Demographic Profile of Housing Loan Borrowers in Public and Private Sector Banks - An Empirical Study in Telangana State

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ABSTRACT

Demographic profile of housing loan borrowers is highly heterogenous across public and private sector banks and which will have a huge influence on the loan process as well as approval. This study examines the demographic profile of housing loan borrowers across public and private sector banks in Telangana State. The study collected the data through a structured questionnaire and explored the variables such as Gender, Age, Income, Educational Qualification, Occupation, Marital Status, Advertisement Channel used for Housing Loan ads. The study revealed that there exists a strong association between demographic variables viz., income, qualification, occupation etc., of housing loan borrowers' and banks,through which they are availing housing loans. Practically, public and private sector, suitable to their customer base, they can highly customise their housing loan portfolios.

Keywords – Gender Diversity, Advertisement Channels, Demographic variables

Introduction

Perception of the customers on factors related to housing finance such as documentation and legal formalities, transparency, faster processing, reasonable lobby writing time, quicker sanctioning, disbursement at the right time, prompt and accurate updating of repayment, return of deleted cheques within a specified time, provision of statements at the right time, the release of documents on due dates, etc., plays a vital role in housing business (Eswari and Meera 2016). Similar factors are also observed in the study by Kannayia Suman (2016). It is stated that the home loan application or sanction process needs to be shorter, and housing finance institutions are collecting high amounts of processing fees, conversion fees, administration, and repayment penalty charges. A study by Nanwani Amit (2016) evaluated the home loan schemes of SBI, BOI, HDFC, AND ICICI and the problems faced by their customers while obtaining home loans. The study found that most respondents who wanted to take a loan from public sector banks to construct a new house required extensive formalities to be fulfilled. Private sector banks are top-rated among the customers and are rated very high by the customers compared to public banks. Overall, the satisfaction level about the services provided by private sector banks remains high compared to that of public sector banks. Apart from the issues related to banking factors such as low income, job uncertainty, property, monthly expenditure, etc., it also affects housing finance borrowers or aspirants of housing (Mahajan Shrikrishna, 2013). Riar

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Manureet (2016) opined that housing finance needs to be more effective in reaching the rural and less developed regions, and housing finance needs to address the hitherto neglected segments (Narsis I and P Arivazhagan 2016).

In this background, this study deals with the perceptions of home loan borrowers. The demographical and other factors that impact home loan borrowers, such as income, education, gender, occupation and other services provided to the customer are covered.

Problem Statement

Indian housing finance market is highly competitive and, at the same time, customer-friendly. Given its wide range of choices, the customers have an edge and are armed with bargaining power; hence, if they are satisfied with the services of a particular bank, the customers effortlessly will move away to any other bank of their choice. Customer retention is a challenging factor in the housing finance market, and it is an essential aspect; thus, there is a need to study the perceptions of the borrowers.

Objective of the Study

Primary objective of this study is examining the demographic profile of housing loan borrowers from public and private sector banks in Telangana state.

Hypotheses of the Study

There is no association between demographic profile of the borrowers and types of banks, they are borrowing housing loans.

Research Methodology

For this study, the data is mainly collected from SBI Home Loan borrowers and HDFC Ltd borrowers from various districts of Telangana on a random basis. The respondents' responses through interview-based questionnaires are gathered from 181 SBI home loan customers and 215 HDFC Ltd customers. The total respondents are 396 together from both banks.

The results were obtained by applying statistical tools such as the chi-square test, factor analysis, and regression analysis to determine the difference and check the satisfaction levels of borrowers of the selected HFIs about each factor using the SPSS package.

Demographic Profile of Housing Loan Borrowers

In the following sections, demographic profile housing loan borrowers of public sector and private sector banks are presented.

Gender Diversity

The gender composition and the sample size of the respondents who took home loans from the SBI and HDFC Bank were 396. Out of these, 86 per cent of the respondents were men, and 14 per cent were women. The respondents from the SBI were 81 per cent men and 19 per cent women, whereas the respondents from HDFC bank were 91 per cent men and 9 per cent women. The following table shows the gender composition of the respondents.

