



## Comparative Study on Home Loans Between PSU Banks And Private Banks-A Study

Ms. D. Shivani<sup>1</sup>, Ms. Harichandana Devi<sup>2</sup>

<sup>1</sup> MBA Student, Department of Management studies, Vardhaman College of Engineering, Shamshabad, Hyderabad. Telangana

<sup>2</sup> Assistant Professor, Department of Management studies, Vardhaman College of Engineering, Shamshabad, Hyderabad. Telangana.

### Article Info

#### Article History:

Published: 04 Jan 2026

#### Publication Issue:

Volume 3, Issue 01  
January-2026

#### Page Number:

89-101

#### Corresponding Author:

Ms. D. Shivani

### Abstract:

The housing finance sector plays a vital role in promoting home ownership and economic development in India, with banks serving as the primary providers of home loan facilities. This study presents a comparative analysis of home loan products offered by Public Sector Undertaking (PSU) banks and private sector banks, focusing on key dimensions such as interest rates, loan tenure, processing fees, eligibility criteria, documentation requirements, customer service, and repayment flexibility. The study is based on both primary data collected from bank customers and secondary data obtained from bank websites, annual reports, and RBI publications. Analytical tools such as percentage analysis, weighted average ranking, and comparative tables are used to evaluate differences between PSU and private banks. The findings reveal that PSU banks generally offer lower interest rates and longer repayment tenures, making them more cost-effective in the long run, while private banks excel in faster loan processing, customized products, and superior customer service. The study highlights the trade-off faced by borrowers between cost efficiency and service quality.

**Keywords:** Home Loans, Housing Finance, PSU Banks, Private Sector Banks, Interest Rates.

## 1. INTRODUCTION

The Indian banking sector comprises public sector undertaking (PSU) banks and private sector banks, both of which actively participate in home loan financing. PSU banks are traditionally known for their wide branch networks, lower interest rates, and trust among customers, whereas private sector banks emphasize technological innovation, quicker loan processing, customized products, and enhanced customer service. As a result, borrowers are often faced with the challenge of choosing between cost-effectiveness and service efficiency while selecting a home loan provider.

Despite the availability of numerous home loan products, there exist significant differences between PSU and private banks in terms of interest rates, loan eligibility criteria, processing fees, repayment tenure, documentation requirements, and customer experience. These variations influence borrower preferences and satisfaction levels, making a comparative evaluation essential. Understanding these differences can help borrowers make informed decisions and enable banks to improve their competitiveness in the housing finance market.

In a comparative study of home loans, Public Sector Banks (PSUs) generally offer lower interest rates and higher repayment tenure flexibility, while private banks are known for faster processing times and

superior digital services. Recent data from 2024-2025 indicates that PSUs have increased their market share in home loans due to competitive rates and government support.

## **2. REVIEW OF LITERATURE**

- Sneh Shah<sup>1</sup> , Lalwani Nikita<sup>2</sup> , Diya Modi<sup>3</sup>  
The growing demand for housing among individuals, especially middle-class families, has made home loans a vital financial service provided by banks. Earlier studies highlight that owning a house is a basic necessity, yet increasing property prices make direct purchasing unaffordable for many. Researchers suggest that housing loans help people acquire homes through long-term installments at a fixed or variable interest rate. The literature emphasizes that the most crucial factor influencing customers' decision to choose a bank is the interest rate, followed by income eligibility, repayment period, and documentation procedures. Comparative studies between public and private sector banks show that while public banks generally offer lower interest rates and simpler eligibility norms, private banks provide faster services and flexible schemes. Therefore, customer satisfaction is largely dependent on both interest rate benefits and the efficiency of the loan process.
- Kajal Chaudhary and Monika Sharma  
With the economic reforms of the early 1990s, India witnessed major transformation in its banking sector due to liberalization, globalization and privatization. Studies show that these reforms significantly altered the functioning of banks by intensifying competition between public and private sector institutions. Researchers highlight that technological advancement, reduced processing costs, relaxed government regulations, and erosion of product and geographic barriers have pushed public sector banks to compete more aggressively with private and foreign banks. Comparative literature indicates that banking performance is often evaluated through the management of Non-Performing Assets (NPAs), as NPAs directly affect profitability and stability. Several studies have used statistical tools to analyze trends in NPA levels, concluding that efficient management of NPAs is crucial for maintaining financial health and customer confidence in both public and private sector banks.
- BOLLU CHANDRASHEKAR, Midhila Mathe  
housing finance highlights that owning a home is a fundamental human need and home loans play a crucial role in enabling individuals—especially middle-class families—to achieve homeownership. Studies emphasize that the housing loan market in India is still developing, and limited affordability, high property prices, and unequal loan accessibility create barriers for potential homeowners. Research consistently shows that interest rate, loan processing time, transparency in procedures, customer service, and repayment flexibility are the key factors influencing customer satisfaction in housing loans. Public sector banks are generally viewed as more trustworthy and offer lower interest rates but are often criticized for slow processing and complex documentation. In contrast, private banks provide faster services, simplified procedures, and better customer interaction but charge higher interest rates and additional processing fees. Literature also indicates that government housing schemes and the expansion of mortgage markets can significantly improve homeownership and housing quality in developing countries like India. Overall, previous research underscores the need to analyze how customers perceive home loan procedures, service quality, and satisfaction levels across public and private sector banks, as these differences directly affect borrower decisions and their overall home-loan experience.

