# PROBLEMS FACED BY HOME LOAN TAKERS: A STUDY OF CUSTOMER CHALLENGES AND EXPERIENCES

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## ABSTRACT

Home is a basic need and every individual want to fulfil it. Recently prices of home are rising and it becomes a challenge for individual to make dream home without taking home loan. Banks and financial institutions doing this task easy by providing financial assistance. Government is also taking steps towards real sector for affordable housing for all by making policies and lucrative financial incentive for both builders and home loan takers. Despite this, many home loan takers encountered many challenges and experience some problems while completing the home loan taking process. This study focuses the major problems faced by home loan borrowers. The study concludes that addressing these challenges can enhance customer trust, reduce financial burden, and contribute to a more efficient and sustainable housing finance system.

**Key word:** House, need, cost, home loan. Problem.

## INTRODUCTION

Buying a house is a major aim for most people because it gives a safe, comfortable, and secure place to live. Since property prices are high, many families cannot buy a house with their savings alone. To solve this problem, banks and other financial institutions provide home loans, allowing people to repay the borrowed amount in easy monthly instalments.Today, home loans are widely used because they make home ownership more affordable. Different banks offer different interest rates, repayment periods, and loan facilities. Before choosing a loan, customers usually compare banks based on cost, service quality, processing time, and loan conditions. Having clear information about these features helps customers make better decisions.The opinion of customers about bank services is very important. Good service, honest communication, quick loan approval, and simple procedures help build trust and increase customer satisfaction. When banks understand the needs of borrowers, they can provide better services and improve the overall loan experience.However, many people face difficulties while applying for home loans. Common problems include lack of proper information, complicated paperwork, delays in approval, low loan amounts, changing interest rates, and strict eligibility rules. These issues often reduce customer satisfaction and make the borrowing process stressful.This study aims to understand customers' views and experiences regarding home loans. It identifies the common problems faced by borrowers, the factors affecting their satisfaction, and the reasons for selecting a particular bank. The findings will help banks improve their services, simplify loan procedures, and provide a better experience for home loan customers.

## LITERATURE REVIEW

Alm and Follain (1984) studied how different home loan repayment methods affect people's ability to buy a house. They found that the loan repayment plan and interest rate have a strong effect on a person's ability to repay the loan and on the decision to take a home loan. The study concluded that affordable loans encourage more people to buy houses. Bhide et al. (2009) studied housing loans in rural India. They found that poor families faced many problems in getting home loans because of low and irregular income, lack of security, and complicated paperwork. The study suggested making the loan process easier so that more people can get housing loans. Bandopadhyay and Saha (2009) examined home loans in India and found that a borrower's income, loan amount, and ability to repay the loan affect loan repayment. The study also found that poor checking of loan applications and high debt increase the chances of loan default. Maheshwari and Biyani (2010) studied the problems faced by home loan borrowers. They found that borrowers faced difficulties because of lengthy paperwork, changing interest rates, high processing fees, and lack of knowledge about loan rules. They suggested that banks should provide clear information and better guidance to customers. National Housing Bank (2017) reported that the demand for home loans increased due to growing cities and rising housing needs. However, many middle- and low-income families still found it difficult to buy houses because of high property prices and limited access to housing finance. Fulwari (2018)reviewed different studies on home loans and found that interest rates, income, inflation, job security, and property prices influence the decision to take a home loan. The study stated that loan affordability is the biggest concern for most borrowers. Jeevanandam and Veerappan (2019) studied the role of the National Housing Bank in promoting housing finance in India. They found that although home loans had become more available, borrowers still faced problems such as difficult paperwork, delays in loan processing, high costs, and following loan rules. Rashmi Rani (2019) studied the problems faced by home loan customers in India. The study found that borrowers experienced delays in loan approval, complicated documentation, hidden charges, and financial pressure due to monthly EMI payments. The study suggested making loan procedures easier and improving customer service. The National Housing Bank (2019) reported that the housing loan market continued to grow in India. However, many borrowers still faced problems such as expensive houses, bigger loan amounts, and difficulty in repaying EMIs. The report recommended improving lending practices and increasing financial support for home buyers. The Reserve Bank of India (2019) stressed the importance of careful lending and proper checking before giving home loans. The report stated that banks should clearly explain loan terms and assess borrowers' repayment ability to reduce financial problems and loan defaults. French and Vigne (2019) reviewed studies on financial stress among households. They found that long-term home loan repayments often create financial pressure, reduce savings, and affect the overall well-being of families. The study showed that EMI burden is one of the main problems faced by home loan borrowers. The Committee on Development of Housing Finance Securitisation Market (2019) found that housing finance companies faced problems in arranging funds, while borrowers struggled with high housing costs and limited access to long-term loans. The committee suggested improving the housing finance system to benefit both lenders and borrowers. Kavita and Suman (2019) studied the importance of financial knowledge in borrowing decisions. They found that people who had less understanding of loan terms, interest rates, and repayment rules were more likely to face repayment problems and were less satisfied with home loan services. The study emphasized the need to improve financial awareness among borrowers.