Table - 1 - Home Loan Borrowers by Gender

Gender	SBI	HDFC	TOTAL
Male	146	195	341
% of Male	80.7%	90.7%	
Female	35	20	55
% of Female	19.3%	9.30%	
	181	215	396

Source: Primary data

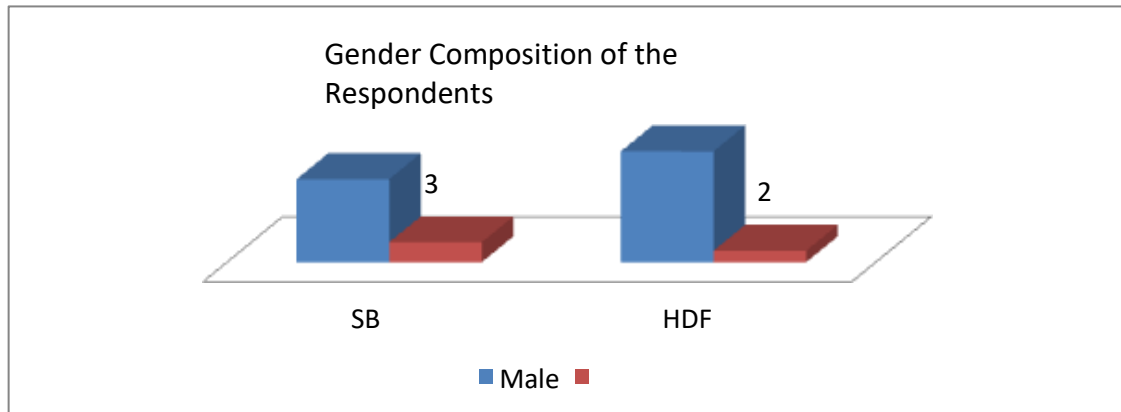Figure .1: Gender Composition of the Respondents

Table 1 presents the gender composition of SBI and HDFC Ltd home loan borrowers. The above table shows that the total number of customers is 181 SBI, and the total number from HDFC is 215. The total number of borrowers from both financial institutions are 396 respondents during the study period. From the total number of borrowers, male respondents are 341, and female respondents are 55. In SBI, male borrowers aggregated to 80.7 per cent, females 19.3 per cent, similarly in HDFC male respondents are 90.7 per cent. Though most sample customers from both HFIs are male, the percentage of females is higher among SBI customers than HDFC. There are more male borrowers because, generally, male employees apply more for housing loans and get attached to EMI for various reasons. Women may not be employed or, if hired, may insist that their husbands use for home loans. Female employees prefer

husbands to be attached to EMI. Therefore, the Chi-square test is applied to test the association between gender and housing finance companies.

Pearson's Chi-Square Test		
Chi-Square Value	df	Asymptotic Significance (2-sided)
8.274	1	0.004

Ho: There is no association between gender and housing finance H1: There is an association between gender and housing finance

The above table shows the results of the Chi-square test. Pearson Chi-square test statistic value is 8.274, and the degree of freedom is 1. The 'p' value associated with the statistic is 0.000, less than 0.05. So, the null hypothesis is rejected at a 5% significance level, and the alternative hypothesis is accepted, inferring that there is an association between gender and housing finance companies.

Age Distribution of Home Loan Borrowers

Age is an essential factor that influences the borrowing of home loans. Applying for a home loan is a crucial decision and one of a person's life-size commitments. Before approving home loans, banks or financial institutions consider various factors. Their focus will be on the tenure and age of the borrower.Therefore, age is one of the main essential factors.Table .2: Age of the Respondents

Age	SBI	HDFC	TOTAL
Below 30 Years	53	57	110
	(29.3%)	(26.5%)	(27.8%)
Between 30-40 Years	55	86	141
	(30.4%)	(40.0%)	(35.6%)
Between 40-50 Years	55	64	119
	(30.4%)	(29.8%)	(30.1%)
Above 50 Years	18	8	26
	(9.9%)	(3.7%)	(6.6%)

Total	181	215	396
	(100.00)	(100.00)	(100.00)

