

THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

Customer Preference and Satisfaction towards Housing Finance with Special Reference to Vijayawada, Andhra Pradesh

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Abstract:

Every individual dreams of owning a house in his life time and he not only dreams of it but also works hard to make the dream come true. After Liberalization, Privatization and Globalization (LPG) in 1990, the financial institutions turned to be very competitive in providing various products and services to the customers. Numerous banks and other financial institutions are coming forward to assist the individuals by providing loans necessary for the purchase of house. It is the customer who has to choose an appropriate housing agency according to his housing needs. This paper provides insights into factors effecting the choice of housing agency and factors influencing the customer satisfaction of select public and private sector institutions of Krishna district, Andhra Pradesh.

1. Introduction

Shelter is one among the basic needs to be fulfilled by all the individuals. The scope of shelter is much wider than the housing. Even though it is difficult to prove, housing shows a great influence on the productivity, health and other measures of well-being. The increased demand for housing is due to increased population and rapid pace of urbanization and industrialization. After the enactment of liberalization, privatization and globalization (LPG), banking industry in India has undergone tremendous changes. Unlike the previous days, getting home loan is a cake walk these days. Low interest rates, tax benefits and competition among housing finance companies have made the availability of home loan an easy task for the people. To face these changes, banks and financial institutions have come up with different strategies to survive and to face the stiff competition coming from both the public and private sector institutions. Customer awareness and satisfaction are the important aspects of every business. Financial institutions are no way exceptional to it. So banks are competing to provide awareness regarding different home loan schemes to different customers. Customer satisfaction is the only way which can differentiate them with that of the competitors for a service industry like housing finance.

2. Objectives of the Study

- To know the factors influencing the customers in home ownership.
- To know the factors affecting customer satisfaction towards home loan.

3. Review of Literature

- Ravneet Kaur (2013), conducted a study on customer satisfaction towards home loan taken from Housing Development and Finance Corporation Ltd. and GIC Housing Finance Ltd. on various parameters and found that HDFC sanctioned highest amount of loans to the customers and the majority of GICHF customers and few HDFC customers felt that the bank is charging high interest rates. Average cost of availing home loan is high with HDFC when compared to GIC.
- Aarti Varma (2015), found home loan procedure to be difficult and consuming process for the people without proper documentary evidence. Majority people taking home loans from the banks preferred fixed interest rates and they were aware of home loan through television, internet or friends and relatives. Respondents are satisfied regarded the bank treatment towards them. As per the study the important factors influencing in taking home loan are quality of service and low rate of interest provided by the institutions.
- Utkarsh Gupta & Dr. Richa Sinha (2015), studied about different factors influencing customers of SBI and LIC in taking home loan. The study revealed that the majority of the people of both the companies have taken loan for purchase of home at fixed rate of interest. Major factors influencing home loan takers of SBI are easy accessibility, low rate of interest, status, schemes offered by the company and the reputation of the company. Also factors like prompt service, longer repayment period, co-operative staff, easy documentation facilities influenced people to choose SBI for taking home loan. The major

factors influencing LIC loan takers are good communication, trust on institution, fast processing of loans and suggestions by friends and relatives.

4. Research Methodology

The study was conducted to analyze the customer preferences and satisfaction level regarding housing finance institutions. The universe of the study contains banks and financial institutions providing home loans to the public. State Bank of India (SBI), Life Insurance Corporation (LICHL) from public sector and Housing Development Finance Corporation (HDFC), Industrial Credit and Investment Corporation of India (ICICI) from private sector are taken for the study. Opinions of the respondents of the study field are taken by preparing and distributing questionnaire consisting of different questions based upon the purpose of the study. Simple random sampling technique is used to collect the data from 200 respondents. Factor analysis is used to analyze the data obtained from the study.

4.1. Factor Analysis (Factors Influencing Home Ownership)

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.572
Bartlett's Test of Sphericity	Approx. Chi-Square	210.159
	df	45
	Sig.	.000

Table 1

Factor Analysis is a data reduction technique. It also helps in structure detection among the variables and further helps in studying the underlying crucial factors that cause the maximum variation. Before we proceed for factor analysis first the researcher tested the eligibility of the data by checking KMO- Bartlett's test which is a measure of sampling adequacy. The KMO value is $0.572 > 0.5$ Bartlett's Test of Sphericity indicates a measure of the multivariate normality of set of variables (Sig. value is less than 0.05 indicates multivariate normal and acceptable for factor analysis)

Component	Total Variance Explained								
	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	2.309	23.090	23.090	2.309	23.090	23.090	1.881	18.814	18.814
2	1.486	14.862	37.952	1.486	14.862	37.952	1.628	16.285	35.099
3	1.245	12.451	50.404	1.245	12.451	50.404	1.349	13.489	48.588
4	1.133	11.334	61.738	1.133	11.334	61.738	1.315	13.150	61.738
5	.873	8.729	70.468						
6	.784	7.838	78.306						
7	.745	7.448	85.753						
8	.564	5.637	91.390						
9	.475	4.748	96.138						
10	.386	3.862	100.000						

Extraction Method: Principal Component Analysis.