## RESEARCH GAP

The literature review reveals that these studies basically focused on housing growth, financial inclusion, affordability, demand for loan, and banking practices for lending. These studies focused the financial, service-related and procedural problems faced by home loan takers in India. The present study seeks to bridge this gap by analysing challenges faced by home loan takers and assessing their overall borrowing experience.

## OBJECTIVES OF THE STUDY

1. To know customer perception about home loan.
2. To identify the problems faced by the customers while taking home loan.

## RESEARCH DESIGN

Researcher used descriptive survey method which includes presentations of facts, class of events and involves procedure and enumeration of measurements tostudy the problems faced by home loan takers.

## SAMPLE DESIGN

Researcher employed stratified random sampling in the current study to gather data from various respondents. The study's sample consisted of:

**Number of respondents- 100**

## COLLECTION OF DATA

**Primary Data:** The researcher conducted a primary data collection on a sample basis in Haryana State. The responses of the respondents have been collected through questionnaire.

**Secondary Data:** For the collection of secondary data, the researcher employed a variety of sources like research papers published in various national and international journals.

**Table 1: Respondents demographics.**

| | Category | Number of Respondent | Percent |
|---|---|---|---|
| Age | Below 30 years | 35 | 35 |
| | 30–40 years | 44 | 44 |
| | 40–50 years | 12 | 12 |
| | 50 & above | 9 | 9 |
| Gender | Male | 34 | 34 |
| | Female | 66 | 66 |
| Education | Intermediate | 7 | 7 |
| | UG | 53 | 53 |
| | PG | 24 | 24 |
| | Diploma Holder | 9 | 9 |
| | Professionals | 7 | 7 |
| Marital status | Married | 79 | 79 |
| | Unmarried | 21 | 21 |
| Occupation | Business | 33 | 33 |
| | Employed | 42 | 42 |
| | Professionals | 7 | 7 |
| | Home maker | 18 | 18 |
| Income (Monthly) | Less than 20000 | 11 | 11 |

| | | | |
|---|---|---|---|
| | 20000–30000 | 39 | 39 |
| | 30000–40000 | 29 | 29 |
| | 40000 and above | 21 | 21 |
| Loan Tenure | 5–15 years | 43 | 43 |
| | 15–20 years | 38 | 38 |
| | 20–25 years | 12 | 12 |
| | 25–30 years | 7 | 7 |

Analysis: Above table revealed that 79 percent home loan takers are below 40 years,this shows that maximum loan takers are young. 66 percent are females this shows maximum home owners are females. 75 percent are UG or PG degree holder, this shows maximum loan takers are well educated, 79 percent are married, showing that home is a family requirement. Maximum loans are secured as 82 percent are working or professional it depicts that banks preferred to provide secured loans. 89 percent are earning more than 20000 per month it means good EMI paying capacity needed to get home loan. 81 percent loan tenure is less than 20 years it shows that home loan repayment requires long period.