Source: Primary data

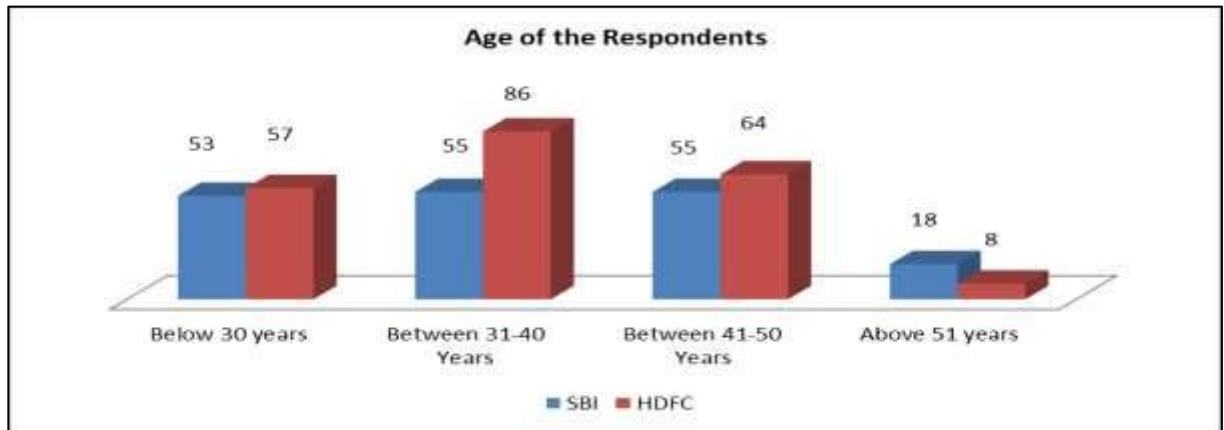Figure .2: Age of the Respondents

Table .2 explains the borrowers' age in SBI and HDFC. The table shows that the respondents below 30 are 53 (29.3%) in SBI and 57 (26.5%) in HDFC. The respondents between 30-40 years groups are 55 (30.4%) in SBI and 86 (40.0%) in HDFC respondents. Similarly, 40–50-year respondents from the public and private sectors are 55 (30.4%) and 64 (29.8%), respectively. Above 50 years are 18 (9.9%) and 8 (3.7%) in both the housing finance companies, respectively. It is found that the SBI home loan customers are spread almost equally across all ages except among those above 50 years. In the case of HDFC, most are found among the 30-40 age group. It is further elucidated that the private banks are not interested in granting loans to the 50 age group, probably due to the fear of decreasing people's working lives. Young adults are borrowers eligible for not only higher amounts of loans but also for increases in the loan duration.

Pearson Chi-Square Tests		
Chi-Square Value	df	Asymptotic Significance (2-sided)
8.632	3	0.035

Chi-square test is applied to test the association between dealing with Age and

Housing finance companies,

Ho: There is no association between dealing with age and Housing finance

companies H1: There is an association between coping with age and Housing

finance companies

The above table shows the results of the Chi-square test. Pearson Chi-square test statistic value is 8.632, and the degree of freedom is 3. The 'p' value associated with the statistic is 0.000, less than 0.05. So, the null hypothesis is rejected at a 5% significance level, and the alternative hypothesis is accepted, inferring that there is an association between dealing with age and housing finance companies.

Education Qualification of Home Loan Borrowers

Table 3, depicts the percentage share of graduate borrowers from both institutions in total is 40 to 41 per cent. However, in the case of borrowers with a level of education above graduation, their share is high at 47 per cent in SBI, while it is 38 per cent in HDFC. The chi-square test tests the association between educational qualifications and housing financing companies.
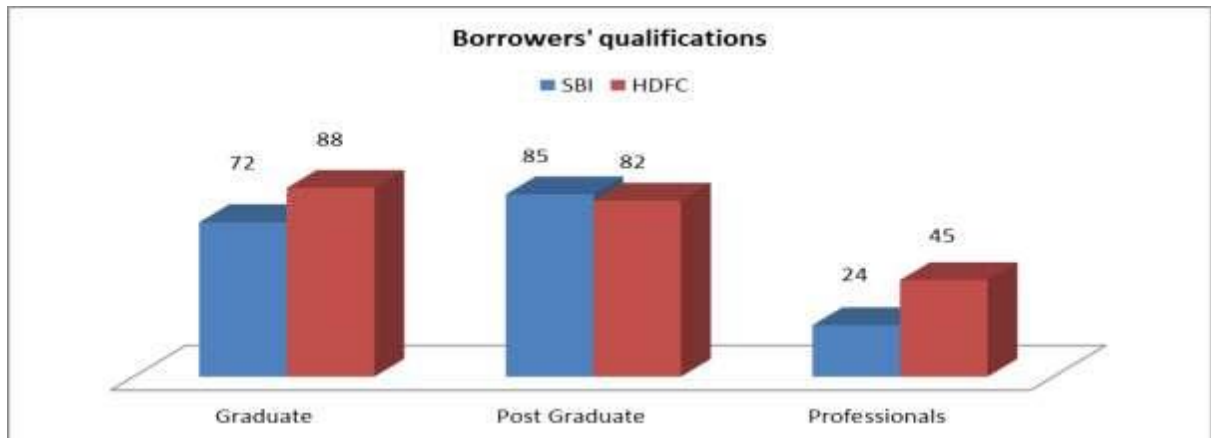
Table -3 - Borrowers Qualification

