

Research Article

A Study of Consumer Attitude Toward Housing Finance Companies In India

Mr. Chetanbhai D. Bhutka^{1*}, Dr. Yashasvi R. Rajpara²

Introduction

Housing Finance Companies (HFCs) in India play a crucial role in providing affordable and accessible housing finance solutions to individuals and families across the country. As a key component of the financial services sector, HFCs serve as a significant facilitator in the realization of the dream of homeownership for millions of Indians.

India, being one of the world's most populous countries, is witnessing rapid urbanization and a growing middle-class population with aspirations of owning their own homes. However, the high costs associated with buying property and the need for substantial capital make home ownership a challenging proposition for many. This is where Housing Finance Companies step in, bridging the financial gap by offering a range of home loan products and services tailored to meet diverse customer needs.

Over the years, the housing finance industry in India has undergone significant transformations, driven by various factors such as changes in the regulatory landscape, technological advancements, and evolving consumer preferences. The emergence of HFCs has added dynamism and competition to the market, fostering innovation and improved customer-centric approaches in the lending process.

This study delves into the landscape of Housing Finance Companies in India, aiming to provide a comprehensive overview of the sector's growth, challenges, and future prospects. By examining the various products, services, and lending practices adopted by HFCs, the study sheds light on the factors influencing borrowers' decisions and the broader impact on the real estate market.

Furthermore, the research explores the regulatory framework governing HFCs and the role of key stakeholders, including policymakers, financial institutions, and consumers. Understanding the strengths and weaknesses of the industry and its players is essential in fostering sustainable growth and maintaining financial stability.

Through an analysis of consumer attitudes, expectations, and experiences with Housing Finance Companies, this study seeks to identify areas for improvement and innovation. It aims to provide valuable insights that can assist HFCs in enhancing their customer service, refining their lending practices, and offering competitive and tailored solutions to the evolving needs of homebuyers.

As India strives to meet its housing needs and achieve its developmental goals, Housing Finance Companies remain integral to the nation's economic growth and social welfare. By examining the role and impact of these companies, this study contributes to a deeper understanding of the housing

¹*Research Scholar, Department of Business Studies, Sardar Patel University, Vallabh Vidyanagar, Gujarat

²Assistant Professor, SEMCOM, Vallabh Vidyanagar, Gujarat

*Corresponding Author: - Mr. Chetanbhai D. Bhutka

finance sector's significance in India's journey towards housing for all and inclusive economic progress.

Review of Literature

Gupta and Sinha (2015) examine factors influencing the purchase of home loan are a low rate of interest, easy accessibility, the status/ reputation of the institution and scheme offered by the company and that these influence the selection of the housing finance institution. Chithra and Muthurani (2015) conducted a study on customer perception towards home loan in H.D.F.C in Chennai with the 85 sample size. The study shows that H.D.F.C. bank home loans have a product portfolio for satisfying different consumer needs. Murugan and Jansirani (2017) carried out a study in Chennai to understand customer perception towards home loan by selecting the 500 customers on a random basis. Their study made an attempt to evaluate in depth the performance and operational problems faced by the banking sector Sangwan and Bhan (2012) the study focused on the satisfaction level of customers and problems faced by them in while obtaining home loans. For this purpose, they have taken four commercial Banks in Chandigarh city. Bandyopadhyay (2011) has demonstrated the importance of borrower specific characteristics as well as local situation factors in determining the demand prospects as well as the risk of credit, loss on residential housing loan repayment behavior in India. Gupta and Sinha (2015) examine factors influencing the purchase of home loan are a low rate of interest, easy accessibility, the status/ reputation of the institution and scheme offered by the company and that these influence the selection of the housing finance institution. Chithra and Muthurani (2015) conducted a study on customer perception towards home loan in H.D.F.C in Chennai with the 85 sample size. The study shows that H.D.F.C. bank home loans have a product portfolio for satisfying different consumer needs. Murugan and Jansirani (2017) carried out a study in Chennai to understand customer perception towards home loan by selecting the 500 customers on a random basis. Their study made an attempt to evaluate in depth the performance and operational problems faced by the banking sector Sangwan and Bhan (2012) the study focused on the satisfaction level of customers and problems faced by them in while obtaining home loans. For this purpose, they have taken four commercial Banks in Chandigarh city. Bandyopadhyay (2011) has demonstrated the importance of borrower specific characteristics as well as local situation factors in determining the demand prospects as well as the risk of credit, loss on residential housing loan repayment behavior in India.