**Table 2: Response related to sources for home loan information.**

| S. No. | Sources | Number of Respondents | Per cent |
|---|---|---|---|
| 1 | Newspaper | 41 | 41 |
| 2 | Friends and family | 25 | 25 |
| 3 | Digital Media | 23 | 23 |
| 4 | Other | 11 | 11 |
| | Total | 100 | 100 |

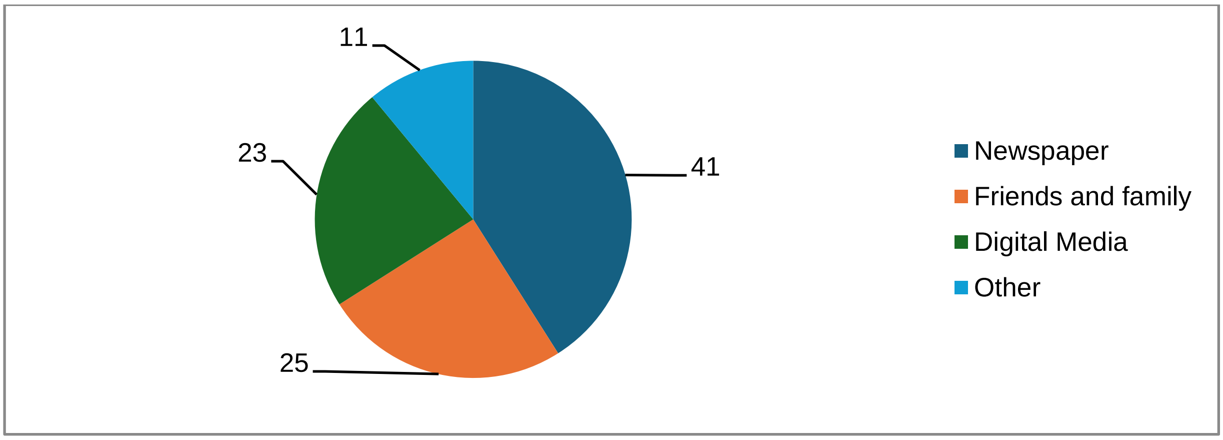


**Figure 1: Response related sources for home loan information.**

Analysis: Among all respondents, 41 percent respondents choose newspaper as source of information which is maximum followed by friends and family, digital media, and other as least.

**Table 3: In Response to the question Do you find the loan approval process easy.**

| S. No. | Easy Home loan process | Number of Respondents | Per cent |
|---|---|---|---|
| 1 | Yes | 54 | 54 |
| 2 | No | 46 | 46 |
| | Total | 100 | 100 |

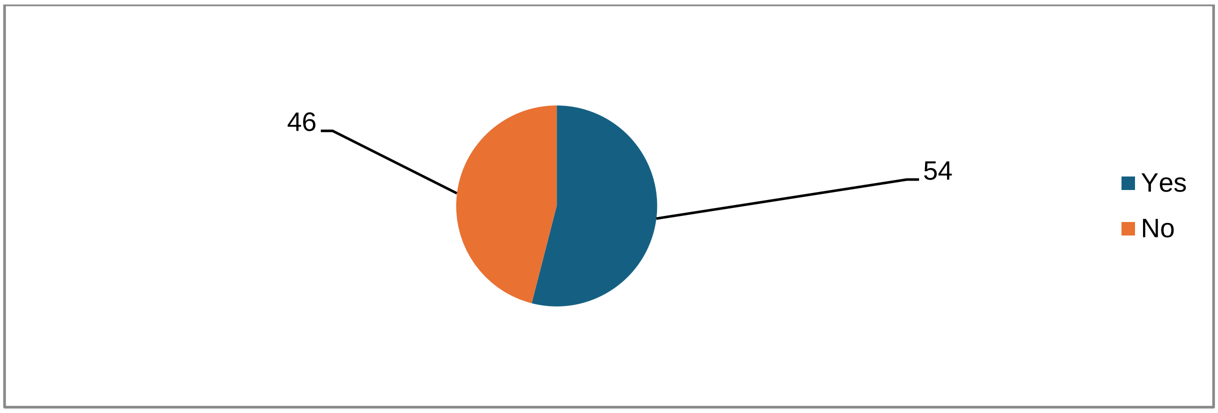


**Figure 2: Response to the question Do you find the loan approval process easy.**

Analysis: Among all respondents, 54 percent respondents find approval process easy and 46 percent find it not easy.