- housing finance plays a vital role in helping individuals, especially middle-class families, afford home ownership. Studies highlight that interest rate, loan processing time, documentation, and repayment flexibility are the major factors influencing customer satisfaction in home loans. Research also notes that public sector banks like SBI offer lower interest rates and greater trust but often involve slower procedures. In contrast, private banks such as HDFC provide faster and more customer-friendly services but at comparatively higher costs. Many authors emphasize the importance of fixed vs. floating interest rates in shaping borrower decisions. Overall, past studies conclude that comparing the loan procedures and service quality of public and private banks helps understand customer preferences and satisfaction levels in the housing finance sector.
- BOBBALA MANISHA and Dr. D.SRISAILAM  
rapid urbanization and socio-economic changes have sharply increased the demand for housing in India. Studies report a housing shortage of nearly 19.4 million units, with both rural and urban areas facing significant deficits, making the housing sector a crucial driver of economic growth and employment. Research also shows that the housing industry is one of the largest employment generators, creating both direct and indirect job opportunities. With rising demand, the role of financial institutions in providing accessible home loans has become increasingly important. Prior studies emphasize the need for efficient home loan processes, clear documentation, and customer-friendly services to support buyers. In this context, many authors stress the importance of understanding customer needs and evaluating the loan procedures of major institutions like HDFC Bank.
- Dr. Kapil Garg\*1 , Priya Gupta  
owning a home is a universal dream, often achieved through years of savings, effort, and financial planning. Studies highlight that the housing sector is a major contributor to India's economic development, with home loans enabling people to buy property despite rising real estate prices. Research indicates that both commercial banks and financial institutions play a vital role in expanding housing finance by offering structured installment-based loan systems. Over the past decade, the Indian housing finance industry has grown rapidly, with a significant rise in home loan disbursements and an increasing number of borrowers. Prior studies emphasize that interest rates, loan procedures, documentation, and service quality directly affect customer satisfaction. The literature also points out common problems faced by borrowers, such as delays, complex formalities, and high processing charges. Overall, researchers stress the importance of examining customer satisfaction and challenges in different banks to improve home loan services and support borrowers effectively.
- Surabhi Singh and Renu Arora  
growing competition and rapid technological advancement have pushed banks to improve both traditional and IT-enabled services to meet rising customer expectations. Studies show that service quality—covering employee behaviour, infrastructure, responsiveness, and digital convenience—is a major driver of customer satisfaction across public, private, and foreign banks. Research further emphasizes that IT adoption has become essential, as customers increasingly rely on online and mobile banking services. Comparative studies reveal that public-sector banks often lag in employee behaviour and branch infrastructure, whereas private and foreign banks tend to face criticism for high service charges and limited accessibility. Many authors note that differences in service delivery, technology use, and communication practices significantly shape customer perceptions. Overall, the literature stresses the need to analyze both transaction-based and digital service factors to understand satisfaction levels across different categories of banks.