Aparna Mishra and Kamini Tandon (2011): In their study on – A Customer Centric Approach towards Retail Banking Services: A Glimpse analyzed the customer's perception on the retail banking services offered by namely five private sector banks situated in Delhi and to study the major factors influencing their choice of banks and its products.

Rashmi Chaudhary and Yasmin Janjhua (2011): In their study on – Customer Perceptions and Fulfilment towards Home Loans found that the customers of the company were highly satisfied with the home loan services in relation to its services, transparency, time taken for loan approval, employee co-operation and query handling, prima facie of some problems like procedural delays, lack of knowledge and red-tapism.

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Research Methodology:

The study was conducted with the help of primary data and secondary data. The data was collected through a structured questionnaire. The people who have taken home loan from private sectors banks and public sector banks were considered for the study. The study is conducted on the basis of

the response of 102 respondents. SPSS 15 was used and Descriptive statistics, Mean score and Chi-square tests were used for analysis and interpretation. The study is conducted in Gujarat city only.

This research is carried out primarily to examine factors affecting public and private sector banks on the consumer Attitude for the home loan disbursed to their consumer and relationship amongst consumer Attitude towards the bankers and availing of the loan.

Objectives:

1. To study the Attitude of consumers towards home loans.
2. To understand consumers' Attitude towards home loan among public and private sector banks.
3. To know consumers' Attitude level and interest rates among public and private sector banks.

Data Analysis and Interpretation

The survey was conducted and data were collected from 102 respondents. The collected data were analyzed by using SPSS 15.0 and by applying different statistical tools.

Table No.1 Demographic Profile (N= 102)

VARIABLES	FREQUENCY	PERCENT
Gender		
Male	70	68.63
Female	32	31.37
Age(in years)		
20-30	60	58.82
30-40	25	24.51
Above 40	17	16.67
Occupation		
Professional	38	37.25
Self-Employed	25	24.51
Salaried	39	38.24
Annual Income (in Rs.)		
Below 1 Lakh	3	2.94
1-3 Lakh	21	20.59
3-5 Lakh	45	44.12
5 Lakh And Above	33	32.35
Education		
High School	7	6.86
Graduate	64	62.75
Postgraduate	31	30.39
Banking Sector		
Public Sector	54	52.94
Private Sector	48	47.06
Loan Amount		
Less Than 1 Lakh	2	1.96
1-5 Lakh	12	11.76
5-10 Lakh	59	57.84
More Than 10 Lakh	29	28.43
Satisfaction Towards Rate of Interest		
Yes	48	47.06
No	32	31.37
Maybe	22	21.57

- Out of 102 respondents, 68.63% are male and 31.37 % are female.
- Out of 102 respondents of 58.82% were between the ages of 20-30, 24.51% were between the age of 30-40, and there were only 16.67% of respondents above 40.
- Representation of Salaried, professional, self-employed respondents is 38.24%, 37.25%, and 24.51% respectively.
- Majority of the respondents, 44.12% respondent belong to 3-5 lakh annual income followed by 32.35% respondents belong to 5 lakh and above and 2.94% people belong to below 1 lakh annual income, 20.59% respondent belong to 1-3 lakh annual income.
- In terms of educational qualifications, 6.86% have done high school, 62.75% are graduate and 30.39% are postgraduate.
- Out of 102 respondents, 52.94% of people take home loan from public sector banks and 47.06% of people refer to take home loan from private sector banks.
- Out of 102 respondents, 57.84 % were taken loan between 5- 10 lakh and 28.43 % were taken loan amount of more than 10 lakh.
- Out of 102 respondents, 47.06% were satisfied with the rate of interest and 31.37% were not satisfied with the rate of interest.

Table no. 2 - Cross tabs between Loan amount and Banking Sector

Loan Amount	Respondent	Percentage
Less Than 1 Lakh	2	1.96
1-5 Lakh	12	11.76
5-10 Lakh	59	57.84
More Than 10 Lakh	29	28.43

