INTRODUCTION

Banking system is an important constituent of overall economic system. It plays a crucial role in the attainment of macro-economic objectives. It acts, as a vehicle for socio-economic transformation and also as a catalyst to economic growth. It also plays an important role in mobilizing the nation's savings and in channelizing them into high investment priorities and better utilization of available resources. Hence, banking can better be described as the kingpin of the chariot of economic progress.

Banking, if equated with money lending, it perhaps as old as the civilization itself. However, modern banking is something really different form mere lending. It is far more sophisticated and complicated. In a developing economy, the role of banks is more creative and purposeful than in a developed one. In a developing country, where the banking habits of the people are not developed, the task of creating and spreading the banking habits and of mobilizing and country's resources becomes a challenging one. It is here that banks play a crucial role because they act as a bridge between those requires

Ammannaya, Credit creation is another equally important activity of the banking system. Credit creation refers to the power of commercial banks to create demand deposits through advances and investments. The commercial banks can create credit on the basis of a fractional reserve system wherein a part of the deposits are kept with the central bank. Thus, as mobilizers of resources of the economy, as dispensers and distributors of these resources and finally as creators of money, banks not only occupy an important place in the economic structure of a country, but also play an effective role in its economic growth.

In India too, banking is an important segment of tertiary sector. It acts as a backbone of our economic progress and prosperity. It plays an all pervasive roles of a catalyst in development. The Indian banking has undergone major transformations during the past three decades and has been made more socially relevant and development-oriented. Nationalization of fourteen major banks (each with deposits of at least Rs.50 crore) in 1969 and of another six banks in 1980 marked a significant step towards this transformation. Financial sector reforms following the Narasimham Committee Report (1991, 1998) further transformed our banking system.
At present, commercial banks in India are classified as scheduled and non-scheduled. A scheduled bank is eligible for certain central banking facilities, especially that of obtaining accommodation from the RBI, which is not available to non-scheduled banks.

Further, scheduled banks can be classified into those which are incorporate in India, called the Indian scheduled Banks, and those incorporated abroad, called the foreign banks.

Indian scheduled banks can further be divided into nationalized and non-nationalized. Nationalized or public sector banks comprise of State Bank of India and its seven subsidiaries and 19 (consequent upon the merger of New Bank of India with Punjab National Bank in 1993) other nationalized banks. Other private banks come under the category of non-nationalized bank.

Another category of Indian scheduled commercial banks is Regional Rural Banks. A beginning to set up the Regional Rural Banks was made in the later half of 1975 under the Regional Rural Banks Ordinance, 1975 and further Regional Rural Act, 1976. These banks were set up with the objective of developing the rural economy by providing credit and other facilities for agriculture and other productive activities of all kinds in rural areas. The main emphasis was supposed to be on the provision of such facilities to small and marginal farmers, agricultural labours, rural artisans and other small entrepreneurs working in rural areas. Thus, they were established mainly to implement the multi-agency approach to credit in rural areas.

Still another segment of the organized sector of the Indian banking system is represented by a group of financial institutions called the co-operative banks. For short and medium term, the cooperative credit structure is a three-tier and a federal system. At the apex level is the State Cooperative Bank in each state, at the intermediate (district) level are Central Cooperative Banks, and at the village level are Primary Agricultural Credit Societies (PACs). Long term agricultural credit is provided by Land Development Banks.

Thus, Indian banking system can be classified as combining the commercial objectives with social objectives and by transforming 'class banking' into 'mass banking'. This transformation led to spread of banking into every far-flung and remote corner of the country. There 32633 rural branches in 2010 against a partly figure of 1830 at the time
of nationalization. The share of rural branches in total branches of scheduled commercial banks was 22.5 percent in 1969 which rose to 62.7 percent in 2010.

Rural deposits also witnessed a tremendous growth after nationalization. Their share in total deposits rose from 3.1 percent in 1969 to nearly 49.9 percent in 2010. Moreover, the emphasis had now shifted to lending according to national priorities, particularly in favor of hitherto neglected and weaker sections of the community so as to help them in their productive endeavors. Further, with a greater emphasis on agriculture, integrated rural development programme and development of small and tiny industries, the banking system had played a crucial role by redirecting the flow of credit on priority basis towards the rural areas.