Educational Qualification	SBI	HDFC	TOTAL
Graduate (Up to Graduation)	72	88	160
	(39.8%)	(40.9%)	(40.4%)
Post Graduate	85	82	167
	(47.0%)	(38.1%)	(42.2%)
Professionals	24	45	69
	(13.3%)	(20.9%)	(17.4%)
Total	181	215	396
	(100.00)	(100.00)	(100.00)

Source: Primary data

Figure – 3- Borrower's Qualifications

The data shows that about 42 per cent of the respondents were postgraduates and Forty per cent were graduates. There, 17.4 per cent of the borrowers were professionals. The above figure shows that the trend is somewhat similar for both banks except for professionals. Among professionals, HDFC Bank has more professional borrowers than SBI.

Chi-Square Tests		
Pearson's Chi-Square Value	Df	Asymptotic Significance (2-sided)
5.164	2	0.076

H0: There is an association between educational qualification and housing financing account companies.

H1: There is no association between educational qualification and housing financing accounts companies.

The above table shows the results of the chi-square test. Pearson's chi-square test statistic value is 5.164, and the degree of freedom is 2. The 'p' value associated with the statistic is 0.076, which is not less than 0.05. So, the null hypothesis is accepted at a 5% level of significance, and the alternative hypothesis is rejected, inferring that there is an association between educational qualification and housing financing companies.

Nature of Occupation of Home Loan Borrowers

Table 4 presents the category-wise borrowers of both banks. It is clear that of all the categories of borrowers, the salaried respondents constitute little less than half of the total sample borrowers of SBI, while around 52 per cent of self-employed/businesspeople constitute the total sample customers of HDFC. Because regular and assured repayment is expected from these borrowers. The SBI has attracted a more significant number of professionals, i.e., 14.4 per cent of professionals, whereas HDFC 's share was 11.2 per cent. It is interesting to note that the share of other employees of SBI is only 1.1 per cent, while that of HDFC is 5.6 per cent. This might be because of a lack of regular income sources.

Table -4 - Borrowers Occupation

Occupation	SBI	HDFC	TOTAL
Professional	26	24	50
	(14.4%)	(11.2%)	(12.7%)
Self Employed	70	111	181
	(38.7%)	(51.6%)	(45.7%)
Salaried	83	68	151
	(45.9%)	(31.6%)	(38.1%)
Other Employee	2	12	14
	(1.1%)	(5.6%)	(3.5%)
Total	181	215	396
	(100.00)	(100.00)	(100.00)

Source: Primary Data

Chi-Square Tests		
Pearson Chi-Square Value	Df	Asymptotic Significance (2-sided)
15.193	3	0.002

The chi-square test is applied to test the association between the occupation of the owner and housing finance companies.

Ho: There is no association between the occupation of the respondents and housing financing accounts

H1: There is an association between the occupation of the respondents and housing financing accounts.

Results of the Chi-square test - Pearson Chi-square test statistic value is 15.193, and the degree of freedom is 3. The 'p' value associated with the statistic is 0.002, which is less than 0.05. So, the null hypothesis is rejected at a 5% significance level, and the alternative hypothesis is accepted by inferring that there is an association between occupation and housing finance accounts.

Marital Status of Home Loan Borrowers

It is observed from Table 5 that around 95 per cent of HDFC borrowers are married, whereas their share is 84 per cent in SBI. It is also evident that SBI is attracting more unmarried borrowers than HDFC. Since SBI appears liberal in its approach to the status of marriage and employment, it can be concluded that marital status is less critical to public-sector banks. It may only consider the borrowers' repayment capacity rather than marital status.

Table – 5 - Borrowers Marital Status

Marital Status	SBI	HDFC	TOTAL
Married	152	204	356
	(84.0%)	(94.9%)	(89.9%)
Unmarried	29	11	40
	(16.0%)	(5.1%)	(10.1%)
Total	181	215	396
	(100.00)	(100.00)	(100.00)