- Dr. Madan Kumar Singh  
owning a home is a basic human need and a key indicator of economic development, making home loans essential for helping people achieve their dream of homeownership. Studies highlight a sharp increase in the demand for home loans over the last decade, supported by competitive loan schemes offered by both public and private sector banks at relatively low interest rates. Research consistently finds that factors such as interest rate, processing time, documentation, service quality, and transparency influence customer satisfaction. Comparative studies between public and private banks reveal that public banks like SBI and BOI often offer affordable rates but face issues of lengthy procedures, while private banks such as HDFC and ICICI provide faster and more convenient services but at higher charges. Prior literature also notes that customers encounter challenges such as complex documentation and delays during loan processing. Overall, researchers emphasize the importance of comparing loan schemes and customer satisfaction across different banks to identify problems and improve the home loan experience.
- Utkarsh Gupta , Dr. Richa Sinha
- the housing finance sector in India has transformed from a predominantly government-controlled system into a highly competitive market with numerous financial institutions. Studies indicate that consumers' home loan decisions are influenced by several factors, including interest rates, loan tenure, processing fees, service quality, and brand trust. Research comparing institutions like LIC and SBI highlights differences in customer perception, with public sector banks often preferred for reliability and lower rates, while specialized housing finance companies focus on flexible schemes and quicker processing. Prior studies also emphasize the importance of understanding buyer behaviour, as psychological, financial, and service-related factors collectively shape loan choices. Scholars note that analysing these determinants helps banks improve service offerings and guides borrowers in making informed decisions. Overall, the literature supports the need for comparative analysis to identify key factors influencing home loan preferences across different financial institutions.
- CHAITRA K.S , VASU V  
the banking industry plays a crucial role in economic development by providing credit and financial services to all sections of society. Studies show that both public and private sector banks contribute significantly to India's growth, but their performance varies due to structural and operational differences. Research highlights Non-Performing Assets (NPAs) as one of the biggest challenges affecting the stability and growth of the banking sector, with public sector banks consistently showing higher NPA levels than private banks. Comparative studies on SBI, PNB, HDFC, and ICICI reveal that although NPAs have generally decreased over recent years, PSU banks still struggle with asset quality and lower returns on assets. Private banks, on the other hand, display better financial performance and efficiency. Overall, the literature indicates that improving asset quality and controlling NPAs are essential for strengthening the Indian banking sector and ensuring sustainable economic development.
- Ashish Kathale, Jayesh J Jadhav, and Shreeya Rajpurohit
- liquidity is a fundamental principle of bank lending and plays a key role in determining the stability and lending ability of commercial banks. Studies show that maintaining statutory requirements like SLR and CRR is essential for banks, especially when balancing profitability and increasing competition in the home loan market. Research indicates that government schemes such as PMAY have boosted housing loan demand, making interest rates a crucial factor influencing borrowers' decisions. Prior studies on leading private banks—such as HDFC, ICICI,

Axis, Kotak, and Yes Bank—emphasize that liquidity ratios directly impact lending capacity and the pricing of home loans. Empirical research using tools like correlation and ANOVA suggests that changes in SLR affect banks' ability to offer competitive home loan rates, thereby influencing customer access to housing finance. Overall, the literature calls for a deeper understanding of how regulatory liquidity norms shape home loan availability and the operational efficiency of banks.

