An Empirical Analysis on Factors Influencing the Financial Performance of Public Sector and Private Sector Bank in Home Loan at Aurangabad

Tanuja Dubey

MGM Institute of Management, Aurangabad, Maharashtra, India

Abstract: **The demand for home loans will not sag much. The reason is a substantial rise in the income-generating capability of Indian youth. So this particular section will keep the housing loan demand high and increased lending rates can only shelve their plans for some time. The entire factors influencing the customer having the housing loan is studied. Here customers of different classes like business segments, service segment and professional segments etc. are in excess, the paper aim at finding the factor influencing the customer. For the purpose of the study the respondents were selected and for gathering information about the loan schemes of various banks. I personally interviewed various people and I have collected various data related to them by filling questionnaire. After data collection, I analyzed the data by Meyer-Olkin (KMO) and Bartlett's Test measures the sampling adequacy and I also analyzed the three very impotent factor out of eight factors by implementing factor analysis which are most influenced while taking home loan.**

Keywords: **House loan, questionnaire, Meyer-Olkin, Bartlett's Test, sampling adequacy, factor analysis**

I. INTRODUCTION

After fulfillment need of food and clothing, housing is a primary important need of human. When a Youngster begins life, a first priority is to plan for a house, still, is a most important outflow and cannot be funded out of a family's regular monthly revenue or savings. The potential landowner must seem to be for a credit significant in size and so planned that he can pay back it over a longer period of time, in many cases almost one's entire working life.

Advance is presented to a borrower to purchase or build a new house on the basis of his/her eligibility and the bank's lending rules. One of the important basic human needs is shelter. House is the ultimate dream of every middle class family. Government encouragement for house finance subsidiaries by offering by offering some benefits to the female if she buy her first property and number of tax concessions to individuals. With the overall encouragement given to this sector, a number of players are entered in housing finance from public, private sector banks as well as non banking finance companies.

This paper is an attempt to find out the most important factors influencing the financial performance of public sector and private sector banks in home loan in Aurangabad to retain the customers.

II. OBJECTIVES

[1]. To Evaluate and compare the Home Loan portfolios and disbursement of public and private Sector banks.
[2]. To know customers attitude and satisfaction level while dealing with the Bank.
[3]. To identify which are the factor involve while selecting home loan and to understand most important factor of selection of home loan.

III. LITERATURE REVIEW

Anand. K (2015) describe Banks shape a primary part of the monetary system and are also dynamic players in financial place. An competent banking scheme able of mobilizing the reserves and channeling them to creative purposes are essential for the development of any financial system. Besides providing Financial wealth for the growth, banks can also influence the way in which these resources are to be utilized. Post liberalization era has extend new colors of development in India. At the similar time it has also shaped many challenges.

Vidisha Shah (2015) discussed on the basis of various financial ration for the period of 2011-2015 about the comparative study on performance of new private sector banks and the public sector banks of India. The above study showed, at the time of recession and inflation how different banks performed. A survey has done on ICICI bank and SBI bank to better understand the above argument.

Dr. M. Kumarswami, Jayprasad D.(2014), A survey was based on Customer Relationship Management in Kaveri Grameena Bank. There were a negative view with admiration to banking knowledge, operation correctness and promptnes given by respondents However, customers share positive views concerning bank reliability and correctness of banking solutions. Therefore, it can be argued that customers faith their bank. really, trust is seen as a serious construct in a range of discipline areas including CRM. Navinkumar Mishra and Vijaykumar Pandey (May 2013) in their paper "customer

satisfaction –A comparison of public and private sector banks of India in which research is done to compare public and private sector banks of India by evaluating their customer satisfaction. This research is mainly based on primary data which has been collected through a well-structured questionnaire (adapted from three different studies). The questionnaire has been distributed to 350 different respondents on different chosen locations. This paper makes a useful contribution as there are very low number of studies has been conducted in India on such areas like price, technology, reliability, customer service, location and infrastructure. Their findings says that most of people prefer to deal with public sector banks due to safety and reliability factors.

D. K. Malhotra, et al (2011) analyzed, during the period 2005 to 2009 the commercial banks performance in India. This period covers the pre-credit calamity and the crisis time period. Specifically, the paper examines the behavior of profitability, cost of intermediation, efficiency, soundness of the banking system, and industry concentration for public and private sector Indian commercial banks. The experimental results show that rivalry in the Indian banking industry has intensified. While the net interest margin has improved, cost of intermediation is actually rising and banks are responding to the increased costs with higher efficiency levels.

IV. RESEARCH METHODOLOGY

A. Research design

For my research I select 'exploratory and descriptive research design' to know the "factors affecting the financial performance of public sector and private sector bank in home **loan."** This helped us in having enough provision for protection against bias and maximizes reliability.

B. Type of data

The type of used in project is primary data and secondary data.