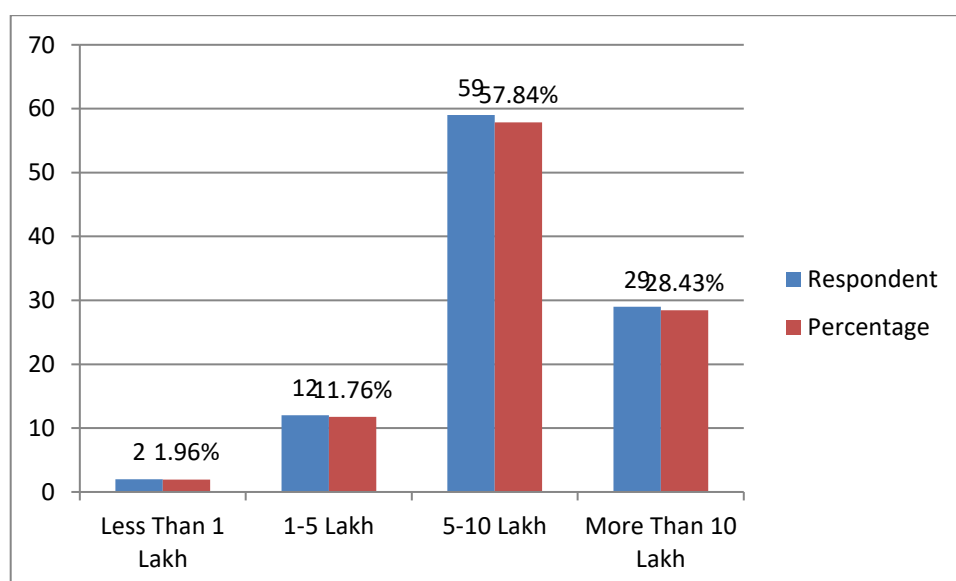
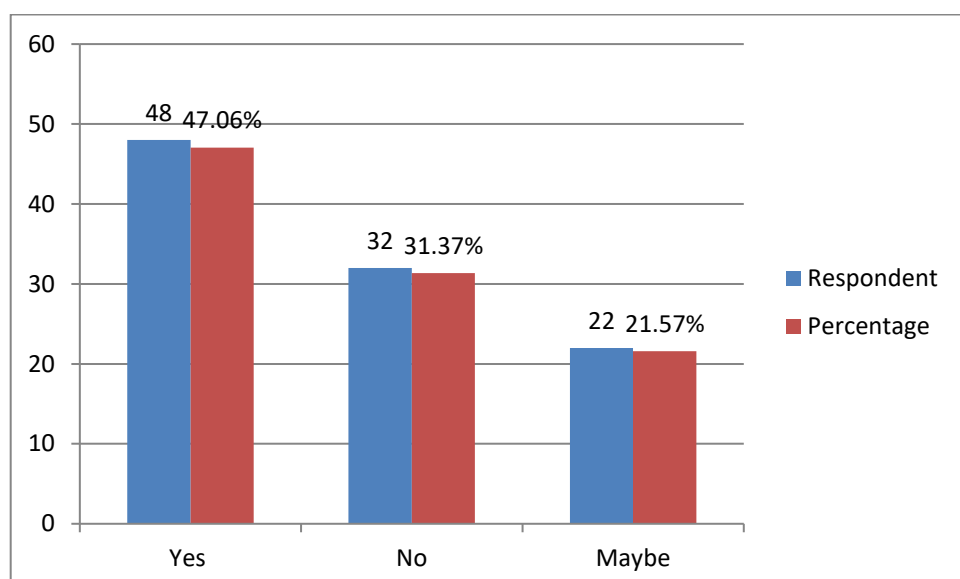


Table no. 3 - Cross tabs between Rate of Interest and Banking Sector

Satisfaction Towards Rate of Interest	Respondent	Percentage
Yes	48	47.06
No	32	31.37
Maybe	22	21.57



Hypothesis

H1: Features of consumer Attitude and the demographic profile of the respondents are dependent on each other.

H₀: Features of consumer Attitude and the demographic profile of the respondents are independent of each other.

TABLE NO. 4 Test of Independence between important features of consumer Attitude towards home loan and Demographic Profile

	Gender X ² val	Age X ² val	Education X ² val	Income X ² val	Occupation X ² val
Understanding consumer needs	0.001*	0.064	0.048*	0.743	0.373
IT	0.004*	0.115	0.079	0.114	0.126
Employee Behavior	0.000*	0.172	0.347	0.367	0.426
Attitude towards service	0.000*	0.000*	0.216	0.444	0.563
Care and concern for customer	0.018*	0.003*	0.13	0.88	0.816