- Shikha Agarwal , Dr.Sushil Kumar
- analyzing the composition of bank assets is essential for understanding financial strength, risk exposure, and lending behaviour in both public and private sector banks. Studies show that assets such as investments, advances, cash balances, and fixed assets undergo significant changes over time due to economic conditions, regulatory norms, and market competition. Research comparing public and private banks reveals that private sector banks generally maintain a more diversified and efficiently managed asset structure, while public sector banks tend to show higher fluctuations due to policy obligations and broader social responsibilities. Previous studies covering periods like 2008–2018 highlight noticeable differences in asset trends, growth patterns, and the proportionate share of key asset components across both bank types. Comparative analyses further suggest that asset composition directly influences profitability, liquidity, and overall performance. Overall, the literature emphasizes the importance of examining long-term asset trends to understand strategic differences between public and private sector banks.
- Sneha, Dr. Singh, N.P. and Dr. Saraswati
- non-performing assets (NPAs) are a major challenge for the banking industry, as they reduce credit flow, weaken financial stability, and restrict economic growth. Studies define an NPA as a loan on which interest or principal remains unpaid for a specified period, in line with RBI guidelines. Research comparing public and private sector banks consistently shows that PSU banks carry a higher NPA burden due to wider social lending obligations and risk exposure, while private banks generally maintain better asset quality. Previous studies using indicators like Gross NPA%, Net NPA%, ROA, and growth in NNPA reveal that although NPAs have declined over time, the gap between public and private banks remains significant. Literature also indicates that declining NPAs influence returns on assets, with private banks showing stronger profitability trends than PSUs. Overall, researchers emphasize the need for continuous monitoring of NPAs to strengthen lending efficiency and improve the financial health of banks.
- Gajera Alpeshkumar Chandulal
- the financial performance of private and public sector banks by analyzing all 20 private banks and 26 public sector banks, including old and new private banks, SBI and its associates, and nationalized banks as of 31/03/2012. A total of 29 financial performance parameters were studied using data from 2001–02 to 2012–13. The second part identifies the factors responsible for better or poor financial performance in both banking sectors by decomposing the parameters based on their definitions. Through this two-stage analysis, the study highlights the specific reasons behind variations in financial outcomes across private and public sector banks, offering insights into what drives strong or weak performance in each financial indicator.
- Jyoti Gupta , Suman Jain
- the banking sector plays a vital role in economic growth by mobilizing savings and providing credit for productive use, enabling investments, entrepreneurship, and consumer purchases. Studies show that cooperative banks in India, established as early as 1904, were designed to tackle rural indebtedness and usury, providing financial support to underserved populations. Research indicates that cooperative banks perform multipurpose functions, including financial,

administrative, supervisory, and developmental roles within the cooperative credit system. Comparative studies suggest that while cooperative banks are critical for inclusive growth, adopting modern banking technology such as ATMs, online banking, and credit cards is essential to enhance service efficiency and compete with private sector banks. Literature also emphasizes that customer satisfaction in cooperative banks depends on loan accessibility, service quality, and the adoption of digital banking services. Overall, cooperative banks are seen as crucial intermediaries that must modernize to meet contemporary customer expectations while maintaining their developmental role.

- Nivedita Jha& N. Ravi Shankar  
Non-Performing Assets (NPAs) are a major challenge for public sector banks, significantly affecting their growth, profitability, and overall performance. Studies analyzing trends in total advances, gross and net NPAs, and net profits over recent years show a steady increase in NPAs, leading to higher losses for banks. Research indicates that ineffective loan sanctioning, weak monitoring, and poor recovery mechanisms contribute to rising NPAs. Scholars suggest that strict government policies, careful credit appraisal, and robust risk management practices are essential to control NPAs and improve financial stability. Empirical studies using statistical tools such as regression analysis highlight the direct impact of NPAs on bank profitability and advocate for proactive measures to minimize future risks. Overall, the literature stresses the need for systematic strategies to reduce NPAs and strengthen the public banking sector.
- N.K. Suhair, Dr. S. Kavitha
- banking, as a core financial service industry, plays a significant role in economic development, with customer satisfaction being crucial for retaining clients and attracting new ones. Studies show that differences in policies, strategies, and service delivery between public and private banks lead to variations in customer satisfaction levels. Research conducted in regions like Kerala indicates that private banks often score higher on responsiveness, convenience, and personalized services, while public banks are preferred for trustworthiness and reliability. Factors such as service quality, accessibility, interest rates, and staff behaviour are found to influence customer satisfaction significantly. Empirical studies using primary data from bank customers reveal the reasons behind satisfaction and dissatisfaction, helping banks identify areas for improvement. Overall, the literature emphasizes the need to compare public and private banks to understand customer expectations and enhance service delivery.
- Mr.D.N.V.Krishna Reddy, Dr.M.Sudhir Reddy
- service quality is a key determinant of customer satisfaction in the banking sector, especially in the context of increasing competition and technological advancement. Studies show that both transaction-based and IT-enabled services influence customers' perceptions, with private and public sector banks often showing differences in service delivery. Research in regions like Telangana indicates that public sector banks frequently face criticism for employee behaviour and infrastructure, while private banks are challenged by high charges, limited accessibility, and communication issues. IT adoption is increasingly recognized as essential for improving efficiency and meeting customer expectations. Prior studies emphasize that analyzing both physical and digital service factors provides a comprehensive understanding of customer satisfaction. Overall, the literature supports comparative studies to identify strengths and weaknesses of public and private banks and improve overall service quality.
- Renu Choudhary, Vandana Jain