C. Methods of data collection

According to objectives of my paper, the method of data collection suitable is survey method and the tool used for data collection is questionnaire. I conducted "Customer Survey" by using questionnaires. I individually approached to individuals and got the questionnaire filled by them. The tools used in this study was factor analysis by SPSS software

D. Sampling method

The sampling method used for the research is non probability convenience sampling.

Sample size: 100

Sample area: Aurangabad City

Sample unit: Customer of home loan

V. STATISTICAL MODEL

A. Factor Analysis

Factor analysis test is done for the dimension reduction, when there is a large no. factor (dimensions) associated to the particular one problem and to know the effective factor (dimensions) amongst the observed dimension factor analysis is a useful measure.

Before going for the factor analysis it is important to know the strength of the relationship among variables. Kaiser-Meyer-Olkin (KMO) and Bartlett's Test measures the sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis to proceed.

1) Kaiser-Meyer-Olkin(KMO) Test

The above stated Kaiser-Meyer-Olkin (KMO) test static represent the strength of the relationship among variables and sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis to proceed. Calculated value of the test arrives at 0.755 which is greater than the 0.5 which is adequate for the further processing. And represent that there is strength of the relationship amongst the variables and can proceed further for the factor analysis.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.775
Bartlett's Test of Sphericity	Approx. Chi-Square	321.060
	df	66
	Sig.	.000

2) Bartlett's Test

Bartlett's Test is another indication of the strength of the relationship among variables. This tests the null hypothesis that the correlation matrix is an identify matrix. An identify matrix is matrix in which in which all of the diagonal elements are 1 and all off diagonal elements are 0. From the same table, Bartlett's test of sphericity is significant that is, its associated probability is less than 0.05. In fact, it is actually 0.000, i.e. the significance level is small enough to reject the null hypothesis. This means that correlation matrix is not an identity matrix.

Communalities

Components	Initial	Extraction
Attitude of Employees	1.000	.612
Care for Customer	1.000	.605
Retaining Cusstomer	1.000	.675

Product and Services	1.000	.465
Physical Facilities	1.000	.625
Relationship	1.000	.389
Customer Needs	1.000	.603
Information Technology	1.000	.475

| Branch Head	1.000	.487
Employee Behavior	1.000	.521
Brach Location	1.000	.578
Customer Counseling	1.000	.473

Extraction Method: Principal Component Analysis.

The above stated table represents the communalities, which explains the relation between the variables

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.154	34.619	34.619	4.154	34.619	34.619	2.392	19.937	19.937
2	1.276	10.635	45.254	1.276	10.635	45.254	2.126	17.714	37.651
3	1.077	8.976	54.230	1.077	8.976	54.230	1.989	16.578	54.230
4	.994	8.279	62.509						
5	.905	7.545	70.054						
6	.769	6.411	76.464						
7	.683	5.695	82.160						
8	.599	4.994	87.153						
9	.504	4.201	91.355						
10	.402	3.352	94.707						
11	.329	2.744	97.451						
12	.306	2.549	100.000						

Extraction Method: Principal Component Analysis.

The above table shows the how the variance divided amongst the twelve possible factors. Amongst which 3 factors having an Eigen values greater than 1.00 which is a common criterion for a factor to be useful.

Scree Plot
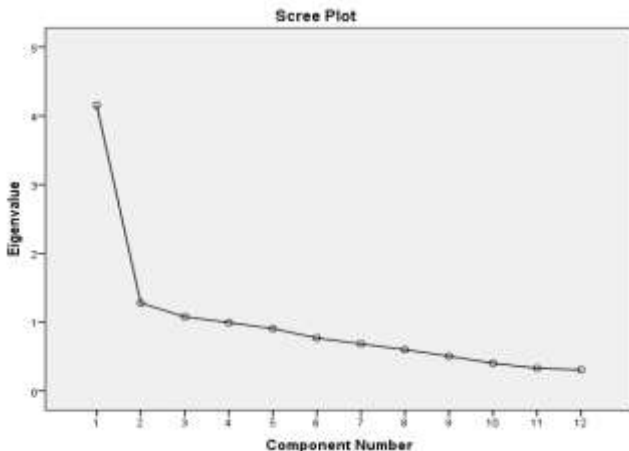
The screen plot is a graph of the eigen values against all the factors. The graph is useful for determining how many factors to retain. The point of interest is where the curve starts to flatten. It can be seen that the curve begins to flatten between factors 3 and 4. Note also that 4 has an Eigen value of less than 1, so only three factors have been retained.

3) Eigen value

The standardized variance associated with a particular factor. The sum of the Eigen values scan not exceeds the number of items in the analysis, since each item contributes one to the sum of variances.

4) Component (Factor) Matrix

The table below shows the loadings of the eight variables on the three factors extracted. The higher the absolute value of the loading, more the factor contributes to the variable. The gap on the table represent loadings that are less than 0.5, this

makes reading the table easier. Suppressed all loadings less than 0.5.