*Significant at 0.05

- **Understanding Consumer needs** - The P value (0.001 < 0.05) in case of gender and the P value (0.048 < 0.05) in case of education. H₀ is rejected in these two cases. Hence it is concluded that the feature of understanding consumer needs is dependent on gender and education. The feature of understanding consumer needs is not dependent in case of age, occupation, and income.
- **IT**- The P value (0.004 < 0.05) in case of gender. H₀ is rejected in this case. Hence it is concluded that the feature of IT is dependent on gender. The feature of IT is not dependent in case of age, education, income, and occupation.
- **Employee Behavior** - The P value (0.000 < 0.05) in case of gender. H₀ is rejected in this case. Hence it is concluded that the feature of employee behavior is dependent on gender. The feature of employee behavior is not dependent in case of age, education, income, and occupation.
- **Attitude towards service** - The P value (0.000 < 0.05) in case of gender and the P value (0.000 < 0.05) in case of age. H₀ is rejected in these two cases. Hence it is concluded that the features of attitude towards service are dependent on gender and age. The feature of attitude towards service is not dependent in case of education, income, and occupation.
- **Care and concern for customer** - The P value (0.018 < 0.05) in case of gender and the P value (0.003 < 0.05) in case of age. H₀ is rejected in these two cases. Hence it is concluded that the

feature of care and concern for the customer is dependent on gender and age. Feature of care and concern for customer is not dependent in case of education, income and occupation.

Findings of the Study

1. Gender Distribution: Among the 102 respondents, 68.63% were male, and 31.37% were female. This indicates that there was a higher representation of male respondents in the study.
2. Age Distribution: The age group of 20-30 had the highest representation among the respondents, accounting for 58.82%. The age group of 30-40 represented 24.51% of respondents, and only 16.67% of respondents were above 40 years old.
3. Occupation Distribution: The respondents' occupation distribution shows that 38.24% were salaried, 37.25% were professionals, and 24.51% were self-employed. Salaried and professional individuals had a similar representation, while self-employed individuals were slightly lower.
4. Income Distribution: The majority of respondents (44.12%) belonged to the income bracket of 3-5 lakh per annum. The next significant group was 32.35% of respondents belonging to an annual income of 5 lakh and above. A smaller proportion (2.94%) belonged to the below 1 lakh annual income category, and 20.59% fell in the 1-3 lakh annual income bracket.
5. Educational Qualifications: In terms of educational qualifications, 6.86% had completed high school, 62.75% were graduates, and 30.39% held postgraduate degrees. The majority of respondents were graduates.
6. Preference for Banks: Among the respondents, 52.94% preferred taking a home loan from public sector banks, while 47.06% preferred private sector banks. This shows a relatively even split in the preference for the type of banks for home loans.
7. Loan Amount: Regarding the loan amount, 57.84% of respondents took home loans between 5-10 lakh, while 28.43% took loan amounts exceeding 10 lakh.
8. Satisfaction with Rate of Interest: Among the respondents, 47.06% were satisfied with the rate of interest offered by the housing finance companies, while 31.37% were not satisfied with the rate of interest.

Suggestions

1. Prioritize Customer's Preferred Interest Rate: Housing finance companies and banks should consider the importance of offering flexible interest rate options that align with the preferences of potential customers. Conducting market research to understand the most desired interest rate ranges and structuring loan products accordingly can attract more borrowers.
2. Embrace Digital Transformation: To improve customer experience and efficiency, banks should invest in digitalization and modernization of their services. By providing user-friendly online platforms for loan applications, document submission, and tracking, customers can experience a seamless and convenient process.
3. Streamline Loan Approval Process: Simplifying and expediting the loan approval process is crucial for enhancing customer satisfaction. Banks should review their internal processes and remove any unnecessary complexities that could delay loan processing. Clear and concise documentation requirements can also help speed up the sanctioning of home loans.
4. Improve Turnaround Time: Both public sector and private sector banks should strive to enhance their turnaround time for home loan applications. By adopting efficient workflow management systems and leveraging technology, banks can reduce processing times and offer a more competitive advantage in the market.
5. Offer Competitive Interest Rates: To attract more consumers, banks should continuously monitor the market and adjust their interest rates to remain competitive. Providing favorable interest rates can incentivize potential borrowers to choose a particular bank over its competitors.

Conclusion

The success of housing finance companies and banks in India lies in their ability to adapt to customer preferences, offer competitive rates, and leverage digital advancements. By focusing on customer-centric strategies, simplifying processes, and ensuring satisfaction through attractive loan options, the housing finance industry can thrive and meet the diverse needs of Indian consumers seeking home loans.

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