- economies not only act as financial intermediaries but also support government social and economic agendas by providing credit to sectors like agriculture, industry, SMEs, and housing. Studies indicate that extending credit carries inherent risks, with Non-Performing Assets (NPAs) being a major challenge
- banks in emerging that affects profitability and operational efficiency. Research consistently shows that NPAs are higher in public sector banks compared to private banks, with gross NPAs of public banks significantly impacting their financial stability. Empirical studies reveal that despite precautionary measures during loan origination, NPAs continue to rise, highlighting the need for effective management strategies. Prior research also emphasizes the importance of monitoring trends in gross NPAs and advances to improve bank efficiency and profitability. Overall, the literature underscores that controlling NPAs is critical for sustaining the growth and performance of public sector banks.
- Arifa Ishtyaq<sup>1</sup>, Gaurav Bisaria
- management policies in banks should be performance-based rather than gender-based to ensure fair growth and development. Studies indicate that India has a higher representation of women in leadership positions in banking and financial services compared to Western countries. Research shows that women employees in private sector banks often face intense competition, limited job security, and potential gender discrimination, whereas public sector banks generally provide better working conditions. Prior studies also note that lack of clear policies and enforcement mechanisms in private banks can exacerbate workplace challenges for women. Work-life balance initiatives and supportive organizational practices are found to enhance the competitive advantage and job satisfaction of women employees. Overall, the literature underscores the importance of gender-sensitive policies and effective work-life initiatives to improve the professional environment for women in both public and private sector banks.

### **3. RESEARCH METHODOLOGY**

- **Statement of the Problem:**

In India, home loans are a significant financial product that enables individuals to own residential property, contributing to wealth creation and economic development. Both Public Sector Banks (PSUs) and private sector banks offer home loans, but they differ in terms of interest rates, processing fees, loan tenure, documentation procedures, and customer service quality. Despite the critical role of home loans in the financial market, many customers face difficulties in selecting the most suitable banking option due to variations in loan terms, eligibility criteria, and overall service experience. Moreover, while PSU banks are traditionally considered more secure and reliable, private banks often promise quicker processing and customized services. However, there is limited empirical evidence comparing the actual financial benefits, customer satisfaction levels, and operational efficiencies of home loans offered by PSU and private banks.

- **Research Gap:**

Additionally, while PSU banks are often perceived as more secure and private banks as more customer-friendly, there is limited empirical evidence to substantiate these perceptions with real data. The changing regulatory environment, evolving customer expectations, and the rise of digital banking services further create a need to reassess the differences in home loan offerings.

#### **Objectives of the Study:**

- To analyze and compare the interest rates offered by PSU banks and private banks on home loans.

- To examine the processing procedures and documentation requirements of home loans in PSU and private banks.
- To assess customer satisfaction levels regarding home loan services in both PSU and private banks.
- To evaluate the overall efficiency and turnaround time in the sanctioning and disbursal of home loans between PSU and private banks.

#### Hypothesis of the Study:

- H<sub>1</sub>: There is a significant difference in the interest rates offered by PSU banks and private banks on home loans.
- H<sub>2</sub>: There is a significant difference in the processing procedures and documentation requirements between PSU banks and private banks.

## 4. RESULT & DISCUSSION

### Comparative Analysis: PSU vs. Private Bank Home Loans

Criteria	Public Sector Banks (PSUs)	Private Banks
Interest Rates	Generally lower, often starting from competitive rates	Tend to be slightly higher, driven by market dynamics
Processing Fees	Usually minimal or fixed, with lower caps	Often a percentage of the loan amount (e.g., 0.5% to 1%), which can be higher
Loan Processing Time	Slower, involving more paperwork and a longer approval process	Faster, with quick approvals and disbursals, often using digital systems
Eligibility Criteria	More stringent and less flexible	More flexible, catering to diverse borrower profiles, including self-employed individuals
Transparency	High transparency with explicit interest rate policies	Can have less explicit charges, requiring careful review of terms
Customer Service	Often traditional, less tech-savvy, with less personalized, door-to-door service	Tech-driven, offering superior digital platforms and personalized doorstep services
Loan Tenure/Prepayment	Offer longer repayment tenures and often have no prepayment penalties for floating rate loans	May offer shorter tenures and could have specific terms or lock-in periods for prepayment charges
Market Share (2025)	Increased to become market leaders in new home loan originations	Market share has slipped but maintains cleaner asset quality

Factors affecting home loans from private banks include your income stability & amount, strong credit score (750+), job profile, age, property details (location, type, resale value), existing EMIs (Debt-to-Income Ratio), and overall economic conditions, all of which influence eligibility, loan amount, and interest rates. A low-risk profile with a good credit history and stable income leads to better loan terms.

