



## "MARKETING OF PURCHASER FINANCE IN INDIA: A STUDY WITH SPECIAL REFERENCE TO HOUSING FINANCE"

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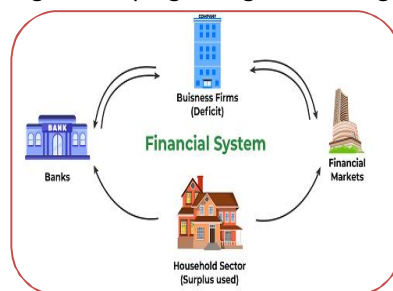
### ABSTRACT

*This study explores the marketing strategies and challenges associated with purchaser finance in India, focusing particularly on the housing finance sector. With the growing demand for housing driven by urbanization and rising incomes, housing finance has become a critical component of the Indian financial system. The research examines how financial institutions market purchaser finance products, the factors influencing customer preferences, and the effectiveness of promotional tools used to attract borrowers. By analyzing both primary and secondary data, the study highlights trends, consumer behavior, and competitive dynamics within the housing finance market. Findings reveal that while there is increasing awareness and uptake of housing loans, challenges such as high interest rates, complex documentation, and lack of financial literacy hinder market expansion. The study suggests enhanced marketing initiatives and customer education to improve accessibility and penetration of purchaser finance in India's housing sector.*

**KEYWORDS:** Purchaser Finance, Housing Finance, Marketing Strategies, Consumer Behavior, Financial Institutions, India, Loan Accessibility, Customer Preferences, Housing Loans, Financial Literacy.

### INTRODUCTION

The liberalization of the Indian economy in 1991 marked a watershed moment for the country's financial sector, especially its public sector banks (PSBs). Prior to liberalization, PSBs operated under a highly regulated framework, emphasizing social objectives such as financial inclusion and priority sector lending, often at the expense of profitability and operational efficiency. The reforms initiated in the early 1990s aimed to transform these banks into more competitive, efficient, and financially sound institutions capable of supporting India's rapidly growing economy. Economic liberalization brought sweeping changes including deregulation of interest rates, introduction of prudential norms, recapitalization of banks, and increased autonomy in operations. These measures sought to align PSBs with global banking standards, enhance customer service, and encourage technological adoption. However, the transition has been complex, with public sector banks facing numerous challenges such as rising non-performing assets, governance issues, and competition from private and foreign banks. This study undertakes a detailed appraisal of selected public sector banks to evaluate the impact of liberalization reforms on their financial performance, operational



efficiency, and market competitiveness. By analyzing key financial indicators and performance metrics over the liberalization period, this research aims to provide insights into the successes achieved and the obstacles that remain, contributing to the ongoing discourse on banking reforms in India.

### AIMS AND OBJECTIVES

The primary aim of this study is to evaluate the impact of economic liberalization on the performance and transformation of selected public sector banks in India. This appraisal seeks to understand how liberalization reforms since 1991 have influenced the financial health, operational efficiency, and competitive positioning of these banks within the evolving Indian banking landscape.

#### **To achieve this aim, the study sets out the following objectives:**

1. To analyze the financial performance of selected public sector banks post-liberalization by examining key indicators such as profitability, capital adequacy, and asset quality.
2. To assess the changes in operational efficiency and technological adoption in these banks since the liberalization reforms.
3. To evaluate the challenges faced by public sector banks, including the management of non-performing assets and governance issues, in the post-liberalization period.
4. To compare the performance trends of selected PSBs over time to identify patterns of improvement or decline.
5. To provide recommendations for policy makers and banking management aimed at strengthening the role of public sector banks in India's financial system.

### REVIEW OF LITERATURE

The liberalization of the Indian economy in 1991 ushered in a new era for public sector banks (PSBs), which have since been the subject of extensive research assessing their performance, efficiency, and adaptability in a more competitive environment. Bhattacharyya, Lovell, and Sahay (1997) examined the productive efficiency of Indian commercial banks post-liberalization and found that while efficiency improved overall, public sector banks continued to lag behind private sector banks due to structural and governance constraints. Their work highlighted the need for deeper reforms within PSBs to fully harness the benefits of deregulation. Kumbhakar and Sarkar (2003) analyzed the productivity growth of Indian banks using stochastic frontier analysis and concluded that ownership structure significantly affected performance, with private banks outperforming their public counterparts. Their study stressed the importance of managerial autonomy and risk management reforms in enhancing PSB efficiency.