Source: Primary

Figure - 4 - Borrowers Marital Status

Borrowers Marital Status

15

204

2

1

SB

■ Married ■
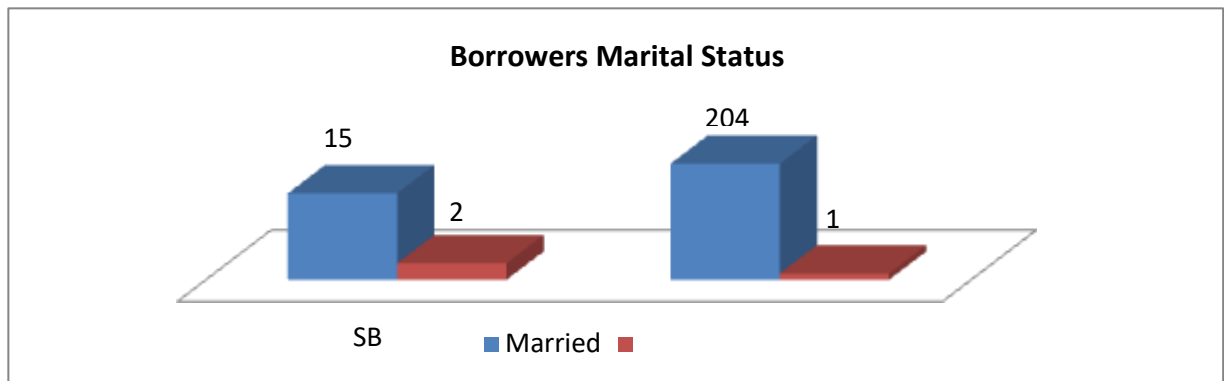
Chi-Square Tests		
Pearson's Chi-Square Value	Df	Asymptotic Significance (2-sided)
12.871	1	0.000

Chi-square test is applied to test the association between marital status and housing financing companies.

Ho: There is no association between marital status and housing financing

companies.

H1: There is an association between marital status and housing financing

companies.

Pearson's chi-square test statistic value is 12.871, and the degree of freedom is 1. The 'p' value associated with the statistic is 0.000, less than 0.05. So, the null hypothesis is rejected at a 5% level of significance, and the alternative hypothesis is accepted, inferring that there is an association between marital status and housing financing companies.

Income Status of Home Loan Borrowers

Table 6 reports that public sector banks mostly prefer the higher income groups. SBI granted loans to people with above 15 lakhs of income, constituting 12.2 per cent, whereas HDFC granted only 1.9 per cent under this category. At

the same time, HDFC granted higher loans to people with an income of 5 to 10 lakhs annually. The people with income of less than five lakhs group come more under the preview of HDFC, constituting about 48.8 per cent, whereas SBI share is only 32.6 per cent. The share of SBI in the income group between 10 and 15 lakhs is approximately 28.2 per cent, and that of HDFC is roughly 15.3 per cent. Therefore, it is concluded that public sector banks grant housing loans to people with higher income groups of more than ten lakhs per annum.

Table - 6 - Borrowers Income

Income	SBI	HDFC	TOTAL
Below 5 Lakhs	49	73	122
	(27.1%)	(34.0%)	(30.8)
Between 5-10 Lakhs	59	105	164
	(32.6%)	(48.8%)	(41.4%)
Between 10-15 Lakhs	51	33	84
	(28.2%)	(15.3%)	(21.2%)
15 Lakhs & Above	22	4	26
	(12.2%)	(1.9%)	(6.6%)
Total	181	215	396
	(100.00)	(100.00)	(100.00)

Source: Primary Data

Figure 5: Borrowers Income
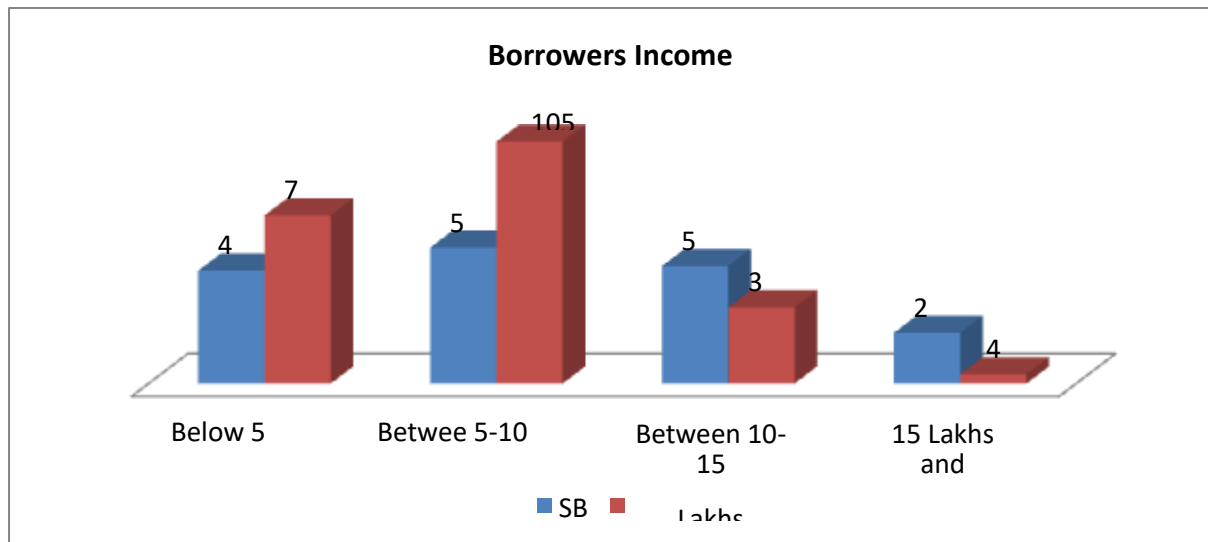
Borrowers Income