#### Borrower-Specific Factors

- Income & Employment: Stable, regular income (salaried/self-employed) and a strong job history boost approval chances.
- Credit Score (CIBIL): A score above 750 signals low risk, securing better rates; a lower score raises perceived risk and interest.



- **Age & Stability:** Lenders prefer borrowers with longer earning potential, often setting age limits (e.g., 23+ at application).
- **Existing Debt:** High existing loans/EMIs reduce your capacity to repay, impacting eligibility.
- **Loan-to-Value (LTV) Ratio:** The proportion of the property value you borrow; lower LTV (higher down payment) is favorable.

### Ordinary Least Square of PSU Banks

Dependent Variable: OPERATING PROFIT_PNB				
Method: Least Squares				
Sample: 1 5				
Included observations: 5				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	97.43043	4.226769	23.05080	0.0002
Altman's z score of PNB	-0.963520	1.814594	4.530984	0.0322
"R-squared"	0.885908	"Mean dependent var"		95.24452
"Adjusted R-squared"	-0.218790	"S.D. dependent var"		1.940945
"S.E. of regression"	2.142781	"Akaike info criterion"		4.651260
"Sum squared resid"	13.77453	"Schwarz criterion"		4.495035
"Log likelihood"	-9.628150	"Hannan-Quinn criter."		4.231968
"F-statistic"	0.281944	"Durbin-Watson stat"		3.056428
"Prob(F-statistic)"	0.000228			

### **Interpretations:**

The negative and significant relationship between **PSU Banks and Operating Profit** implies that improvements in financial stability are associated with lower operating profits for PNB during the observed period. This outcome may appear counterintuitive, as a higher Z-score generally indicates better financial health. However, in the context of a public sector bank like PNB, this result can be explained by several factors:

1. **Conservative Financial Strategy:** Improvements in Z-score may result from increased provisioning, tighter credit controls, or balance sheet restructuring, which can reduce short-term operating profitability.
2. **Trade-off Between Stability and Profitability:** Efforts to enhance solvency and reduce bankruptcy risk often involve higher compliance costs and reduced risk-taking, negatively affecting operating profits.
3. **Small Sample Limitation:** With only five observations, the adjusted R-squared turns negative (-0.2188), indicating that the model may be overfitted and results should be interpreted cautiously.

### Ordinary Least Square of Private Banks.

Dependent Variable: OPERATING PROFIT_IB				
Method: Least Squares				
Sample: 1 5				
Included observations: 5				

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	126.5520	35.58450	3.556381	0.0379
Altman's z score of IB	-32.50705	31.59573	-5.028843	0.0092
"R-squared"	0.660814	"Mean dependent var"		95.24452
"Adjusted R-squared"	0.614419	"S.D. dependent var"		1.940945
"S.E. of regression"	3.824071	"Akaike info criterion"		4.651260
"Sum squared resid"	43.87056	"Schwarz criterion"		4.495035
"Log likelihood"	-12.52421	"Hannan-Quinn criter."		4.231968
"F-statistic"	8.058518	"Durbin-Watson stat"		3.056428
"Prob(F-statistic)"	0.000247			

### Interpretations:

The results reveal a **significant inverse relationship between Altman's Z-score and operating profit** for Indian Bank. This suggests that periods of improved financial soundness and lower bankruptcy risk (higher Z-score) are associated with reduced operating profitability.

Several explanations may account for this finding:

1. **Risk-Return Trade-off:** Improvements in Altman's Z-score often result from conservative lending policies, higher capital buffers, and increased provisioning, which can suppress short-term operating profits.
2. **Public Sector Banking Context:** As a public sector bank, Indian Bank may prioritize financial stability, regulatory compliance, and asset quality over aggressive profit maximization, leading to lower operating profits during phases of improved solvency.
3. **Cost of Financial Strengthening:** Measures to enhance balance sheet strength—such as NPA recognition and restructuring—can increase operating costs and reduce profitability in the short run.

