

# Assessment of Customer Satisfaction Regarding Housing Loan with Special Reference to Formal Source of Housing Finance

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**Abstract – Formal housing finance provides finance for constructing and building a new house, renovating an old house, purchasing a land/flat/house. The source for Formal housing finance in India has different categories which are generally governed by the rule and regulations of RBI norms which is subjected to the guidelines to Banking regulation act. Formal Housing Finance system in India is mainly regularized and supervised by National Housing Bank which is the apex-level financial institution for the housing sector. Even the government goal is to provide “House to all” under Pradhan Mantri AwasiyaYojna till 2022 through providing subsidy to rural poor and encouraging the people of rural area to open account under Jan DhanYojna. People of India who are working in formal sector can easily access the loan from formal funding but the people who are working in informal sector have to face various obstacles in order to get loan facility from banks and NHB therefore PMAY provide loan to informal workers too. Formal housing finance have various formalities associated before granting the loan but this source have made the dream of people to build their own home in a very easy way and if they show all the legal documents then they can apply for the loan and get it within few months after processing period. This has made easy to have own home and indirectly supports in the overall development of a person.**

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## I. INTRODUCTION:

Formal housing finance have various sources such as Scheduled commercial banks, Scheduled Cooperative banks, Regional Rural banks, Agriculture and Rural development banks, Housing finance companies. Even Public Private Partnership is also easy to construct new buildings in urban areas in short duration. Through PPP, AFCs are focusing on formal sector workers but also focusing on the workers engaged in informal sector. With the development of banking system and secondary mortgage market, the development of housing finance sector has also improved and showed a better growth. Earlier the satisfaction level of borrowers was not at its best but now with more involvement of Government in Financial inclusion and with growth banking system the customers are getting satisfaction and their expectations are fulfilling.

Many researchers and authors define satisfaction in a similar way as explained by Philip Kotler “Satisfaction is a person’s feeling of pleasure or disappointment resulting from comparing a product

perceived performance in relation to his or her expectations” Means if the result or performance achieved is greater than the expectations then customer is satisfied and more better the result more satisfied the customer is and vice versa. Therefore any service and product provider always tries to fulfill the expected demand of the customer and if it is not followed than the customer switch to other options if more options are available. In order to sustain the customer or to have loyal customers there seller /service provider always have to maintain USP and should fulfill the demand of the customers according to the promises made.

## II. LITERATURE REVIEW:

(Saurabh Gupta, 2017) Evaluated customer satisfaction regarding housing loan of PNB. Various factors for measuring satisfaction level like bank’s legal formalities and procedures, banks’ internal environment, likelihood to recommend others, banks festivals schemes and offers, overdraft facility. In their study Gupta and Awasthi found the customers who are availing the overdraft facility were generally satisfied with the bank

services then those who are not availing. They also analyzed that though the total housing sector loan of PNB has shown a growth of 26.04% in PNB Circle office, Lucknow there is decrease in the housing loan sector. Therefore they suggested that in order to develop customer loyalty and reducing nonperforming assets bank should emphasize on the overall concerning factors.

**Addaney Michael et al. (2015)** conducted their study on informal housing finance system in Kumasi metropolis of Ghana and investigated the major financing mechanism and discussed the factors which hamper their access to formal credit. In Ghana they found that among 10 communities the informal source of housing finance was dominant and there was underdeveloped mortgage market and people were unable to get financing from formal sources. This creates interruption and delay in house dwelling. Therefore they suggested and recommended microfinance for housing, site services schemes, and anon mortgage lending for the informal sector.

**Sheuya A Shaaban (2007)** explored the concept of incremental housing settlement in Dar es Sallam, Tanzania and . He showed that unpacking the concept of savings has the potential to uncover new opportunities for promoting housing finance in informal settlements, other than shelter microfinance. His study focused on informal settlement in two forms first is construction and housing transformation which includes two phases. In first phase core unit is build and when the unit has reached the level it becomes ready to live inside. He found in his study that the people of Dar es Sallam demand for housing for construction and transformation where there are two sources of finance are available primary and secondary. In primary source of housing finance skills are required , prior housing is must and the relation with tenants and local business people (Social Capital)is required whereas in Secondary source of housing finance savings from salary, finance from microcredit , water vending and pre- paid rent are the source of finance. This empirical study was conducted in the two informal settlements of Keko Mwanga and Hanna Nassif.