**Table 4: In Response to the question Do you recommend your bank or financial institution to others for taking loan.**

| S. No. | Recommendation | Number of Respondents | Per cent |
|---|---|---|---|
| 1 | Yes | 61 | 61 |
| 2 | No | 39 | 39 |
| | Total | 100 | 100 |

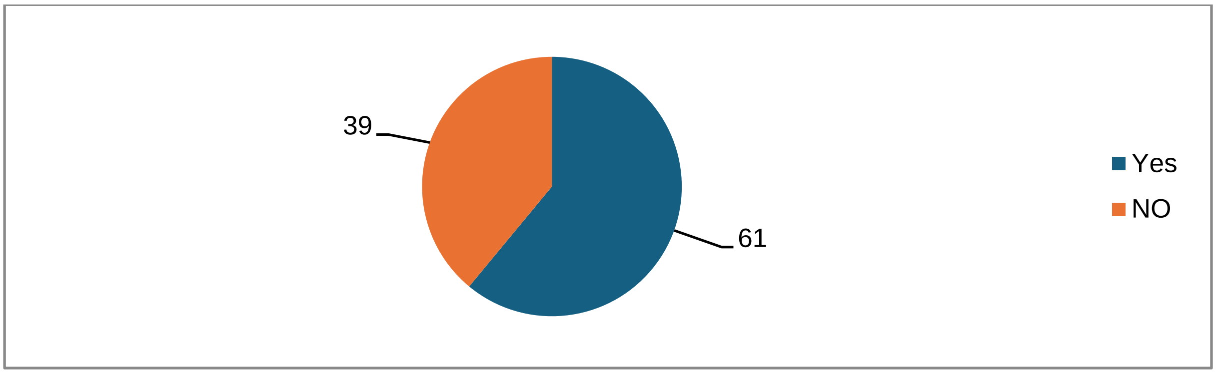


**Figure 3: In Response to the question "Do you recommend the bank or financial institution to others for taking loan.**

Analysis: Among all respondent, 61 percent would recommend and 39 percent would not recommend bank for future customers.

**Table 5: In Response to the question preference of rate of interest for home loan.**

| S. No. | Rate of interest preference | Number of Respondents | Per cent |
|---|---|---|---|
| 1 | Fixed | 23 | 23 |
| 2 | Floating | 77 | 77 |
| | Total | 300 | 100 |

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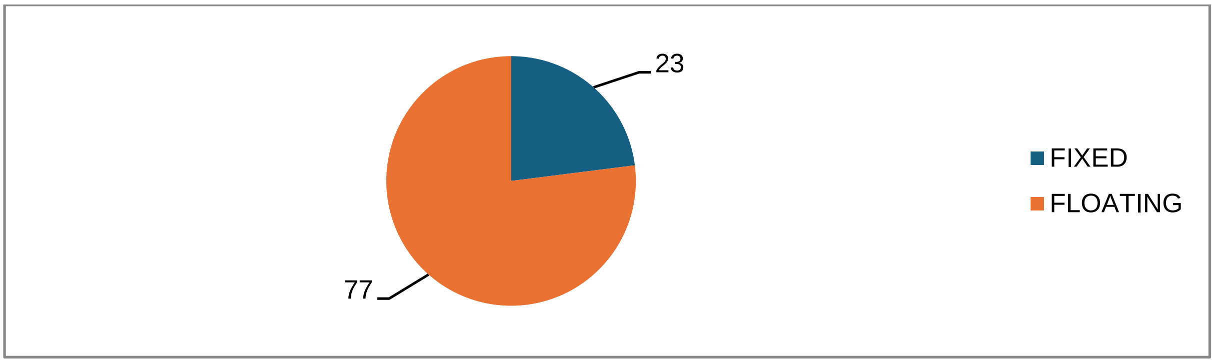


**Figure 4: In Response to the question “preference of rate of interest for home loan.**

Analysis: Among all respondent, 77 percent preferred fixed and 23 chose floating rate of interest.

**Table 6: Response to the question which factor you like most provided by bank regarding home loan.**

| S. No. | Categories | Number of Respondents | Per cent |
|---|---|---|---|
| 1 | Loan approval time | 21 | 21 |
| 2 | Rate of interest | 10 | 10 |
| 3 | Documentation | 20 | 10 |
| 4 | Staff co-operation | 16 | 16 |
| 5 | Easy processing of loan | 22 | 22 |
| 6 | No hidden charges | 11 | 11 |
| | Total | 100 | 100 |