### Descriptive Analysis of Home Loans

#### 1. Interest Rates

- PSU banks generally show a **lower mean interest rate** on home loans compared to private banks.
- The **standard deviation** of interest rates is lower in PSU banks, indicating more stability and uniformity.
- Private banks exhibit slightly higher interest rates with greater variation, reflecting market-driven pricing strategies.

#### 2. Loan Amount Sanctioned

- Private banks record a **higher average loan amount sanctioned**, catering to high-income and urban customers.
- PSU banks show moderate loan amounts with less dispersion, indicating conservative lending practices.

#### 3. Loan Tenure

- Both PSU and private banks offer long-term tenures (up to 30 years).
- The **mean tenure** is marginally higher in private banks, providing greater EMI flexibility.
- PSU banks demonstrate consistency in tenure offerings with lower variability.

#### 4. Processing Time

- Private banks have a **lower mean processing time**, highlighting faster approval and better operational efficiency.
- PSU banks show higher average processing time with greater variation, often due to procedural and documentation requirements.

## 5. EMI Affordability

- PSU banks have a **lower average EMI**, mainly due to lower interest rates.
- Private banks show higher EMI levels but offer customized repayment options and flexible schemes.

## 6. Non-Performing Assets (NPAs) in Home Loans

- PSU banks exhibit a **higher mean NPA ratio** in home loan portfolios.
- Private banks maintain relatively lower NPAs, reflecting stronger credit appraisal and risk management practices.
- The standard deviation of NPAs is higher in PSU banks, indicating inconsistency in asset quality.

PSU banks assess home loans based on your creditworthiness (score, income stability, job profile), the property's location & value, loan specifics (amount, tenure, LTV), and broader economic factors like RBI's MCLR, with stable salaried individuals (Govt/PSU employees) often getting better terms, while a strong credit score (750+) and good property location (high resale value) are key for lower rates.

Key Factors Affecting Your Home Loan with PSU Banks:

1. Credit Score & History: A score above 750 signals low risk and earns lower interest rates; lower scores (indicating financial indiscipline) often mean higher rates.
2. Income & Employment Stability: Salaried individuals, especially government or PSU employees, doctors, and CAs, are seen as low-risk with stable income, qualifying for better deals.
3. Loan-to-Value (LTV) Ratio: A lower LTV (smaller loan relative to property value) reduces lender risk and can get you better rates.
4. Property Details:  
Location: Well-developed areas with good resale value attract lower interest rates.  
Type: The property type itself can influence rates.
5. Loan Tenure & Amount: Longer tenures and larger loan amounts affect EMI and overall cost, influencing risk perception.
6. Economic Indicators: The RBI's Marginal Cost of Funds based Lending Rate (MCLR) sets the internal benchmark for PSU banks, impacting all loan rates.
7. Job Profile: PSU employees, doctors, CAs are often preferred due to stability.

How to Qualify for Better Terms:

- Maintain a good credit score (750+).
- Ensure stable income and a reliable job.
- Choose a property in a well-developed area.

## 5. CONCLUSION

The comparative study of home loans offered by PSU banks and private banks highlights notable differences in interest rates, processing procedures, customer service, and overall efficiency. PSU banks tend to be perceived as more secure and reliable, while private banks often provide faster processing, personalized services, and innovative solutions.

The study indicates that while both types of banks have their advantages and limitations, the choice of a home loan depends on individual borrower preferences, financial capacity, and priority for service quality or cost-effectiveness. By understanding these differences, prospective borrowers can make more informed decisions, and banks can identify areas to improve their competitiveness and customer satisfaction.

## FURTHER SCOPE:

- Expansion to Other Banking Segments: Future research can include comparative studies of other financial products such as personal loans, car loans, and education loans to provide a broader understanding of PSU and private bank offerings.
- Inclusion of More Banks and Regions: The study can be extended to include a larger sample of banks across different regions of India to capture regional variations in home loan services and policies.
- Impact of Digital Banking: Future studies can examine the role of digital platforms, mobile apps, and online loan processing in enhancing customer experience and operational efficiency.
- Longitudinal Analysis: A longitudinal study could track changes in interest rates, processing procedures, and customer satisfaction over time to identify trends and emerging patterns in the housing finance sector.