About 41 per cent of the respondents are between the income groups of Rs. 5 to Rs. 10 lakh, which constitutes the highest percentage of borrowers. The data shows that due to the increase in housing demand, more middle-class respondents are opting for housing loans from both banks.

Chi-Square Tests		
Pearson's Chi-Square Value	Df	Asymptotic Significance (2-sided)
31.254	3	0.000

Chi-square test is applied to the association between income and housing financing companies.

Ho: There is no association between income and housing financing

companies

H1: There is an association between income and housing financing

companies

Chi-square test - Pearson's chi-square test statistic value is 31.254, and the degree of freedom is 3. The 'p' value associated with the statistic is 0.000,

less than 0.05. So, the null hypothesis is rejected at a 5% significance level, and the alternative hypothesis is accepted, inferring that there is an association between income and housing financing companies.

Borrowers Age and Advertisement Channel

It is evident from Table 7 that people between 30 and 50 years are obtaining information about getting loans from SBI and HDFC through display hoardings and banners installed across the selected places of the towns. This is probably because people in this age group see the advertisement boards while coming to and from their workplaces. The higher percentage, 41.8 per cent, is the age group below 30 years, getting information through magazines and journals. This is because young adults tend to read journals and magazines out of their interest. Therefore, advertisements in magazines are more reachable to the younger generation. Interestingly, television advertisements are reaching adults above 50 years of age. This might be because people 50 watch television more frequently than other age groups.

Table -7 - Borrowers Age and Information about Home Loan

Age Group	News Papers	Magazines	Hoardings/Banners	Television	Total
Below 30 Years	16	46	30	18	110
	14.5%	41.8%	27.3%	16.4%	100.0%
Between 30-40 Years	28	40	57	16	141
	19.9%	28.4%	40.4%	11.3%	100.0%
Between 40-50 Years	29	33	37	20	119
	24.4%	27.7%	31.1%	16.8%	100.0%
Above 50 Years	5	4	6	11	26
	19.2%	15.4%	23.1%	42.3%	100.0%

Total	78	123	130	65	396
	19.7%	31.1%	32.8%	16.4%	100.0%

Source: Primary Data

Chi-Square Tests		
Pearson Chi-Square Value	df	Asymptotic Significance (2-sided)
26.927	9	0.001

The chi-square test tests the association between age and information about housing loan borrowers.

Ho: There is no association between age and information about housing loan borrowers

H1: There is an association between age and information about housing loan borrowers.

Pearson Chi-square test statistic value is 26.927, and the degree of freedom is 9. The 'p' value associated with the statistic is 0.001, which is less than 0.05. So, the null hypothesis is rejected at a 5% level of significance, and the alternative hypothesis is accepted by inferring that there is an association between age and information about housing loan borrowers.

Conclusion

This section presented the demographic details relating to the respondents of both the selected organizations in comparison with each other. The factors were gender composition, age pattern, education level, occupation, Marital Status, Income Status, and Information about home loans for a better understanding of their experiences with their respective financial institutions.

Private banks are not keen enough to show interest in granting loans to

adults over 50, probably because of the decreasing efficiency of their working lives. However, banks may also consider this age group for eligibility because people's lifespans are enhanced during this advanced health consciousness era. It is also observed that SBI attracts more unmarried borrowers than HDFC because of its liberal approach to the status of marriage and employment. Therefore, it is suggested that private-sector banks adopt a neutral approach to marital status. The public sector banks are granting housing loans to people with higher income groups of more than ten lakhs per annum. However, it is suggested to consider borrowers less than ten lakhs per annum to attract more borrowers.

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