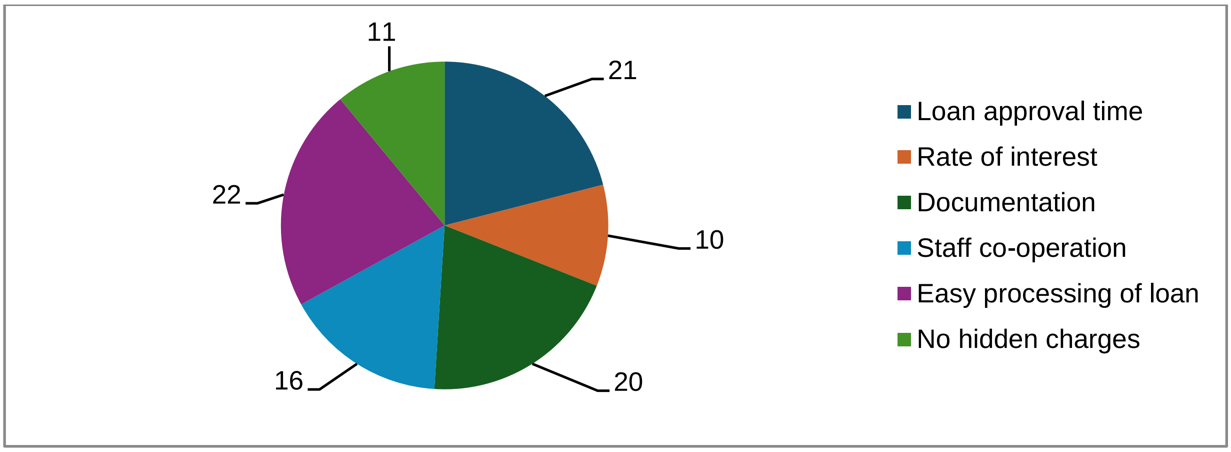


**Figure 5: Response to the question “which factor you like most provided by bank regarding home loan.**

Analysis: Among all respondents, 22 percent like the easy processing followed by documentation, loan approval time, staff cooperation, no hidden charges and rate of interest as least liked.

**Table 7: Response to the question "In financial problem relief options offered by bank (loan restructuring, moratorium, or extension in tenure)."**

| S. No. | | Number of Respondents | Per cent |
|---|---|---|---|
| 1 | Strongly agree | 37 | 37 |

| | | | |
|---|---|---|---|
| 2 | Agree | 32 | 32 |
| 3 | Neutral | 15 | 15 |
| 4 | Disagree | 9 | 9 |
| 5 | Strongly disagree | 7 | 7 |
| | Total | 100 | 100 |

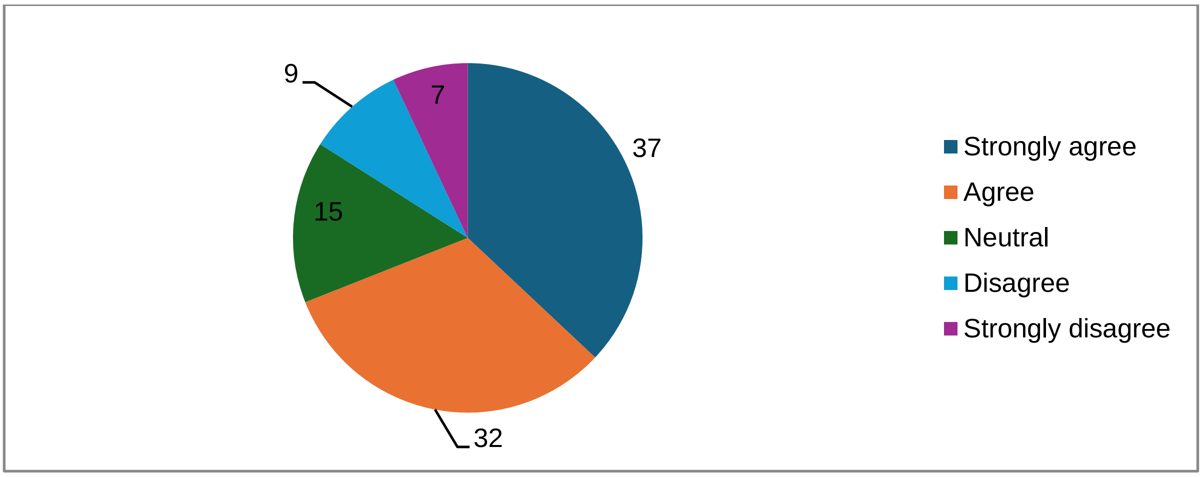


**Figure 6: Response to the question in financial problem relief options offered by bank (loan restructuring, moratorium, or extension in tenure)."**

Analysis: maximum respondent said that bank provide relief in tough financial condition in various ways.