Table 2

	Component Matrix ^a			
	Component			
	1	2	3	4
21.1Rent paid per month	.365	-.240	.627	.176
21.2Easy monthly installment	.355	-.194	-.124	.755
21.3Proportion of financing	.602	-.523	-.142	-.072
21.4Tax Relief for home loan purchase	.305	-.005	.768	.080
21.5Pre-payment penalty	.623	.134	-.416	.320
21.6Influence of friends and relatives	.223	.752	.056	.184
21.7Home increases the social status	.509	.331	.129	-.215
21.8Fast disbursement	.620	-.227	-.164	-.138
21.9 Proportion of financing	.615	-.050	-.070	-.565
21.10Promotional measures motivated me	.369	.608	-.023	-.030

Extraction Method: Principal Component Analysis.
a. 4 components extracted.

Table 3

Rotated Component Matrix^a				
	Component			
	1	2	3	4
21.1 Rent paid per month	.134	-.051	.759	.135
21.2 Easy monthly installment	.011	-.039	.148	.851
21.3 Proportion of financing	.715	-.228	.128	.285
21.4 Tax Relief for home loan purchase	.018	.141	.817	-.049
21.5 Pre-payment penalty	.378	.368	-.164	.614
21.6 Influence of friends and relatives	-.193	.776	.026	.109
21.7 Home increases the social status	.349	.518	.186	-.086
21.8 Fast disbursement	.662	.048	.054	.196
21.9 Proportion of financing	.777	.214	.041	-.230
21.10 Promotional measures motivated me	.090	.706	-.013	.025
Extraction Method: Principal Component Analysis.				
Rotation Method: Varimax with Kaiser Normalization.				
a. Rotation converged in 5 iterations.				

Table 4

The PRINCIPAL COMPONENT MATRIX gives the component matrix which is rotated using the VARIMAX rotation technique which gives the ROTATED COMPONENT MATRIX. Rotation of factors helps in the better interpretation of factors. Since the first factor in the ROTATED COMPONENT MATRIX is heavily loaded with the Proportion of financing. Factor loading Values of 0.777 this is the highest in the first column of rotated component matrix. The first factor represents Proportion of financing. The second factor is heavily loaded with Influence of friends and relatives (0.776) and Promotional measures motivated (0.706) thus the subsequent factors can be interpreted based on their factor loading values. The final list of 04 factors which collectively account for 61.73 % of the variance in the data is shown below

S. NO.	Factor Name	Factor loading Value
1	Proportion of financing	0.777
2	Influence of friends and relatives	0.776
	Promotional measures motivated	0.706
3	Tax Relief for home loan purchase	0.817
4	Easy monthly installment	0.851

Table 5

- Factor Analysis (LEVEL OF SATISFACTION IN UTILIZING HOUSING LOANS)

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.690	
Bartlett's Test of Sphericity	Approx. Chi-Square	757.826
	df	105
	Sig.	.000

Table 6

Factor Analysis is a data reduction technique. It also helps in structure detection among the variables and further helps in studying the underlying crucial factors that cause the maximum variation. Before we proceed for factor analysis first the researcher tested the eligibility of the data by checking KMO- Bartlett's test which is a measure of sampling adequacy. The KMO value is 0.690 > 0.5 Bartlett's Test of Sphericity indicates a measure of the multivariate normality of set of variables (Sig. value is less than 0.05 indicates multivariate normal and acceptable for factor analysis)