**(Francis Deng Clement, 2018)** Discussed and suggested the affordable housing fiancé availability in China through housing provident fund schemes launched by government in 1991. Clement also explained various obstacles for low accessibility to housing finance such as lack of secondary market, and undeveloped real estate profession, indistinct land and property and property regulations plus absence of proper management support. Due to these obstacles housing finance becomes a vital problem in China. Therefore in order to emphasize on affordable housing finance Clement, Chang and Nanjing did experimental study on case study of Shanghai and explained the use of housing development saving schemes and also suggested

the use of Housing provident fund in financing affordable housing expansion in ,most part of China.

**(P.Sopna, 2011)** analyzed the customer satisfaction towards the housing loan scheme provided by the bank and also discussed that how the operating and processing system of housing loan operates in banking sector along with providing the suggestion to improve customer satisfaction level

### III. OBJECTIVE OF THE STUDY:

- To understand the operating and processing system of housing
- To find out the satisfaction level of customers/ borrowers towards housing loan.
- To suggest methods to satisfy customers towards housing loan.

### IV. RESEARCH METHODOLOGY:

**Research type and research design:** A cross-sectional design was used for the Study to take snapshots of the population about which data is gathered. The Study made use of both secondary and primary data sources. Secondary data was obtained from research materials, journals, government development plans.

**Data Collection:** This study is a descriptive study. Both of the method of data collection is used in this research

**Secondary data** has been collected from text books, National housing bank report, housing loan norms of different banks have been collected through websites. Various Journals available on internet are referred.

#### Methods of Primary Data Collection

The data used for the purpose of study is primary data collected through distribution of pre designed questionnaires. The survey method is used considering the size of the universe and time factor. Data are collected through structured questionnaire. Questionnaire has all the parameters for analyzing customer satisfaction level towards the loan they received from bank.

**Sampling Technique and Sampling size:** Convenient sampling is used in this research. The Sample size of 100 respondents is selected for the study and the sample unit is the customers who borrow loan from formal institutions.

**Statistical tools:** Tools used in this research are Chi square test and Percentage method.

## V. TYPES OF HOME LOANS AND HOUSING FINANCE INSTITUTIONS (HFIS):

There are different types of home loans available in India such as Loan for construction of new house, for purchasing new house, for purchasing old house or flat, home equity loans, home extension loan, home improvement loan, land purchase loans, home loan to self help groups/MFIs, loan to NRIs. These loans can be available through various housing finance institutions(HFIs) such as Scheduled commercial banks, Scheduled Cooperative banks, Regional Rural banks, Agriculture and Rural development banks, Housing finance companies. All HFCs are regulated, guided and supervised by National Housing bank subsidiary of the Reserve Bank of India. NHB July 9, 1988, under the act of the parliament, namely the Housing Bank Act, 1987

## VI. FORMALITIES AND PROCESSING SYSTEM OF HOUSING LOAN

**A. The formalities which have is to be done for raising housing fund from housing finance institutions are explained as follows:**

Long year back the home loan procedure was lengthy, complex and time-consuming but now not anymore. Online and other banking services have made it all trouble-free and processing a home loan application is time saver, but all the documents must be submitted. The procedure to [take a home loan](#) is simple. Though this varies from one bank to the other (in India), the overall procedure is the same.

For home loan first of all application form has to be filled by the applicant along with the processing fee which differs bank to bank. Then bank look for the application and ask for the valid documents such as personal details of the applicant, residential address of the applicant, monthly or yearly income of the applicant, educational information of the applicant, employment details of the applicant, property details on which the loan is applied, estimated cost of the property, present means of financing the home property. The documents of the applicant which are required for home loan procedure includes the: income proof, identity proof (PAN card ,driving license,Aadhaar card ,Voter Id, Passport ,Ration card), age proof, address proof, applicant's employment details, educational proof (school/diploma/degree certificates), bank statements, Property details on which the loan is applied (if finalized) There are three important reasons banks ask for all the above proofs from an applicant: to authenticate the applicant. to obtain valid clues on the applicant's financial health to check if the applicant is eligible and has sufficient income to pay back the loan.