Also, the banks accepted the challenge of spreading banking to difficult areas of the country and of bridging the gap between backward and not-so-backward regions by introducing innovative programs like the Service Areas Approach and the Lead Bank Scheme. Vigorous and sustained efforts were made by banks in discharging their social responsibilities in other sectors too. They have simultaneously been aggressive in promoting exports through a package of wide ranging services.

Development of entrepreneurship is another responsibility which has been adjoined on the banks. To this end, commercial banks, besides providing term loans and working capital have been rendering valuable assistance in identification and formulation of locally suitable projects and have also been extending counseling services including technical and managerial guidance to new enterprises. In addition, the banks have been increasingly involved in the financing of public food procurement agencies, quasi-government bodies and other public undertakings since nationalization.

**STATEMENT OF PROBLEM**

The investigator has examined the literature and noticed the gap in terms of customer satisfaction towards the home loan by schedule banks. Accordingly, the problem to be studied is the customer satisfaction towards the housing loan schemes of the bank and also make a comparative study of private and public sectors bank delivery and disbursement of loan leading to customer satisfaction. To study reasons for shifting of house loan from
one bank to other and also the reason of default if any. To suggest the strategies for brand promotion and human resource management of banks.

IMPORTANCE OF RESEARCH

The major banks in Indian are still largely owned by the Government of India. The performance of Public Sector Bank still continues to be constraint by operational inflexibility and lack of autonomy in several critical areas, which inhibit them from affectively competing with other banks. In such a scenario private sector banks and foreign banks have generally being able to set their deposit rates, Prime Lending Rate (PLR) and interest stress significantly higher than those of public sector banks.

On the strength of their better customer service, it is therefore, imperative to create enabling environment where in the public sector banks could respond to the pressure of competition more vigorously. Through the reform are broad enough in content. Many vital areas remain untouched the reconciliation of profitability with social responsibility still remained a challenge. The crucial area of functional autonomy for nationalized banks has not been addressed, while the reform so far made are fully justified at the same time. The deregulated environment has exposed the banking system to newer from of risk that is interest rate risk, exchange rate risk, assets liability miss match risks. The present study shall explore the key issues of customer satisfaction towards housing scheme of bank and suggest strategies for attraction and retention.

LIMITATION OF THE STUDY:

The present study is focusing only two public and two private sector banks and is limited Delhi. The customers under study in the present study is limited to Delhi and do not include other metro and 2 tier cities. The sample size is limited to 300 only.
LITERATURE REVIEW

A number of studies have observed that the profitability of commercial banks through had started declining from the mid sixties, but the decline was more pronounce in the post nationalization period, several exogenous (also called policy induced) and endogenous factors have been found responsible for this trend. An attempt has been made to briefly review some of the studies which investigated the profitability behavior of commercial banks in India.

Kumar & Gulati (2010) examines whether the effect of ownership on the efficiency of Indian domestic banks is significant. The efficiency scores for public and private sector banks were computed using a deterministic, non-parametric and linear programming based frontier technique, which is popularly known as Data Envelopment Analysis (DEA). Using the cross-sectional data of the public and private sector banks, which operated in the financial years 2005-06 and 2006-07, the study finds that (1) De nova private sector banks dominate the formation of efficient frontier of Indian domestic banking industry; (2) The overall technical inefficiency stems primarily from managerial inefficiency (as reflected by pure technical inefficiency) rather than scale inefficiency; and (3) Though the efficiency differences between the public and private sector banks have been noted, these differences are statistically insignificant in most of the instances. On the whole, the study concludes that ownership does not matter in the Indian domestic banking industry.

Subbaiah & Jeyakumar (2009), customer service is a series of activities designed to enhance the level of customer satisfaction that is the feeling that a product or service has met the customer expectations. The bank strongly believes the customers service will be the most important factor in maintaining and improving the leadership in India’s Banking Industry. ATMs are important in the customer service so as to enhance market share and business growth.

David (2008) examined in his study taken from 2001 to 2008 that in this period there is increase use of home loans as compared to private mortgage insurance (PMI). He has divided his study into four sections. Section 1 describes why people are going more for home loans than PMI. The main reason for this that now home loans market provide Piggybank loans for those people who don’t have 20% of down payment. Section 2 tells
the factors responsible for the growth of home loans and the risks on shifting toward home equity market without any PMI coverage. PMI can protect lenders from most losses up to 80% of LTV and the absence of PMI will result in considerable losses in an environment. Section 3 tells the measures in changes of type of loans. For this he have taken the data from the 2001 and 2007 AHS a joint project by HUD and Census. The results of this analysis presented in Table One reveal a sharp increase in the Prevalence of owner-occupied properties with multiple mortgages among properties with Newly originated first mortgages. Section 4 describe the Financial status of single-lien and multiple-lien households and for this he have taken the survey of consumer finance and show that financial position is more weaker in multiple loans than the single loans.