**Table 8: Response to the question Rate your experience with your bank grievance and dispute resolution system**

| S. No. | Categories | Number of Respondents | Per cent |
|---|---|---|---|
| 1 | Excellent | 22 | 22 |
| 2 | Good | 37 | 37 |
| 3 | Fair | 17 | 17 |
| 4 | Poor | 24 | 24 |
| | Total | 100 | 100 |

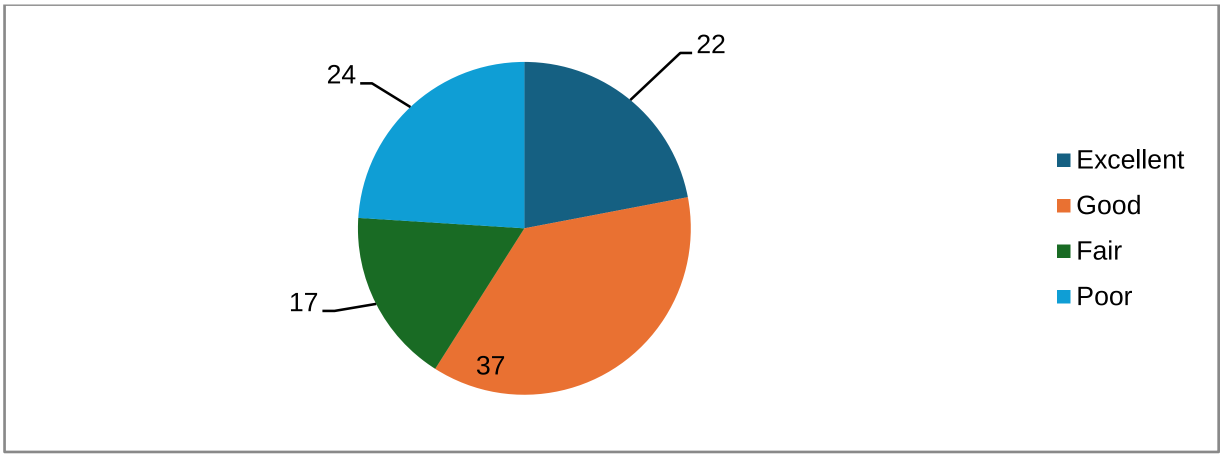


**Figure 7: Response to the question Rate your experience with your bank grievance and dispute resolution system**

Analysis: Among all majority of respondent finds bank grievance and dispute resolution system satisfactory.

**FINDINGS &CONCLUSION**

The researcher conducted a primary data collection on a sample basis in Haryana State. The responses of the respondents have been collected through questionnaire related to the problems faced by home loan takers. The findings of the research paper are as follows:

1. Among all maximum 89 percent of respondents source of information for home loan was newspaper, friends and family and digital media.
2. Among all respondents,54 percent finds home loan process is easy, it shows the home loan process is a tedious process
3. Among all respondent 61 percent are ready to refer for future customer for home loan, it shows higher customer satisfaction level.
4. Maximum 77 percent customers choice was floating rate of interest while only 23 percent customer chose fixed rate of interest on home loan.
5. Easy loan processing ranks on first, loan approval time ranks second and documentation ranks third in the services liked by the respondents.
6. Among all respondents, 69 per cent respondents getting relief by bank in many ways in tough financial conditions
7. 76 percent respondent are highly satisfied with bank dispute settlement system.

The research study shows that home is basic family need and to fulfil this need one has to earn enough and paying capacity is needed. The paying capacity is required by banks to secure the loan. Irrespective of other factors customers who have taken loan from banks are satisfied by bank services and also ready to refer to friends and family. The perception towards home loan is positive. The tenure for repayment is big issue and it forces young earner to have home loan before 40 years of age. Banks are also providing relief by restructuring the loan, longer payment period or giving moratorium which eases the EMI pressure.

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