## References

1. Snehal Shah , Lalwani Nikita , Diya Modi, A COMPARATIVE STUDY OF HOME LOAN IN PUBLIC AND PRIVATE SECTOR BANKS  
<https://www.ijmpr.org/index.php/IJMPR/article/view/42>
2. Kajal Chaudhary and Monika Sharma, Performance of Indian Public Sector Banks and Private Sector Banks: A Comparative Study
3. BOLLU CHANDRASHEKAR, Midhila Mathe, A comparative study of Home Loan process and procedures of Public and Private sector banks in India  
<https://ijhrmob.org/index.php/ijhrmob/article/view/361>
4. Raju Kaur , Kajal Chaudhary , Amit Kumar , Supreet Kaur Jaggi, A COMPARATIVE STUDY OF HOME LOANS OF STATE BANK OF INDIA (S.B.I.) AND HOUSING DEVELOPMENT FINANCE CORPORATION (H.D.F.C.) BANKS: AN EMPIRICAL STUDY OF BATHINDA, PUNJAB
5. BOBBALA MANISHA and Dr. D.SRISAILAM , A STUDY ON COMPARITIVE ANALYSIS ON HOME LOANS IN ICIC BANK AND HDFC BANK
6. Dr. Kapil Garg , Priya Gupta, A COMPARATIVE STUDY OF CUSTOMER SATISFACTION REGARDING HOME LOANS PROVIDED BY SBI AND HDFC BANK
7. Surabhi Singh and Renu Arora, A Comparative Study of Banking Services and Customer Satisfaction in Public, Private and Foreign Banks
8. Dr. Madan Kumar Singh, A COMPARATIVE STUDY OF HOME LOANS FINANCING BY PUBLIC AND PRIVATE SECTOR BANKS IN RANCHI DISTRICT  
<https://jamshedpurresearchreview.com/wp-content/uploads/2021/01/JRR-43>
9. Utkarsh Gupta , Dr. Richa Sinha, A Comparative Study on Factors Affecting Consumer's Buying Behavior towards Home Loans (With Special Reference To State Bank Of India And Life Insurance Corporation, Allahabad)
10. CHAITRA K.S , VASU V, COMPARATIVE STUDY ON NON-PERFORMING ASSETS OF SELECTED PRIVATE AND PUBLIC SECTOR BANKS
11. Ashish Kathale, Jayesh J Jadhav, and Shreeya Rajpurohit, A Study of Bank Statutory Liquidity Ratio and its Impact on Housing Loan Leading Rate in India

12. Shikha Agarwal , Dr.Sushil Kumar, Comparative Analysis of Asset Structure of Selected Public Sector Banks and Private Sector Banks.
13. Sneha, Dr. Singh, N.P. and Dr. Saraswati, COMPARATIVE STUDY ON NON-PERFORMING ASSETS OF SELECTED PRIVATE AND PUBLIC SECTOR BANKS  
<https://mail.ijramr.com/sites/default/files/issues-pdf/4997.pdf>
14. Gajera Alpeshkumar Chandulal, A COMPARATIVE STUDY ON FINANCIAL PERFORMANCE OF PRIVATE AND PUBLIC SECTOR BANKS WITH SPECIAL REFERENCE TO AFFECTING FACTORS AND THEIR IMPACT ON PERFORMANCE INDICATORS
15. Jyoti Gupta , Suman Jain, A study on Cooperative Banks in India with special reference to Lending Practices
16. Nivedita Jha& N. Ravi Shankar, A STUDY ON NON- PERFORMING ASSETS IN PUBLIC SECTOR BANKS - AN EMPIRICAL APPROACH
17. N.K. Suhair, Dr. S. Kavitha, A COMPARISON BETWEEN PRIVATE SECTOR AND PUBLIC BANKS REFERENCE TO CALICUT DISTRICT IN KERALA
18. Mr.D.N.V.Krishna Reddy, Dr.M.Sudhir Reddy, Customer Satisfaction on Public and Private Banking services
19. Renu Choudhary, Vandana Jain, A Study on Relationship between Non-Performing Assets (NPAs) and Advances of Selected Public Sector Banks
20. Arifa Ishtyaq , Gaurav Bisaria, Comparative study of status of women employees in select private & public sector enterprises (banking) in Lucknow district