## B. Housing Loan Processing system

The steps to complete the home loan process are as follows:

**Step 1:** Fill the Loan Application Form & Attach the Documents

**Step 2:** Pay the Processing Fee

**Step 3:** Discussion with the Bank

**Step 4:** Valuation of the Documents

**Step 5:** The Sanction/Approval Process

**Step 6:** Processing the Offer Letter

**Step 7:** Processing the Property Papers Followed By a Legal Check

**Step 8:** Processing a Technical Check & the Site Estimation

**Step 9:** The Final Loan Deal, Signing the Agreement, & Disbursal

## C. Clear the House Loan

## VII. ANALYSIS AND INTERPRETATION:

**Table 1 Demographic Details of the Respondents**

| Income       | Age            | Qualification | Employment nature | Amount Borrowed | Gender |        |
|--------------|----------------|---------------|-------------------|-----------------|--------|--------|
| <10000       | % of Total Sum | 6.8%          | 2.7%              | 11.0%           | 2.7%   | 4.7%   |
|              | % of Total N   | 6.0%          | 6.0%              | 6.0%            | 6.0%   | 6.0%   |
|              | N              | 3             | 3                 | 3               | 3      | 3      |
| 10000-25000  | % of Total Sum | 21.1%         | 20.7%             | 28.8%           | 16.1%  | 21.9%  |
|              | % of Total N   | 24.0%         | 24.0%             | 24.0%           | 24.0%  | 24.0%  |
|              | N              | 12            | 12                | 12              | 12     | 12     |
| 25000-50000  | % of Total Sum | 42.2%         | 45.7%             | 41.7%           | 45.0%  | 46.9%  |
|              | % of Total N   | 42.0%         | 42.0%             | 42.0%           | 42.0%  | 42.0%  |
|              | N              | 21            | 21                | 21              | 21     | 21     |
| 50000-100000 | % of Total Sum | 23.1%         | 22.9%             | 14.7%           | 30.2%  | 20.3%  |
|              | % of Total N   | 22.0%         | 22.0%             | 22.0%           | 22.0%  | 22.0%  |
|              | N              | 11            | 11                | 11              | 11     | 11     |
| >100000      | % of Total Sum | 6.8%          | 8.0%              | 3.7%            | 6.0%   | 6.3%   |
|              | % of Total N   | 6.0%          | 6.0%              | 6.0%            | 6.0%   | 6.0%   |
|              | N              | 3             | 3                 | 3               | 3      | 3      |
| Total        | % of Total Sum | 100.0%        | 100.0%            | 100.0%          | 100.0% | 100.0% |
|              | % of Total N   | 100.0%        | 100.0%            | 100.0%          | 100.0% | 100.0% |
|              | N              | 50            | 50                | 50              | 50     | 50     |

The table indicates that 6% of respondent fall under <10,000 income category whereas 24% respondents fall under 10,000-25,000 income category; 22% respondents comes under 50000-100000 income category and 6% respondents comes under >100000 income category.

### Interface one

In this section we analysis the Factors affecting the choice of Loan taking process i.e. form where the loan taking is convenient, hassle free and with very less formalities. The main factors who impact our loan taking decision like Advertisements, flow of

information regarding Institution, facilities provided by the Institution, Margin Money Required, Registration Process and Interaction with the Customers.

**Table 3 Descriptive Statistics for satisfaction with factors before taking final Loan like facilities, convenience availed by borrowers and promises offered by financial institution.**

