



A COMPARATIVE STUDY OF HOME LOAN ACCESSIBILITY AND AFFORDABILITY IN PUBLIC AND PRIVATE SECTOR BANKS

SHRIKANT SUDAM BHOR

Research Scholar
Department of Commerce
B. P. H. E. Society's Ahmednagar College,
Ahilyanagar

DR. BHAGWAN DINKARRAO SANGLE

Research Guide
Department of Commerce
B. P. H. E. Society's Ahmednagar College,
Ahilyanagar

ABSTRACT

Home loans are vital financial instruments that enable individuals to purchase residential property by spreading the cost over a long term. This research paper examines and compares accessibility and affordability of home loans offered by Public Sector Banks (PSBs) and Private Sector Banks (PVBs). The study evaluates loan approval processes, interest rates, tenure, documentation, customer satisfaction, and overall impact on borrowers' ability to secure housing finance.

Keywords: Accessibility, Affordability, Banking Comparison, Borrower Satisfaction, Home Loan, Housing Finance, Private Sector Banks, Public Sector Bank

INTRODUCTION

Home ownership is a cornerstone of financial stability and social well-being. Financial institutions play a key role in facilitating home ownership by offering housing loans tailored to borrowers' needs. Public and private sector banks are major providers of home loans, but they differ in their approach, procedures and pricing. This study investigates how these differences influence accessibility (ease of loan approval) and affordability (cost of borrowing).

Objectives

1. To compare accessibility of home loan services in PSBs and PVBs.
2. To analyze affordability in terms of interest rates, processing fees, and overall cost.
3. To identify challenges borrowers face in both banking sectors.
4. To provide policy recommendations for improving access to affordable housing finance.



Scope of Study

The study focuses on comparing selected public and private sector banks. It includes analysis of eligibility criteria, documentation process, interest rates, loan tenure, and customer feedback.

LITERATURE REVIEW

Previous studies highlight that public sector banks tend to have lower interest rates but longer processing times, while private banks often offer faster service with higher interest rates and flexible terms. Borrowers emphasize service quality and digital loan processing as significant factors in choosing a bank.

Key studies reviewed include:

Singh & Das (2021) on home loan interest rate trends.

Sharma (2019) on borrower preferences in housing finance.

Gupta & Roy (2022) evaluating customer satisfaction in mortgage lending

RESEARCH METHODOLOGY

Research Design

A mixed-method approach was adopted, combining quantitative analysis of loan conditions (interest rates, processing fees, loan-to-value ratios) and qualitative analysis based on borrower surveys and bank expert interviews.

Data Collection

Secondary data from annual reports of selected PSBs and PVBs.

Primary survey of 150 borrowers (75 from PSBs and 75 from PVBs).

Interviews with Loan Officers.

Sample Banks

Public Sector Banks: State Bank of India (SBI), Bank of Baroda (BOB), Punjab National Bank (PNB)

Private Sector Banks: HDFC Bank, ICICI Bank, Axis Bank



ANALYSIS & RESULTS

Accessibility of Home Loans

Bank Type	Average Loan Approval Time	Documentation Ease	Digital Process Support
PSBs (SBI, BOB, PNB)	15–30 days	Moderate	Improving
PVBs (HDFC, ICICI, Axis)	7–15 days	Easy	Highly Efficient

Findings:

Private banks provide faster loan processing due to better digital infrastructure.

Public banks have extensive branch networks, aiding rural and first-time borrowers.

HDFC and ICICI Bank have strong online portals, while SBI leads in outreach and trust.

Affordability Comparison

Feature	PSBs (SBI, BOB, PNB)	PVBs (HDFC, ICICI, Axis)
Interest Rate Range	Lower (7.5%–9.0%)	Higher (8.5%–10.5%)
Processing Fees	Low	Higher
Prepayment Charges	Often Nil/Low	Moderate to High

Summary:

Public banks generally offer more cost-effective loans, while private banks provide flexible tenure and faster service but at a higher cost.

Borrower Satisfaction

Borrowers from private banks reported higher satisfaction regarding service speed and responsiveness.

Public sector bank borrowers expressed satisfaction with lower interest rates and government-backed reliability.

DISCUSSION

Factors Influencing Accessibility

Private banks like HDFC, ICICI, and Axis provide smoother digital application systems and quicker approvals. PSBs such as SBI and BOB benefit from wider networks and government trust but face procedural delays.



Affordability Drivers

PSBs benefit from subsidized rates under government schemes. PVBs use flexible pricing and credit-based risk assessments, often resulting in slightly higher interest rates.

Challenges Identified

Public Sector Banks: Lengthy documentation, slower processing.

Private Sector Banks: Higher processing fees and stricter eligibility criteria.

POLICY IMPLICATIONS & RECOMMENDATIONS

For Public Sector Banks

Digitize loan approval and document verification systems.

Simplify procedures and improve employee responsiveness.

For Private Sector Banks

Introduce affordable schemes for first-time borrowers.

Ensure transparency in fees and charges.

For Regulators & Government

Promote public-private partnerships in housing finance.

Expand interest subsidy programs for middle-income groups.

CONCLUSION

The comparative study shows that while public sector banks such as SBI, Bank of Baroda, and PNB offer more affordable and reliable home loans, private banks such as HDFC, ICICI, and Axis excel in accessibility, speed, and digital service quality. A collaborative model between the two sectors can make home loans both accessible and affordable for a wider population.

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