Farooqui (2008) branchless banking represents new distribution channel that allows financial institutions and other commercial actors to offer financial service outside traditional bank premises. The essential spirit of branchless banking is addition. Branchless banking aims at putting the national resources to productive activities and directing financial resources to areas where the same are most needed. In line with this spirit the financial institution are required to plan and act for long term development are prosperity of their agents. This require close coordination/collaboration with agents, providing them opportunities to learn more, to become more efficient and a fair price mechanism for the service provided by the agents of the branchless banking.

Kerry D (2008) analysis the sharp rise and than suddenly drop down home prices from the period 1998-2008. changes in prices are for the reasons as such economic fundamentals, the problem was not sub prime lending per se, but the Fed's dramatic reductions, then increases in interest rates during the early-mid-2000, the housing — boom was concentrated in those markets with significant supply-side restrictions, which tend to be more price-volatile; the problem was not in the excess supply of credit in aggregate, or the increase in sub prime per se, but rather in the increased or reduced presence of certain other mortgage products.

Michael (2007) analysis in his study the factors affected the increase in the level of Annual percentages rates (APR) spread reporting during 2005 over 2004. The three main factors are changes in lender business practices; (2) changes in the risk profile of borrowers; and (3) changes in the yield curve environment. The result show that after controlling for the mix of loan types, credit risk factors, and the yield curve, there was no
statistically significant increase in reportable volume for loans originated directly by lenders during 2005, though indirect, wholesale originations did significantly increase. Finally, given a model of the factors affecting results for 2004-2005, we predict that 2006 results will continue to show an increase in the percentage of loans that are higher priced when final numbers are released in September 2007.

Farooqui (2007) Banking Services are most important tools of the economic machinery of an economy. They lubricate the wheel of the economic development. Banking Services are the services, which facilitate financial transactions of the individuals and institutional investors resulting in their resources allocation activities through time. in his paper author has describe that banks have to provide their broad based services package in the mindset of stiff competition. To ensure their competitive edge in future, they have to fight with rivals in terms of quality of their services.

Sendhilvelan & Karthikeyan (2007) RBI has stated that the movement towards universal banking should have faster stability and efficiency of the financial system, but by itself it can not provide a practical or sustainable solution to the operational problems of individual institutions arising from loan capitalization, high level of NPAs large assets liabilities mismatch, liquidity etc. However in a market driven economy to face the competition one factor is the size and hence, the entry of Universal banks is unavoidable for the overall economic development of our country. No doubt it is clear that we are slowly but surely moving from a management of large number of small banks to small number of large banks. This example is achieved with the concept of universal banking which certainly strengthen the banking sector.

Reddy (2007) The banks must try to increase productivity through development of men, material and resources. In order to improve profitability it is advisable for every bank, to diversify its operations and focus on innovative products such as, merchant banking, leasing factoring, insurance credit cards, etc. Further, it is suggested that public sector banks should reduce the percentage of their non-performing assets to improve profitability. Assets liability management, risk management, manpower planning, diversification, adoption of information technology are the key areas which should be concentrate to improve productivity and profitability in public sectors.
Michael (2006) examined the home purchase mortgage product preferences of LMI households. Objectives of his study to analysis the factors that determined factors their choice of mortgage product, is different income groups have some specified need to met particular product. The role pricing and product substitution play in this segment of the market and do results vary when loans are originated through mortgage brokers? For this they have use the regression analysis and the results are high interest risk reduce loan value. Self employed borrower chooses reduce documented loans than salaried workers. Use of this product type seems to be more prevalent among borrowers with substantial funds for down payment and better credit scores. In case of pricing Multi families requires price premium and larger loans carry lower rate. And the role of time, particularly, the time required for the loan to proceed from application to closing it is find that government lending taking the longest time and Nonprime loans the shortest time. Multi family properties take longer time in closing. And during peak season take longer time to close. And for last objective it is find that broker originated loans close faster. The effect of mortgage brokers on pricing and other market outcomes is fertile ground for additional research.