Mohan (2004) provided a comprehensive overview of the banking sector reforms, noting that recapitalization and the introduction of prudential norms strengthened the capital base of PSBs. However, Mohan pointed out that high levels of non-performing assets (NPAs) remained a major concern, impeding growth and profitability. Das and Ghosh (2006) focused on the financial performance of public sector banks and found mixed results; while some banks showed improved profitability and operational efficiency post-liberalization, others struggled with asset quality and cost management issues. They emphasized the need for a balanced approach to reform, considering both financial discipline and developmental objectives. Rajeev and Mahesh (2010) explored the rising trend of NPAs in public sector banks, attributing the problem to lax credit appraisal, political interference, and slow recovery processes. Their findings highlighted governance and regulatory challenges as critical areas for reform.

More recent studies, such as Bansal and Srivastava (2020), have explored the role of digital technology in enhancing the competitiveness of PSBs. Despite significant investments in digital infrastructure, public sector banks face challenges in fully leveraging technology compared to private sector peers, due to legacy systems and organizational inertia. Reports by the Narasimham Committees (1991 and 1998) laid the foundational framework for banking reforms, recommending deregulation, improved supervision, and consolidation. These recommendations have shaped policy directions and reform measures

implemented by the Reserve Bank of India and the Government of India in the decades following liberalization. In summary, the literature indicates that while liberalization has catalyzed improvements in public sector banks, persistent challenges such as governance issues, NPAs, and technological adoption continue to impact their performance. This study builds upon this existing research to provide an updated and detailed appraisal of the post-liberalization period.

## RESEARCH METHODOLOGY

This study employs a descriptive and analytical research design to evaluate the impact of liberalization on selected public sector banks (PSBs) in India. The methodology is structured to analyze financial performance, operational efficiency, and market competitiveness in the post-liberalization era.

### 1. Research Design:

A descriptive research approach is adopted to systematically assess changes in performance indicators of PSBs over time. Analytical methods are applied to interpret the trends and draw meaningful conclusions from the data.

### 2. Sample Selection:

The study focuses on a purposive sample of prominent public sector banks including State Bank of India (SBI), Punjab National Bank (PNB), Bank of Baroda (BoB), Canara Bank, and Union Bank of India. These banks are selected based on their market share, data availability, and representation of the sector.

### 3. Data Analysis Techniques:

Quantitative techniques such as ratio analysis, trend analysis, and comparative analysis are employed. Graphs and tables are used to visualize trends, and statistical tools help identify significant changes in performance post-liberalization.

### 4. Limitations:

The study is constrained by the reliance on secondary data, which limits insights into internal managerial practices and customer perspectives. It does not include primary data collection methods such as interviews or surveys. Additionally, external macroeconomic factors influencing bank performance are acknowledged but not deeply analyzed.

## STATEMENT OF THE PROBLEM

Since the onset of economic liberalization in India in 1991, the public sector banking system has undergone significant structural and operational reforms intended to enhance efficiency, profitability, and competitiveness. Despite these reforms, public sector banks continue to grapple with persistent challenges such as high levels of non-performing assets, governance issues, and stiff competition from private and foreign banks. These challenges have raised concerns about the overall effectiveness of liberalization measures in transforming the performance and sustainability of public sector banks. This study seeks to investigate the extent to which liberalization has impacted the financial health, operational efficiency, and market position of selected public sector banks in India. It aims to identify both the successes and shortcomings of these reforms, offering a nuanced understanding of the current state of public sector banks and informing future policy directions to strengthen this vital sector of the Indian economy.

## FURTHER SUGGESTIONS FOR RESEARCH

Although this study provides valuable insights into the impact of liberalization on public sector banks in India, there are several areas that warrant further exploration. A comparative study involving private sector and foreign banks to evaluate differing strategies and outcomes post-liberalization. In-depth qualitative research incorporating customer and employee perspectives to better understand operational

challenges and service quality. Analysis of the long-term effects of recent banking reforms, including mergers and technological advancements, on the sustainability of public sector banks. Investigation into the role of governance reforms and risk management practices in addressing non-performing assets. Studies focused on financial inclusion efforts and their effectiveness in rural and semi-urban areas post-liberalization. Examination of digital transformation impacts on operational efficiency and customer engagement in PSBs. Such research will complement existing knowledge and assist policymakers and bank management in formulating more targeted and effective strategies for the growth and stability of public sector banks.