|  |                | Sum of Squares | df | Mean Square | F      | Sig. |
|--|----------------|----------------|----|-------------|--------|------|
| Formalities                            | Between Groups | 20.103         | 4  | 5.026       | 6.214  | .000 |
|  | Within Groups  | 36.397         | 45 | 0.809       |        |      |
|  | Total          | 56.500         | 49 |             |        |      |
| Registration                           | Between Groups | 11.419         | 4  | 2.855       | 3.398  | .016 |
|  | Within Groups  | 37.801         | 45 | 0.840       |        |      |
|  | Total          | 49.220         | 49 |             |        |      |
| Marginmoney                            | Between Groups | 12.000         | 4  | 3.000       | 6.136  | .000 |
|  | Within Groups  | 22.000         | 45 | 0.489       |        |      |
|  | Total          | 34.000         | 49 |             |        |      |
| Advertisement                          | Between Groups | 5.771          | 4  | 1.443       | 8.209  | .000 |
|  | Within Groups  | 7.909          | 45 | 0.176       |        |      |
|  | Total          | 13.680         | 49 |             |        |      |
| RadioTVAdvertisement                   | Between Groups | 6.079          | 4  | 1.520       | 2.261  | .077 |
|  | Within Groups  | 30.241         | 45 | 0.672       |        |      |
|  | Total          | 36.320         | 49 |             |        |      |
| Brochures/ Posters/ Handbills/ Banners | Between Groups | 6.542          | 4  | 1.635       | 3.074  | .025 |
|  | Within Groups  | 23.938         | 45 | .532        |        |      |
|  | Total          | 30.480         | 49 |             |        |      |
| Friend/relative/ colleague             | Between Groups | 5.794          | 4  | 1.448       | 11.073 | .000 |
|  | Within Groups  | 5.886          | 45 | 0.131       |        |      |
|  | Total          | 11.680         | 49 |             |        |      |
| Customercare                           | Between Groups | 3.578          | 4  | 0.894       | 7.677  | .000 |
|  | Within Groups  | 5.242          | 45 | 0.116       |        |      |
|  | Total          | 8.820          | 49 |             |        |      |
| Mail                                   | Between Groups | 3.030          | 4  | 0.758       | 5.454  | .001 |
|  | Within Groups  | 6.250          | 45 | 0.139       |        |      |
|  | Total          | 9.280          | 49 |             |        |      |
| Guarantee                              | Between Groups | 7.933          | 4  | 1.983       | 2.301  | .073 |
|  | Within Groups  | 38.787         | 45 | .862        |        |      |
|  | Total          | 46.720         | 49 |             |        |      |
| Salesperson                            | Between Groups | .667           | 4  | .167        | 5.625  | .001 |
|  | Within Groups  | 1.333          | 45 | .030        |        |      |
|  | Total          | 2.000          | 49 |             |        |      |
| Advisors                               | Between Groups | 3.985          | 4  | .996        | 4.652  | .003 |
|  | Within Groups  | 9.635          | 45 | .214        |        |      |
|  | Total          | 13.620         | 49 |             |        |      |

The above table clearly indicates that some factors has significant difference on satisfaction levels like Guarantee, Different Schemes and Advertisement other then There is no significant difference in the satisfaction level factors of the customers before taking housing loan of different formal sources of housing finance.

### Interface two

In this section we analysis the Factors affecting the satisfaction During taking final Loan like Loan Amount, Interest Rate, Processing, Different Charges offered by financial institution

**Table 3 Descriptive Statistics for satisfaction with factors During taking final Loan like Loan Amount, Interest Rate, Processing, Different Charges offered by financial institution.**

|                    |                | Sum of Squares | df | Mean Square | F     | Sig. |
|--------------------|----------------|----------------|----|-------------|-------|------|
| Amountofloan       | Between Groups | 11.849         | 4  | 2.962       | 7.177 | .000 |
|                    | Within Groups  | 18.571         | 45 | .413        |       |      |
|                    | Total          | 30.420         | 49 |             |       |      |
| Affordablecharge   | Between Groups | 9.305          | 4  | 2.326       | 3.710 | .011 |
|                    | Within Groups  | 28.215         | 45 | .627        |       |      |
|                    | Total          | 37.520         | 49 |             |       |      |
| HiddenCharge       | Between Groups | 10.112         | 4  | 2.528       | 2.811 | .036 |
|                    | Within Groups  | 40.468         | 45 | .899        |       |      |
|                    | Total          | 50.580         | 49 |             |       |      |
| Interest           | Between Groups | 15.940         | 4  | 3.985       | 4.712 | .003 |
|                    | Within Groups  | 38.060         | 45 | .846        |       |      |
|                    | Total          | 54.000         | 49 |             |       |      |
| Tax                | Between Groups | 9.271          | 4  | 2.318       | 2.510 | .055 |
|                    | Within Groups  | 41.549         | 45 | .923        |       |      |
|                    | Total          | 50.820         | 49 |             |       |      |
| Insurance          | Between Groups | 9.042          | 4  | 2.260       | 2.214 | .082 |
|                    | Within Groups  | 45.938         | 45 | 1.021       |       |      |
|                    | Total          | 54.980         | 49 |             |       |      |
| Incidental charges | Between Groups | 3.815          | 4  | .954        | 2.307 | .073 |
|                    | Within Groups  | 18.605         | 45 | .413        |       |      |
|                    | Total          | 22.420         | 49 |             |       |      |
| Schemes            | Between Groups | 5.588          | 4  | 1.397       | 2.453 | .059 |
|                    | Within Groups  | 25.632         | 45 | .570        |       |      |
|                    | Total          | 31.220         | 49 |             |       |      |
| Financerbehavior   | Between Groups | 4.944          | 4  | 1.236       | 4.779 | .003 |
|                    | Within Groups  | 11.636         | 45 | .259        |       |      |
|                    | Total          | 16.580         | 49 |             |       |      |