Reddy & Reddy (2006) there is a paradigm shift towards legislation, markets, technology and beyond banks to non-banks. It is also evident that reforms can succeed only if RBI, Government of India and banks make coordinated efforts themselves.

Reddy & Reddy (2005) in the changing banking scenario, the SBI is one of the leading public sector banks which welcomes the radical changes and makes the organization fit for the changes without much difficulty. The bank has invited the tasks assigned to her both at the time of post nationalization and post reform era. The performance highlights of the bank exposed that it had achieved the task and targets from time to time and continuously retained top position in financial strength and created a record in the use information technology by providing anywhere any time baking facilities and computerizing its branches very rapidly.

Venugopal (2004), this paper harps upon the recent banking sector reform in view of the Narasimham committee fruitful and objective recommendation. Further, it trace the issue each as interest margin, management of NPAs and information technology in banking.
Singh and Dass (2002) studied the implications reform measures in the banking sector. They found fragile banking system disrupts macro-economic stability and suggested human resource development technology, industrial relations and customer services and main pillars of attaining banks efficiency.

Bhukata (2002) articulated that the banking reform is against the long run objective of reducing fiscal deficit of the government. In this situation he argued that the reform should not be halted rather proceeded following trail and error method.

Rangarajan C. (2001) said that the financial system of India built a vast network of financial institutions and markets over times and the sector is dominated by banking sector which accounts for about two-third of the assets of organized financial sector.

Shenoy (2001) dealt issue relating to the Indian banking and has stressed on the proper asset liability management and credit monitoring system.

Haavio, Kauppi (2000) stated that countries where a large proportion of the population lives in owner – occupied housing are experiencing higher unemployment rates. Than countries where the majority of people live in private rental housing, which might suggest that rental housing enhances labour mobility. In this paper, they develop a simple inter temporal two region model that allow us to compare owner occupied housing markets to rental markets and to analyze how these alternative arrangements allocate people in space and time. announced that it will offer loans for Rs. 2-10 lakh at 12.5 percent the lowest rate offered by any housing finance provider, big brother SBI has taken the rate war in the home loans category to new heights. This is because, apart from the low rate, the interest on these loans is calculated on principal, which is reduced every month unlike other housing finance companies which calculate interest on annually reducing basis.

To ensure the code of best practices Gadkari (2000) proposed corporate governance in the public sector banks to achieve high standard of corporate behaviour. He also suggested that the board of directors, external auditors and supervisors of PSBs strive to achieve greater degree of openness, transparency, integrity and accountability in the working of the banks.

Taori (2000) dealt with the NPA management in PSBs and stated surest way of containing NPAs is to prevent their occurrences. He suggested proper risk management;
strong and effective credit monitoring, cooperative working relationship between banks and borrowers etc should be tents of NPA management policy.

**Srivastava (2000)** stressed on accelerating pace of the progress of computerization of banks branches to enhance the profitability, operating efficiency, service quality and diversity the earning base.

**Khanna (1999)** in the his paper examined the impact of financial reforms in the industrial sector in India and found financial sector reform have achieved a little in the goal of making the industrial sector more efficient and globally competitive.

**Joshi (1999)** in his paper viewed that banking sector reform has been over emphasized on profit neglecting the distributive role of banks. The companies with high net worth within the organized sector are capable of raising funds at a considerable lower rate of interest while credit disbursement to small borrowers has sharply been declined over the years.

**Verma (1998)** viewed in the context of on going globalization process that Indian commercial banks are getting their shape well and becoming technologically better equipped and stronger in the capital base.

**Patibandla and Prusty (1998)** analyzed the financial system in the context of East Asian Crisis and suggested the need of need of right and effective financial institutions.

**Hunger (1998)** analyzing first phase of reforms found that with the introduction of reform packages, banks have improved their profitability, started cleaning their balance sheet, improved the NPA position, but they are yet to give more focus on nationalizing cost structure.

**Satish & Gopalakrishna (1997)** suggested that systematic manner of bank operation will ensure the viability of rural banking.