## SCOPE AND LIMITATIONS

### Scope:

This study focuses on analyzing the impact of economic liberalization on selected public sector banks (PSBs) in India from 1991 to the present. It examines key performance indicators such as profitability, asset quality, operational efficiency, and technological adoption to evaluate the extent of transformation in the banking sector. The research primarily draws upon secondary data sourced from bank annual reports, Reserve Bank of India publications, and relevant financial databases. The findings aim to provide insights into the effectiveness of liberalization reforms and suggest policy recommendations to strengthen the public banking sector. The study also sheds light on the challenges faced by PSBs in a liberalized environment, including rising non-performing assets, competition from private and foreign banks, and governance issues. By concentrating on a select group of prominent PSBs, the research ensures detailed and focused analysis, which can be generalized cautiously to the broader sector.

### Limitations:

The study's reliance on secondary data may limit the depth of understanding regarding internal managerial decisions, employee perspectives, and customer experiences, which are crucial for a comprehensive appraisal. The selected sample of banks, though representative, may not capture the full diversity of the public banking sector across different regions and scales of operation. Moreover, external macroeconomic factors such as inflation, government policy changes, and global economic conditions that influence banking performance are not the primary focus of this study, potentially affecting the interpretation of results. The study also does not include primary research methods such as interviews or surveys, which could provide richer qualitative insights. Finally, the rapidly evolving nature of the banking industry means that some recent developments, particularly in digital banking and fintech integration, may not be fully captured within the timeframe of this research.

## DISCUSSION

The liberalization of the Indian economy in 1991 marked a significant turning point for public sector banks (PSBs), ushering in an era of increased competition, regulatory reforms, and operational challenges. This study's detailed appraisal reveals that while liberalization has spurred notable improvements in various facets of PSB performance, the journey toward full transformation remains ongoing and complex. Financial indicators such as profitability and capital adequacy have shown positive trends post-liberalization, reflecting improved risk management and recapitalization efforts. Many PSBs have adopted modern technologies and enhanced their service delivery channels, signaling a shift towards customer-centric banking. These developments have enabled public sector banks to compete more effectively with private and foreign banks in attracting deposits and extending credit.

However, persistent challenges continue to hamper optimal performance. The high levels of non-performing assets (NPAs) remain a critical concern, affecting profitability and constraining the ability to lend. This issue underscores underlying weaknesses in credit appraisal and recovery mechanisms, which liberalization reforms have only partially addressed. Moreover, governance issues, including bureaucratic interference and slow decision-making processes, have limited the operational flexibility of PSBs compared to their private counterparts. The competitive landscape has intensified with the entry of agile private and

foreign banks leveraging technology and innovative financial products. While PSBs have made strides in digital adoption, legacy systems and organizational inertia pose barriers to rapid innovation. The study also highlights regional disparities, with some banks better positioned to capitalize on liberalization reforms due to stronger management and market presence. Overall, the appraisal confirms that liberalization has set public sector banks on a path of gradual improvement but also reveals the need for continued reforms focused on strengthening governance, enhancing risk management frameworks, and accelerating digital transformation. Policymakers and bank leadership must prioritize these areas to ensure PSBs fulfill their dual role of supporting economic development while maintaining financial sustainability in a liberalized environment.

## CONCLUSION

The liberalization of the Indian economy has undeniably transformed the landscape of public sector banking, ushering in significant improvements in financial performance, operational efficiency, and customer service. This study's detailed appraisal of selected public sector banks reveals that while liberalization reforms have strengthened capital adequacy, profitability, and technological adoption, persistent challenges such as high non-performing assets and governance issues continue to impede optimal growth. The findings underscore that liberalization has been a catalyst for positive change but not a panacea. To fully realize the potential of public sector banks, continued policy focus is essential on strengthening governance frameworks, enhancing credit risk management, and accelerating digital innovation. The evolving competitive environment demands that PSBs not only modernize their operations but also adapt strategically to customer needs and market dynamics. Ultimately, public sector banks remain critical to India's financial inclusion and economic development goals. With sustained reform efforts and proactive leadership, these banks can leverage the foundations laid by liberalization to emerge stronger and more resilient in the years ahead.

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