The above table clearly indicates that these factors has significance impact on satisfaction levels of the customers during taking housing loan of different formal sources of housing finance. Factors like processing of loan, Different Charges, Schemes of Housing Loan offered by the Financial Institutions, Taxes levied by the Banks are most influential factors who affect the satisfaction levels of the customers during taking housing loan.

### Interface Three

In this section we analysis the Factors affecting the satisfactionAfter taking final Loan i.e repayment method, Prepayment fee, repayment time etc.

**Table 4 Descriptive Statistics for satisfaction with factors After taking final Loan i.e repayment method, Prepayment fee, repayment time etc.**

|                  |                |        |    |       |       |      |
|------------------|----------------|--------|----|-------|-------|------|
| Repayment time   | Between Groups | 10.496 | 4  | 2.624 | 3.565 | .013 |
|                  | Within Groups  | 33.124 | 45 | .736  |       |      |
|                  | Total          | 43.620 | 49 |       |       |      |
| Repayment method | Between Groups | 13.383 | 4  | 3.346 | 4.647 | .003 |
|                  | Within Groups  | 32.397 | 45 | .720  |       |      |
|                  | Total          | 45.780 | 49 |       |       |      |
| Pre-Payment Fee  | Between Groups | 11.393 | 4  | 2.848 | 4.311 | .005 |
|                  | Within Groups  | 29.727 | 45 | .661  |       |      |
|                  | Total          | 41.120 | 49 |       |       |      |

The above table clearly indicates that the only factor affected the satisfaction of costumers which is pre-payment fee or charges levied by the formal sector financial institutions

**Null Hypothesis:** There is no significant difference in the satisfaction level of the customers who are taking housing loan of different formal sources of housing finance is **Rejected**.

**Limitations of the study:** This study is limited to Jhansi District due to time and resource constraints. Therefore, the findings may be interpreted cautiously with respect to time and space.

#### **SUGGESTIONS:**

In order to increase the customer satisfaction for housing loan, Housing Finance Institutions should clearly mention the interest rates to the customers before providing the home loans. Sometimes the due the reoccurring complexities and large formalities the delay in processing take place. Therefore, it is advisable that the HFCs should cut short the eligibility criteria and the loan should also be availed as per the subsidized interest rate provided by government and government should emphasize on schemes like MUDRA to empower the financial condition of the poor so that they can also have earning and could open account in bank under Jandhanyojna scheme and can avail housing loan facilities at government provide subsidized rate. Even sometimes it happens the customer is not educated but having then there should be easy financial terminology that can be easily understood by the customers. MI calculation must be taught to the customers.

#### **CONCLUSION:**

From the study it comes to know most of the customers are satisfied with the service of Housing finance institution. Loan products available to the borrowers are satisfied by the banks and the expected demand for housing loan is fulfilled by the HFIs in concern. Some customer feels that they were not informed about the different kind of interest rates. Because of this they are facing some problems like extending EMI period. Overall it is concluded from

this study that due to the strict norms and high regularity and supervision by NHB and RBI the formal housing system is curbing the risk of non performing assests of bank and along with government schemes like Jan DhanYojna and various housing schemes is helpul in encouraging the informal as well as people who are not doing jobs are opening their accounts in the bank and if they are depositing on regular basis then can avail the benefit of Government formal schemes.

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