.

Pre-settlement of housing loans should be allowed with nominal charges. Further, the borrower should be encouraged to repay the housing loans ahead of their repayment schedule.

Competition shall be created among the branches to excel in recovery and best performing branches may be rewarded monetarily. At individual employee level also, performance linked incentives system shall be implemented to motivate employees to step-up monitoring and recovery.

System for awarding of trophy/ merit certificates shall be introduced for better recovery performance in public sector commercial banks.

Government should provide guarantee on customer's credit, especially in the case of low income groups.

## REFERENCES

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