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.781	25.204	25.204	3.781	25.204	25.204	2.239	14.930	14.930
2	2.076	13.840	39.045	2.076	13.840	39.045	2.116	14.109	29.039
3	1.722	11.477	50.522	1.722	11.477	50.522	2.028	13.523	42.562
4	1.241	8.275	58.797	1.241	8.275	58.797	1.758	11.720	54.282
5	1.018	6.788	65.585	1.018	6.788	65.585	1.695	11.303	65.585
6	.873	5.821	71.406						
7	.779	5.191	76.597						
8	.747	4.979	81.576						
9	.637	4.246	85.822						
10	.514	3.427	89.249						
11	.443	2.955	92.204						
12	.408	2.722	94.926						
13	.334	2.225	97.152						
14	.224	1.496	98.648						
15	.203	1.352	100.000						
Extraction Method: Principal Component Analysis.									
Component Matrix ^a									
	Component								
	1	2	3	4	5				
41.1 Period taken to sanction the loan	.293	.598	-.330	.139	.195				
41.2 Amount of Loan sanctioned	.385	.413	-.162	.495	-.122				
41.3 Processing and administration fee charged	.529	.512	.162	-.330	-.086				
41.4 Rate of interest	.499	.536	.172	-.255	-.175				
41.5 Style of disbursement of loan	.153	.393	.514	.424	-.030				
41.6 Counselling & guidance given by the officials	.496	.189	.210	-.362	.058				
41.7 Documents formalities	.516	.268	-.036	-.183	.591				
41.8 Re-scheduling and pre-payment norms	.436	-.382	.364	-.203	.263				
41.9 Repayment period	.360	-.412	.575	.099	.122				
41.10 Mode of repayment	.428	-.196	.617	.192	-.223				
41.11 Communication (Repayment remainder, offers, etc.)	.503	.073	-.062	.378	-.222				
41.12 Method of accepting complaints	.638	-.265	-.407	-.275	-.307				
41.13 Method of Redressal of complaints	.694	-.294	-.218	-.139	-.410				
41.14 Method of acceptance of surety	.636	-.321	-.316	.257	.289				
41.15 Method of acceptance of security	.658	-.342	-.248	.258	.211				
Extraction Method: Principal Component Analysis.									
a. 5 components extracted.									

Table 7

Rotated Component Matrix^a					
	Component				
	1	2	3	4	5
41.1 Period taken to sanction the loan	.369	-.085	-.442	.314	.416
41.2 Amount of Loan sanctioned	.137	.057	-.138	.144	.737
41.3 Processing and administration fee charged	.803	.109	.023	-.003	.167
41.4 Rate of interest	.761	.110	.021	-.082	.251
41.5 Style of disbursement of loan	.213	-.397	.324	-.109	.550
41.6 Counselling & guidance given by the officials	.619	.135	.200	.131	-.047
41.7 Documents formalities	.536	-.106	-.020	.650	-.015
41.8 Re-scheduling and pre-payment norms	.191	.126	.591	.340	-.246
41.9 Repayment period	.015	.013	.789	.180	-.014
41.10 Mode of repayment	.133	.105	.759	-.096	.272
41.11 Communication (Repayment reminder, offers, etc.)	.070	.296	.134	.131	.571
41.12 Method of accepting complaints	.201	.858	-.010	.192	-.002
41.13 Method of Redressal of complaints	.179	.839	.193	.106	.138
41.14 Method of acceptance of surety	-.087	.396	.139	.725	.217
41.15 Method of acceptance of security	-.075	.428	.213	.657	.237
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.					
a. Rotation converged in 11 iterations.					

Table 8

The PRINCIPAL COMPONENT MATRIX gives the component matrix which is rotated using the VARIMAX rotation technique which gives the ROTATED COMPONENT MATRIX. Rotation of factors helps in the better interpretation of factors. Since the first factor in the ROTATED COMPONENT MATRIX is heavily loaded with the Processing and administration fee charged. Factor loading Values of 0.803. This is the highest in the first column of rotated component matrix. The first factor represents Processing and administration fee charged.

The second factor is heavily loaded with Method of accepting complaints (0.858) and Method of redressal of complaints (0.839) thus the subsequent factors can be interpreted based on their factor loading values. The final list of 05 factors which collectively account for 65.58 % of the variance in the data is shown below

S. NO.	Factor Name	Factor loading Value
1	Processing and administration fee charged	0.803
2	Method of accepting complaints	0.858
	Method of redressal of complaints	0.839
3	Repayment period	0.789
	Mode of repayment	0.759
4	Method of acceptance of surety	0.725
5	Amount of Loan sanctioned	0.737

Table 9

5. Conclusion

The primary factor inducing people to take home loan are, the amount offered as loan by the financial institutions (i.e.) 80 to 90 percent of the total property value. The promotional measures being adopted by the organizations and the influence of friends and relatives are more in seeking home loan, Tax relief and easy monthly installments provided on home loans also play a role. Banks facilitate the customers through tax benefits (as per Sec. 80C), while the financial institutions facilitate with small and easy monthly installments to customers in acquiring home loan. So the study revealed that the proportionate amount being financed, Friends and relatives, Promotional measures, Tax relief and Easy monthly installments are the major factors influencing in taking home loan.

Customer satisfaction plays an important role for any kind of business or service organization. It not only indicates the customer loyalty but also identifies the unhappy customers and spot the causes for their unhappiness thereby increasing the revenue to the organization. The major factors influencing in gaining customer satisfaction are, the Processing and administrative fee charged, Method of accepting complaints and Method of redressing complaints followed by longer repayment period and different modes of repayment like cheque, cash, salary deductions etc. Also the customers are satisfied regarding the method of acceptance of surety and amount of loan sanctioned.

6. References

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