**Kohli (1997)** examined the priority sector lending. He observed the existence of significant linkages between bank credit and investment in both agriculture and industries in India. He suggested that although directed credit programme for priority sector lending is effective in India, however, positive support to small scale units is required.
REVIEW OF COMMITTEES

Philosophy of welfare state with ideals of socialism had made India a mixed economy, where public sector and private sector enterprise coexist. Such co-existence is obtained not only in the industrial sector but also in the financial service sector. The financial service sector is predominantly comprised of public sector banks, development financial institutions, insurance agencies, private foreign banks and private sector finance company.

Indian economy, since independence followed a path of control development. The financial sector too had been functioning under a highly regulated environment till mid 1980s. The late 1980s witnessed the introduction of the deregulation process beginning with the deregulation of the money market which leads to intensive volatility in the money market rates, something completely new to the Indian financial sector.

In the early 1990s following reforms in the real sector of the economy collective in the financial sector to support these reforms become imperative and the committee on financial system better known as Narasimham’s Committee. Narishmhan Committee suggested the way and means to restructure the financial sector to sub-serve the objective. The committee proposes reform in the financial sector to provide it with operational flexibility and functional autonomy for the purpose of over all efficiency productivity and profitability. In the banking sector the particular measures have been taken aimed at restoring viability of the banking sector bringing about an internationally accepted level of accounting and disclosure standards and introduction of capital adequacy norms. Interest and exchange rate have been deregulated in phase manner branch licensing procedure has been liberalized and statutory to improve the financial and operational health of the Indian banking system by introducing an element of competition into it.
OBJECTIVES OF THE STUDY

1. To evaluate and compare the Home Loan schemes of Public Sector Bank and Private Sector Bank.

2. To evaluate and compare the Home Loan disbursement of Public Sector Bank and Private Sector Bank.

3. To know about the customer’s attitude or response on the Home Loan schemes.

4. To know about the satisfaction level of the customers while dealing with the Banks.

5. To suggest strategies to increase customer satisfaction and understand the reasons for default.
HYPOTHESIS

**H0.** There is no difference on customer satisfaction between public sector and private sector bank.

**H1.** There is no difference on socio-economic categories of customer on customer satisfaction of public and private sector banks on home loan.

**H2:** There is no relationship amongst customer satisfaction towards the bankers and availing of the loan.
RESEARCH METHODOLOGY

This section includes the methodology which includes the research design, source of data, sampling and data collection instrument development.

Research Design

This research design is exploratory and comparative to determine the customer satisfaction towards Home Loan scheme offered by public sector and private banks.

Sources of Data

A - Primary Source:-

Personally approaching the home loan customers of public and private sector banks and obtaining relevant details by questionnaires.

B - Secondary Source:-

The secondary data has been collected from statistical bulletin published by various organizations, i.e. journals, periodicals, newspapers, annual reports of the respective nationalized banks, annual report of Reserve Bank of India (RBI), RBI Bulletin, trend and progress of banking (Annual Publication of RBI), SBI, ICICI, HDFC, PNB etc. (bulletin, annual report) and publications and reports published by respective nationalized banks annually. Personally approaching the SBI & ICICI banks and obtaining relevant details.

Sampling

A - Sample Size:-

Sample size is 300 customers, availing home loan, from leading banks. ICICI, HDFC, Bank of Baroda, SBI and PNB officers and staff also shall be interviewed to solicit their response on Home Loan schemes.
B- Sampling Technique:-

Cluster and convenience sampling technique was used in the survey conducted.

C - Tools of Analysis:-

Data has been presented with the help of bar graph, pie charts, line graphs etc. The analysis shall be carried out using SPSS; it shall carry out descriptive as well as inferential statistics. The tests to be used shall be $X^2$, correlation and factor analysis.

D - Plan of Analysis:-

Tables will be used for analysis of the collected data. The data is also neatly presented with the help of statistical tools such as graphs and pie charts. Percentages and averages have also been used to represent data clearly and effectively.

E - Research Area:-

Delhi (I am resident of Delhi)

Data Collection Instrument Development

The mode of collection of data will be based on Survey Method and Field Activity. Primary data collection will be based upon personal interview. I have prepared the questionnaire accordingly to the necessity of the data to be collected.
WORK PLAN

Chapter-1 Introduces the theme of the research project and presents the research approach.

Chapter-2 Literature review

Chapter-3 Statement of Problem

Chapter-4 Research methodology.

Chapter-5 Data Analysis & Interpretation

Chapter-6 Summary & Conclusions

Chapter-7 Suggestion & limitations of Study.