COMPONENT MATRIX

	Component		
	1	2	3
Customer Needs	.736		
Care For Customer	.650		-.399
Branch Head	.639		
Attitude ff Employees	.635		-.456
Employee Behavior	.624		-.361
Product And Services	.623		
Retaining Cusstomer	.611	-.353	.421
Information			
Technology	.598		.335
Relationship	.541		
Physical Facilities	.450	-.636	
Brach Location	.476	.593	
Customer Counseling	.385	.480	.307

Extraction Method: Principal Component Analysis.
a. 3 components extracted.

Rotated Component Matrix[a]

	Component		
	1	2	3
Attitude of employees	.761		
Care for customer	.733		
Employee behavior	.682		
Relationship	.572		
Retaining cusstomer		.789	
Physical facilities		.731	
Customer needs	.393	.617	
Brach location			.694
Customer counseling			.684
Product and services	.351		.546
Branch head		.436	.501
Information technology		.464	.492

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 5 iterations.

5) Rotated Component (Factor) Matrix

The idea of rotation is to reduce the number factors on which the variables under investigation have high loadings. Rotation does not actually change anything but makes the interpretation of the analysis easier. Looking at the table above, it can be observed that Retaining customer are substantially loaded on Factor (component) 2 while Attitude of employees are substantially loaded on factor (component) 1. And Care for customer loaded on Factor (component) 1. These factors can be used as variables for further analysis. And further more concluded that maximum variance in the Home loan have been explained by these three variables.

VI. FINDINGS

1. The study found that total incomes of both public sector and private sector banks recorded a good growth in total income during all the years of study.
2. The study evaluates and compares the Home Loan portfolios and disbursement of Public and Private sector banks on the basis of growth rate and the customer satisfaction towards home loan.
3. The study found that which are the factor involve while selecting home loan and to understand most important factor of selection of home loan such as relationship with customers, physical facilities, attention to customer needs in public sector banks and private sector banks,
4. The factor analysis gives the three most important factors affect on customers while taking home loan and those factors are retaining customers, Attitude of the employees towards customer and care for the customers.
5. According to research it is found that the more customers are satisfied with the private sector bank as the physical services and information technology provide by them are better than the public sector bank.
6. According to study majority of customers have taken home loan from public sector bank because of security margins are good.

VII. SUGGESTIONS

1. Public sector banks must enhance their performance by implementing professionalized management scenario and better customer service. The rate of growth for almost all the parameters are high for private sector even though magnitude is high for public sector banks.
2. Emphasis should be given on the retaining customers and the attitude of employees towards customer because these factors affect more on the customers while taking the home loan in both public sector and private sector banks.

3. The rate of interest and security margins of public sector and private sector banks should not be very high in order to enhance the financial performance of the bank and to increase the customers.

4. The public sector bank should improve their information technology and physical facilities to provide the customers user friendly system like private sector bank to increase and retain the customers.

5. The public sector banks and private sector banks should give more focus on factors such as attitude of employees, care and concern towards customer and updated information technology in order to retaining customers.

BIBLIOGRAPHY

[1]. Donald R Cooper and Pamela S Schindler (2009) " Business Research Methods", New Delhi, Tata McGraw Hill Education Private Ltd.

[2]. Kothari C.R. (2004), Research Methodology, New Delhi, New Age International Publishers.

[3]. Mohan.S and Elangovan R.(2011) "Research Methodology in Commerce", New Delhi, Deep and Deep Publications Pvt. Ltd.

[4]. Shekhar K C and Lekshmy Shekhar (2010),"Banking Theory and Practice", Noida, Vikas publishing House Pvt. Ltd.

[5]. Reserve Bank of India and Indian Banks Association reports for the concerned period.

[6]. Anand. K (2015), "Financial performance of public sector banks and private sector banks in india", "Research Explorer" Vol. IV : Issue.11 ; July - December 2015.

[7]. D. K. Malhotra et al (2011), "Evaluating the performance of commercial banks in India" in Asia Pacific Journal of Finance and Banking Research Vol. 5. No. 5. 2011.

[8]. Vidisha Shah (2015), "An analysis on the performance of private and public sector banks in India" in International Journal For Technological Research In Engineering Volume 3, Issue 4, December-2015.

[9]. Dr.M.Kumarswami Jayprasad D.(2014),Customer Relationship Management in Kaveri Grameena Bank, Gjra - Global Journal For Research Analysis,Volume : 3 Issue : 2 Feb 2014,pp 29-34

[10]. Navinkumar Mishra and VijaykumarPandey(may 2013) in their paper "customer satisfaction –A comparison of public and private sector banks of India"International journal of multidisciplinary research academy(IJMRA), Vol-3, no-5, 2013 ,pp 166-175

[11]. Malhotra, D.K. et.al (2011), "Evaluating the Performance of Commercial Banks in India", Asia Pacific Journal of Finance and Banking Research, Vol.5(5), pp.35 & 36.